



May 1, 2024

MEMORANDUM REPORT

TO: Patricia Kelly
Chief Financial Officer

FROM: John Seger
Assistant Inspector General for Audits, Evaluations, and Inspections

SUBJECT: Evaluation of PBGC's Fiscal Year 2023 Compliance with the Payment Integrity Information Act of 2019 (Report No. EVAL-2024-07)

This memorandum report presents the results of our evaluation of the Pension Benefit Guaranty Corporation's (PBGC) Fiscal Year (FY) 2023 Compliance with the Payment Integrity Information Act of 2019 (PIIA). The objective of this evaluation was to determine PBGC's FY 2023 compliance with PIIA, as amended by its predecessors, the Improper Payments Information Act of 2002; the Improper Payments Elimination and Recovery Act of 2010 (IPERA); and the Improper Payments Elimination and Recovery Improvement Act of 2012. In addition, we reviewed the payment integrity section in PBGC's Annual Report and the accompanying materials to the financial statements for FY 2023. We conducted our work in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation (Appendix I).

This report contains public information and will be posted in its entirety on our website and provided to the Board and Congress in accordance with the Inspector General Act of 1978.

Summary

We determined that PBGC complied with the applicable PIIA requirements outlined in M-21-19, Transmittal of Appendix C to Office of Management and Budget (OMB) Circular A-123, *Requirements for Payment Integrity Improvement*, dated March 5, 2021 (Table 1).

Table 1. PBGC’s FY 2023 PIIA Compliance Reporting Table

OMB Criteria	Payments to Contractors	Multiemployer Financial Assistance Payments	Benefit Payments	Payments to Federal Employees	Premium Refunds	Multiemployer Special Financial Assistance (SFA)
1a. Published payment integrity information with the annual financial statements.	Yes	Yes	Yes	Yes	Yes	Yes
1b. Posted the annual financial statements and accompanying materials on the agency website.	Yes	Yes	Yes	Yes	Yes	Yes
2a. Conducted Improper Payment (IP) risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.	Yes	Yes	Yes	Yes	Yes	Yes ¹

¹ SFA payments began in FY 2022. In accordance with OMB guidance for newly established programs, an IP risk assessment should be completed after the first 12 months of the program. Accordingly, an IP risk assessment was conducted for SFA in FY 2023.

2b. Adequately concluded whether the program is likely to make IPs and Unknown Payments (UPs) above or below the statutory threshold.	Yes	Yes	Yes	Yes	Yes	Yes ¹
3. Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statements.	N/A ²					
4. Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statements.	N/A ²					

¹ SFA payments began in FY 2022. In accordance with OMB guidance for newly established programs, an IP risk assessment should be completed after the first 12 months of the program. Accordingly, an IP risk assessment was conducted for SFA in FY 2023.

² Requirements 3 through 6 are not applicable as none of PBGC's payment streams are susceptible to significant improper payments.

5a. Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statements.	N/A ²					
5b. Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate.	N/A ²					
5c. Developed a plan to meet the IP and UP reduction target.	N/A ²					
6. Reported an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statements.	N/A ²					

Source: PBGC OIG's assessment of PBGC's compliance.

Background

Established by the Employee Retirement Income Security Act of 1974 (ERISA), the PBGC or Corporation protects the retirement security of over 31 million American workers, retirees, and beneficiaries in single-employer and multiemployer defined-benefit pension plans. PBGC pays guaranteed benefits directly to retirees and beneficiaries in failed single-employer plans and pays financial assistance to insolvent multiemployer plans to allow them to pay guaranteed benefits to retirees and beneficiaries. These two insurance programs are legally separate and operationally and financially independent. In addition, the American Rescue Plan (ARP) Act of 2021 established the Special Financial Assistance (SFA) Program for financially troubled multiemployer pension plans. The SFA program is funded by general U.S. Treasury monies.

PIIA Requirements

PIIA requires agencies to identify and review, based on guidance provided by OMB, all programs, and activities they administer that may be susceptible to significant improper payments. Program payments are categorized in one of three possible payment types:

1. *Proper Payment* - a payment made to the right recipient for the right amount,
2. *Improper Payment (IP)* - a payment made in an incorrect amount or to the wrong recipient, or
3. *Unknown Payment (UP)* - for instances where an agency is unable to determine whether the payment falls into the proper or improper category, that payment should be considered an “unknown” payment.

