

October 1, 2023–March 31, 2024

SARC #70

PBGC OIG

Pension Benefit Guaranty Corporation Office of the Inspector General

SEMIANNUAL REPORT TO CONGRESS





PBGC Headquarters

Washington, DC.

→ From the Inspector General



Nicholas J. Novak

The Board of Directors
Pension Benefit Guaranty Corporation

I am pleased to present this Semiannual Report summarizing OIG activities for the six-month period ending March 31, 2024. The Report is a statutory requirement, in which OIG describes significant problems, abuses, and deficiencies found in PBGC's administration of its programs during the reporting period. It also summarizes our recommendations to PBGC for corrective action regarding those issues and PBGC's response.

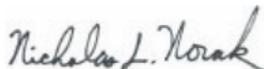
During this reporting period, PBGC took important steps to improve the processing of plan participant data in the Special Financial Assistance (SFA) Program. On November 1, 2023, we released a report, "Management Alert: Deceased Participants in the Central States' Special Financial Assistance Calculation (Report No. EVAL-2024-01)," which showed the Corporation the importance of validating participant data used in SFA applications. Following the report, PBGC moved to assure the integrity of the participant data going forward and correct previous SFA payment calculations that resulted from the inclusion of deceased participants in plan data.



I congratulate Director Gordon Hartogensis and his staff for their efforts to improve their stewardship of taxpayer dollars to get the amount of the SFA payments right. I also thank the Department of Labor for announcing on March 14, 2024, an enforcement policy that will reduce plan-perceived fiduciary impediments to voluntarily returning SFA overpayments. Once PBGC has completed its work in this area, we will be able to report how much SFA was overpaid to plans due to the inclusion of deceased participants in plan data and how much has been returned to the Treasury. In April 2024, the Central States Pension Fund returned nearly \$127 million to the Treasury pursuant to a settlement with the Department of Justice.

OIG management and the audit staff are dedicated to independence, transparency, and accountability. These standards, combined with an unwavering commitment to quality through the audit process, form the foundation of excellent government auditing. I greatly appreciate the resolute support of the Board, the Board staff, and Director Hartogensis in our efforts.

Respectfully submitted,



Nicholas J. Novak
Inspector General

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Pension Benefit Guaranty Corporation

The Agency

The Employee Retirement Income Security Act of 1974 (ERISA) established the Pension Benefit Guaranty Corporation (PBGC or the Corporation) within the Department of Labor to administer the pension insurance programs. ERISA requires PBGC to: (1) encourage the continuation and maintenance of voluntary private pension plans, (2) provide for the timely and uninterrupted payment of pension benefits to participants and beneficiaries, and (3) maintain premiums at the lowest level consistent with carrying out PBGC's obligations.

PBGC insures the pension benefits of more than 31 million American workers and retirees who participate in more than 24,500 private-sector defined-benefit plans through its single-employer and multiemployer insurance programs. The Corporation's two insurance programs are legally separate and operationally and financially independent. Historically, the Corporation has not received general tax revenues. The Single-Employer Program is financed by insurance premiums paid by sponsors of defined-benefit plans, investment income from plan assets trusted by PBGC, and recoveries from companies formerly responsible for the plans. The Multiemployer Program is financed by premiums paid by insured plans and investment income. Premium rates are set by statute.

In FY 2023, PBGC paid over \$6.0 billion in retirement benefits to more than 917,000 participants in 5,119 single-employer plans. It also paid \$176 million in traditional financial assistance to more than 80,000 participants in 100 insolvent multiemployer plans. Between the two programs, it managed approximately \$135 billion in total assets.¹ The American Rescue Plan Act of 2021 (ARP) established the Special Financial Assistance (SFA) program to address the solvency of the Multiemployer Program, which was projected to become insolvent in 2026. The SFA program is expected to provide an estimated \$79.7 billion in assistance to 211 financially troubled multiemployer pension plans.² The total SFA program decreased by \$3.3 billion from the amount reported in the last Semi-Annual report. PBGC continues to revise its estimate of the cost of the SFA program as applications are received and payments are approved.

For the first time in its 50-year history, PBGC received taxpayer funds—in the form of SFA—to support financially troubled multiemployer defined benefit pension plans. As of September 30, 2023, PBGC received SFA applications from 135 SFA applications requesting a total of \$71.0 billion in SFA and approved 100 applications for \$53.5 billion in SFA. Twenty-five applications, requesting a total of \$8.5 billion, were under PBGC review as of September 30, 2023. During FY 2023, PBGC paid \$45.6 billion in SFA, of which \$1.4 billion was paid pursuant to applications approved under the interim final rule (i.e., applications received prior to August 8, 2022), and \$44.2 billion was paid under the final rule (including \$1.8 billion in supplemented SFA for plans that initially applied under the interim final rule).