Compliance

On March 5, 2021, OMB issued a revised OMB Circular A-123 Appendix C (M-21-19). The stated goal of this guidance is to transform the payment integrity compliance framework and create a more comprehensive and meaningful set of requirements to allow agencies to spend less time complying with low-value activities and more time researching the underlying causes of improper payments, balancing payment integrity risks and controls, and building the capacity to help prevent future improper payments. The Office of Inspector General (OIG) is responsible for determining whether the agency is compliant with PIIA and submitting a report on that determination.

For an agency to be deemed *Compliant* with the PIIA, it must have complied with all 10 OMB criteria listed in Table 1.

PBGC Programs and Activities

PBGC conducts risk assessments for five of their six payment streams using a rotational strategy based on a three-year cycle. The five payment streams for the three-year cycle are:

Benefit Payments: benefit payments to participants in “final pay” status for plans trusted by PBGC under Title IV of ERISA;

Payments to Contractors: payments to contractors for goods and services, including government credit card transactions;

Payments to Federal Employees: payments made to federal employees, including payroll and travel reimbursements;

Premium Refunds: refunds of previously paid premiums;

Multiemployer Financial Assistance Payments: financial assistance payments to insolvent multiemployer plans that are unable to pay benefits when due under the requirements of Title IV of ERISA;

PBGC conducts an annual risk assessment for one of its payment streams because of its constrained outlay time frame. This payment stream is as follows:

Multiemployer Special Financial Assistance Payments: special financial assistance payments for distressed multiemployer plans that meet specific criteria under ARP.

In previous years, PBGC concluded that none of its payment streams were susceptible to significant improper payments as defined by statute or OMB guidance. According to OMB, for programs that are deemed not to be susceptible to significant improper payments, agencies must perform risk assessments at least once every three years. In FY 2023, following PBGC’s three-year rotational schedule, a risk assessment was conducted on *Payments to Federal Employees*. Additionally, PBGC assessed the *Multiemployer Special Financial Assistance Payment* stream for the first time in FY2023 because the initial payments were made in FY2022. Given the nature and profile of the program, and constrained outlay time, PBGC management has committed to perform a risk assessment of the Multiemployer Special Financial Assistance plan annually until the program ends, ensuring compliance with the reporting requirements.

Details

Based on our review, we determined that, for FY 2023, PBGC was compliant with the 10 PIIA requirements (See Table 1).

Requirement 1a: PBGC published payment integrity information with the annual financial statements in its FY 2023 Annual Report, dated November 15, 2023.

Requirement 1b: PBGC posted the annual financial statements and accompanying materials on the agency website at <https://www.pbgc.gov/about/annual-reports>.

OMB A-136 requires agencies that provide information to OMB through the Annual Data Call to include the website hyperlink for *PaymentAccuracy.gov* in their AFR. The link in the AFR provides a reader access to information on agency IP risk assessments, recoveries, and other agency-wide reporting requirements.

For FY 2023, PBGC provided information to OMB through the Annual Data Call at the agency level for every program and activity with outlays over \$10 million. For FY 2023, PBGC included the same Payment Integrity reporting information in the AFR as the information posted on *PaymentAccuracy.gov*.

Requirement 2a: Corporate Controls and Reviews Department (CCRD) conducted IP risk assessments for each program with annual outlays greater than \$10 million at least once in the last three years based on our prior and ongoing work. In FY 2023, based on PBGC's rotational schedule, it performed risk assessments on *Payments to Federal Employees and Multiemployer Special Financial Assistance Payments*.

Requirement 2b: PBGC adequately concluded that the two payments streams are not susceptible to significant improper payments (not likely to make IPs and UPs above the statutory threshold) based on the risk assessments performed by CCRD and work performed by a contractor, under the direction and oversight of CCRD personnel and management.

Requirements 3 through 6: These requirements do not apply based on PBGC's determinations in its risk assessments. PBGC determined that all payment streams were not susceptible to significant improper payments. Consequently, improper payment estimates, corrective action plans, annual

reduction targets, and rates less than ten percent are not required for the payment streams.