¹Unless otherwise cited, the figures contained in this section are based on PBGC's 2023 Annual Report.

²The total SFA program decreased by \$3.3 billion from the amount reported in the last Semi-Annual report. PBGC continues to revise its estimate of the cost of the SFA program as applications are received and payments are approved. (PBGC FY 2022 Projections Report, August 2023)

PBGC Office of the Inspector General

Who we are

The PBGC OIG was created under the 1988 amendments to the Inspector General Act of 1978 (IG Act). We provide independent and objective audits, inspections, evaluations, and investigations to help Congress, the Board of Directors, and PBGC protect the pension benefits of America's workers.

We are organizationally independent from the Corporation, with the Inspector General reporting to the Board of Directors. Under Public Law 112-141, the Inspector General must attend at least two Board meetings per year "to provide a report on the activities and findings of the Inspector General, including with respect to monitoring and review of the operations of the Corporation."

The OIG executive leadership team consists of the Inspector General, the Deputy Inspector General, the Chief Counsel, and the Assistant Inspectors General. The Assistant Inspector General for Audits leads our audit staff, the Assistant Inspector General for Investigations leads our investigative staff, and the Assistant Inspector General for Management leads our office operations.



The Terminated Vested Evaluation Team received a Council of the Inspectors General on Integrity and Efficiency (CIGIE) Evaluation Award for Excellence in recognition of exemplary efforts in identifying potential overpayments in the Special Financial Assistance program and protecting PBGC from reputational risk and potential waste of taxpayer dollars.

Our Value Framework

Independent, Positive Engagement

Our work must be **independent** and objective. At the same time, corrective action based on our work is less likely to happen if we are not engaged with management. We optimize our value through **positive engagement** and creating win-wins whenever possible.



Vision

Providing deep knowledge and sensible solutions through independent, positive engagement.



Mission

Prevent and detect fraud and abuse in PBGC programs and operations, along with other core activities.



Pillars

People-Focused
Process Oriented
Performance Driven

OIG Core Values



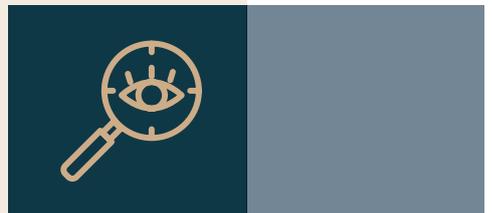
Respect

We treat each other and those whom we interact with dignity, civility, and due regard to differing perspectives.



Integrity

We consistently practice honesty and fairness with an uncompromising adherence to strong moral and ethical principles and values. We rely upon these principles to guide our actions and decisions no matter how small they may seem.



Excellence

We strive to achieve the highest quality in everything we do **and learn from our experiences.**



Objectivity and Independence

We conduct our work with fairness and free from bias. We base our findings and recommendations on reliable and verifiable evidence, unencumbered by external pressure and undue influence.



Audits, Inspections, and Evaluations

We conduct independent and objective audits and evaluations of PBGC's programs and activities to ensure they operate economically, efficiently, and effectively. Some of the most significant issues for which we issued reports during this period include:



Deceased Participants in Central States' Special Financial Assistance Calculation

While PBGC has adjusted its calculation review process for some participant groups in SFA applications, this alert memo identified expanded groups with deceased participants included in the calculation used to determine the SFA amount. We recommended further improvements to PBGC's SFA application review process to ensure deceased participants are removed from all categories of participants.



Fiscal Year 2023 and 2022 Financial Statements

Independent auditors Ernst and Young found PBGC's financial statements, including the notes to the financial statements, were presented fairly in all material respects in accordance with generally accepted accounting principles of the United States. This was the 31st consecutive unmodified financial statement audit opinion.



Procurement Department Risk Advisory

We have identified the following risk that warrants management's attention: A lack of continuity in senior acquisition leadership, effective strategic human capital planning for acquisition personnel, and effective policies and procedures over routine contract activities leave PBGC vulnerable to low staff morale, contract award delays, and fraud, waste and abuse in its acquisition function. The risk advisory provides management suggestions to mitigate the risk, if implemented.

Audit Accomplishments



4

Audit Reports Issued



1

Evaluation Report Issued

To access our full library of reports and recommendations, visit <https://oig.pbgc.gov/index.html>



Statistical Data

Type of Reports

Performance audits

provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits follow Generally Accepted Government Auditing Standards.