Conclusion

We appreciate the cooperation you and your staff extended to us during this project. We thank you for your commitment to reducing risk and improving the effectiveness and efficiency of PBGC programs and operations. This report communicates the results of our review and does not contain recommendations; therefore, no management response is required. If you have questions or comments, please contact me at (202) 229-3315 or David Reynolds at (202) 615-0831.

cc: Lisa Carter, Director of CCRD
Karen Morris, General Counsel
Latreece Wade, Risk Management Officer
Department of Labor Board staff
Department of Treasury Board staff
Department of Commerce Board staff
Senate Committee on Homeland Security and Governmental Affairs
House Committee on Oversight and Accountability
Controller General of the United States
Office of Management and Budget
House Committee on Appropriations
Senate Committee on Appropriations
House committee staff (Education and Workforce, Ways and Means, and HOCR)
Senate committee staff (HELP and Finance)

Appendix I: Objective, Scope, Methodology, and Standards

Objective

Our objective is to determine whether PBGC complied with the Payment Integrity Information Act of 2019 (PIIA) for Fiscal Year (FY) 2023.

Scope

We conducted our evaluation of PBGC's FY 2023 compliance with PIIA from December 2023 through April 2024 via remote work, telework, and at PBGC Headquarters.

Methodology

To achieve our objective, we reviewed applicable federal laws, OMB guidance, and agency policies and procedures. From PBGC's website, we obtained and reviewed PBGC's FY 2023 Annual Financial Report (AFR), focusing on the Improper Payment Reporting section and accompanying materials to assess PBGC's compliance with PIIA and related OMB guidance.

We interviewed PBGC's Corporate Controls and Reviews Department staff to gain an understanding of the procedures, oversight, and internal controls in place for the FY 2023 Annual Report Payment Integrity section and any accompanying materials related to reporting the required data in the appropriate format to OMB and in the AFR, preparing the required risk assessments, preventing, and detecting improper payments and recapturing improper payments.

To evaluate the Corporation's efforts to prevent and reduce improper payments, we gained an understanding of applicable policies and procedures. We obtained source data from the agency to support applicable payment integrity information in the Annual Report and analyzed the source data to evaluate the accuracy and completeness of payment integrity information in the report.

We obtained and reviewed PBGC's Risk Assessments for FY 2023 Payment Integrity Review of Multiemployer Special Financial Assistance Payments and Payments to Federal Employees payment streams. For Payments to Federal Employees, we conducted an in-depth analysis of the risk factors in accordance with OMB M-21-19 by evaluating supporting documentation, such as cycle memos, prior reports and

assessments, internal control reports, and PBGC Outlay forecast reports, payments to employees reconciliation, and assessing the reasonableness of the risk factor's ratings, scoring, and weighting. For Multiemployer Special Financial Assistance, we reviewed notification of debt letters, SFA Templates, and source documents from TeamConnect.

Applicable Professional Standards

We conducted the review under the authority of the Inspector General Act of 1978, as amended, and in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we plan and perform the engagement to obtain sufficient and appropriate evidence to provide a reasonable basis for our conclusions and observations based on our objective.

During the review, we obtained an understanding of internal controls that are significant to the engagement objective and did not find them unsatisfactory. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. Accordingly, the evaluation included review of controls and compliance with laws and regulations to the extent necessary to satisfy the evaluation objective. We determined that the computer processed data used to evaluate PBGC's compliance with PIIA is sufficiently reliable for the purpose of meeting our evaluation objectives. Thus, the evidence we obtained gives a reasonable basis for our conclusions and observations based on our objective.

Appendix II: Acronyms

Acronym	Meaning
AFR	Annual Financial Report
CCRD	Corporate Controls and Reviews Department
ERISA	Employee Retirement Income Security Act of 1974
FY	Fiscal Year
IP	Improper Payment
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity and Information Act of 2019
SFA	Special Financial Assistance Program
UP	Unknown Payment

Appendix III: Staff Acknowledgements

PBGC OIG Contact John Seger, 202-229-3315 or seger.john@pbgc.gov

Staff Acknowledgements In addition to the contact above, David Reynolds, Audit Manager, and Yolanda Young, Auditor, made key contributions to this report.

Appendix IV: Feedback

Please send your comments, suggestions, and feedback to OIGFeedback@pbgc.gov and include your name, contact information, and the report number. You may also mail comments to us:

Office of Inspector General Pension Benefit Guaranty Corporation
445 12th Street SW
Washington, DC 20024

If you want to discuss this report or your comments with a member of the Office of Inspector General staff, please contact our office at (202) 326-4030.