Financial audits

are assessments that determine whether the reported financial conditions, results, and use of resources are presented fairly in accordance with recognized criteria.



Completed Reports

Recommendations



Evaluations

provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Evaluations follow CIGIE's Quality Standards for Inspection and Evaluation.

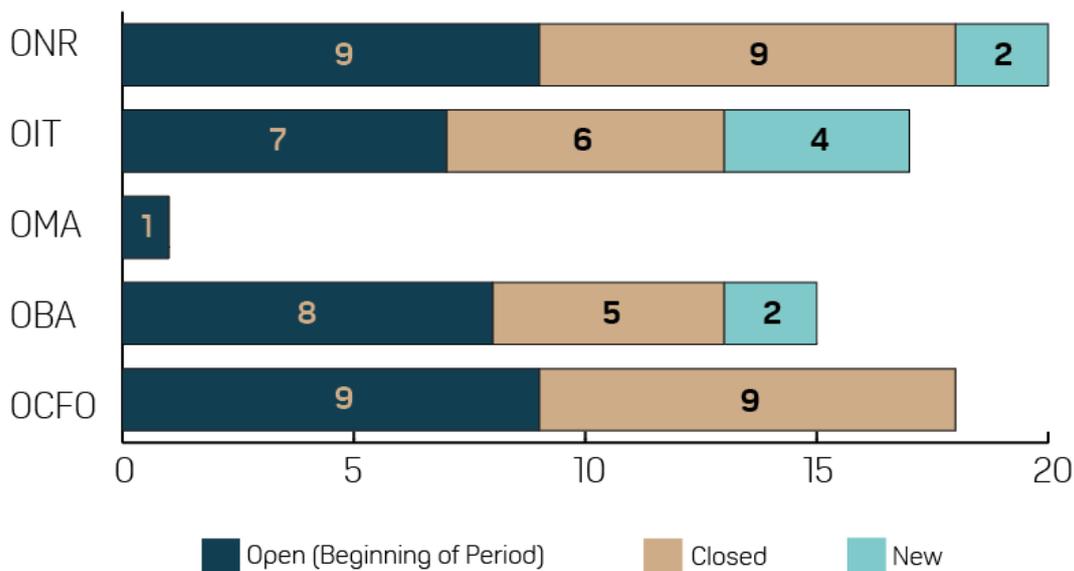


Special Reports

provide information on emerging issues to management attention through a Risk Advisory or Management Alert or provide the public and stakeholders with contextual information through a White Paper. These products can have suggestions, which are non-formal recommendations.

Open Recommendations

Status of Department Recommendations as of March 31, 2024



As of March 31, 2024, PBGC OIG has 13 open recommendations included in 7 reports issued since December 8, 2020.

A recommendation is opened on the date the audit report is issued. Once opened, a recommendation is “unresolved” until the auditee and PBGC OIG agree on the step(s) necessary to address the recommendation. Then the recommendation is considered “resolved” and remains open until the auditee completes the corrective action and provides PBGC OIG with sufficient supporting evidence of the actions taken. A recommendation is closed after the auditee has agreed with the recommendation and takes appropriate corrective action, and provides the PBGC OIG with sufficient supporting evidence to demonstrate that the action was taken.

Summary of Outstanding Recommendations

Report No.	Issue Date	Report Title	Total Report Recs	Open Recs 3/31/2024	Potential Cost Savings
2021-01	12/08/2020	Internal Controls Must Be Strengthened to Promote Procurement Integrity	3	1	\$4,800,000
2021-02	12/09/2020	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements	10	1	\$0
2021-06	02/01/2021	Fiscal Year 2020 Financial Statement Audit Management Letter Report	9	1	\$0
2023-04	11/22/2022	Evaluation of Hotline Complaints regarding a PBGC Contract	2	2	\$0
2024-01	11/1/2023	Deceased Participants in the Central States' Special Financial Assistance Calculation	1	1	\$0
2024-04	12/21/2023	Fiscal Year 2023 Financial Statement Audit Management Letter Report	4	4	\$0
2024-06	01/31/2024	Pension Benefit Guaranty Corporation FY 2023 Federal Information Security Modernization Act of 2014 Report	3	3	\$0



**Aerial view of southwest DC
from PBGC headquarters**

Peer Reviews



Audit

Generally accepted government auditing standards require any organization conducting audits in accordance with those standards to undergo an external peer review at least once every three years. These peer reviews conclude in a rating of pass, pass with deficiencies, or fail. A rating of pass signifies that the audit organization's system of quality control has been suitably designed to provide the organization with reasonable assurance of performing and reporting in conformity with applicable professional standards, legal, and regulatory requirements in all material respects.

Inspection and Evaluation

The CIGIE Quality Standards for Inspection and Evaluation require members of CIGIE that conduct inspections or evaluations under those standards to undergo an external peer review every three years. Inspection and evaluation peer review reports do not include an overall rating (such as pass or fail) but state whether the reviewed OIG's policies and procedures were generally consistent with CIGIE standards and whether the OIG's work generally complied with those standards.

Investigation

CIGIE's Qualitative Assessment Review Guidelines for Investigative Operations of Federal Offices of Inspector General establish an independent external evaluation process for investigative operations. The objective of an investigative peer review is to determine whether internal control systems are in place and operating effectively to provide reasonable assurance that an OIG's investigative operations comply with CIGIE's Quality Standards for Investigations. Reviewed OIGs are assessed a rating of compliant or non-compliant. PBGC did not undergo an investigative peer review this period.

To ensure adherence to relevant professional standards, each OIG is subject to periodic external peer reviews. Information on peer reviews conducted by and of the PBGC OIG is provided below.

Copies of peer review reports of PBGC OIG are available on our website at

<https://oig.pbgc.gov/reviews.html>

Peer Reviews of PBGC OIG



Type of Review	Date of Peer Review	Reviewing OIG	Rating	Recommendations
Audit	June 23, 2022	Federal Reserve Board	Pass	None
Evaluation	March 28, 2024	Federal Communications Commission	In Compliance	None

Peer Reviews by PBGC OIG



Type of Review	Date of Peer Review	Reviewed OIG	Rating	Recommendations
Audit (Modified Peer Review)	September 27, 2022	Federal Communications Commission	None	Yes
Evaluation	March 15, 2023	Equal Employment Opportunity Commission	In Compliance	None
Investigation	March 27, 2023	National Archives and Records Administration	In Compliance	None

Investigations

The OIG has broad discretion to carry out investigations related to PBGC programs and operations that the IG determines are necessary or appropriate.

The range of matters falling within the OIG's investigative purview is expansive, encompassing potential violations of law, rules, or regulations; mismanagement; abuse of authority; and more. Investigative activities may be initiated upon allegations or referrals received from a variety of sources, including, but not limited to, PBGC employees or contractors, congressional committees, other agencies, or members of the public. The OIG may also investigate potential fraud, waste, abuse, and mismanagement identified through OIG audits, inspections, and evaluations.

In exercising its investigative authorities, the OIG works to develop products that are timely, clear, and credible, and to guard the identities of those who provide information to the OIG or are the subject of complaints. All investigations are carried out in accordance with the CIGIE Quality Standards for Investigations.

Some of the most significant issues for which we completed or concluded investigations during this reporting period include:



Conversion of Government Funds Sentencing.

An individual entered a guilty plea for fraudulently collecting her deceased father's PBGC pension benefits after he passed away in July 2011. The defendant was ordered to serve two years of probation and pay restitution to PBGC in the amount of \$21,861.20.

Investigative Activities



475

Hotline contacts received



3

Criminal investigations referred for prosecution



1

Sentencing



10

Subpoenas issued



\$201K

Thefts identified³

³Types of thefts identified may be related to ineligible benefit payments, invoicing fraud, and unjust enrichment, among others.

Statistical Data

Investigative Workload

PBGC OIG investigates and refers a variety of matters for criminal prosecution, including cases involving theft of pension benefits, identity theft, bank fraud, wire fraud, and forgery.



129

Investigations/Complaints/
Hotlines Opened
During Reporting Period



65

Ongoing
Investigations



140

Total Investigations/
Complaints/Hotlines Closed
During Reporting Period

Metrics used to develop investigative statistical data



PBGC OIG maintains an Investigative Case Management System to track the life of an investigation. It captures hundreds of data points, including dates, significant investigative steps, referrals, and outcomes (criminal, civil, and administrative). It is also the repository for reports of investigation, stakeholder communications, and management implication reports. Each statistic and outcome reported is validated against supporting legal documents.

Investigative Reports and Referrals



Results Related to Thefts Identified

Special Assessment: \$100
Restitution: \$21,861.20

Investigative Referrals for Criminal Prosecution

Referred to the Department of Justice: 3
Accepted: 0
Pending: 1
Declined: 2

Referred to State/Local Prosecutor's Office: 1
Accepted: 0
Declined: 2

Indictments and informations from prior referrals

None reported during this period.

Investigative memos

PBGC OIG distributed one investigative memo.

Administrative

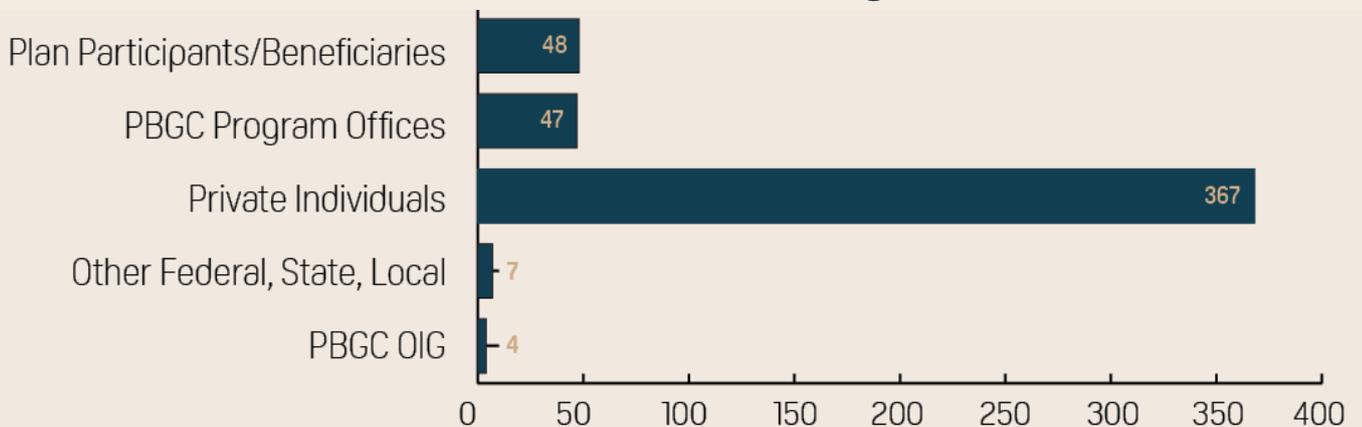
Informal Referrals to PBGC: 83
Formal Referrals to PBGC: 3
Referred to Outside Agency: 7
Referral Recoveries: \$14,306.40



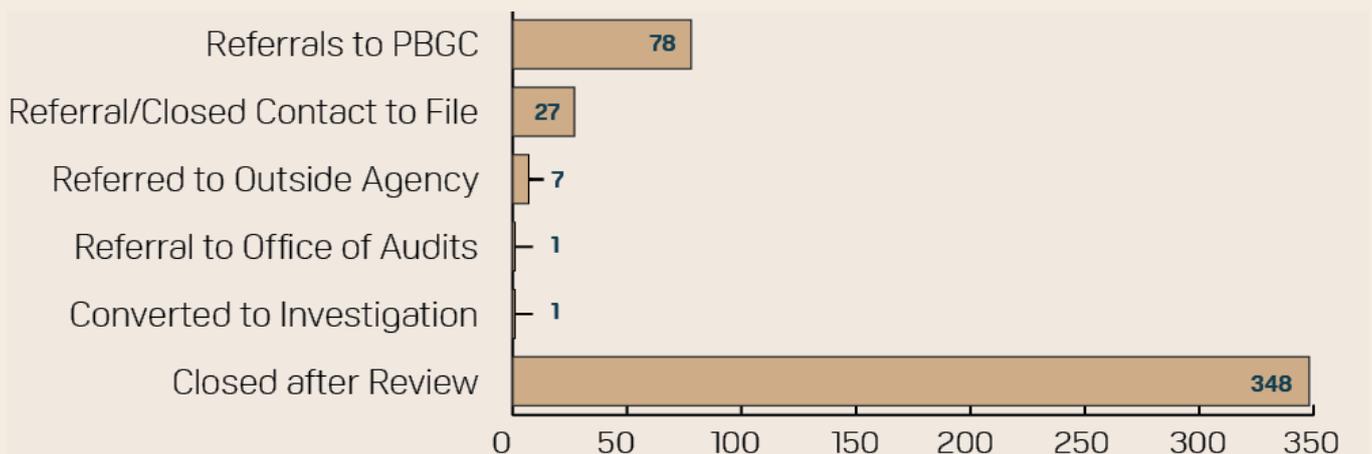
Hotline Complaint Center

PBGC OIG maintains a Hotline Complaint Center for receiving allegations of fraud, waste, abuse, or mismanagement in PBGC programs or operations. Allegations may be reported 24 hours a day, 7 days a week by PBGC employees, contractors, or the general public. We received a total of **475** hotline contacts and closed **462** this period.

Hotline Contacts Origination for the Period



Hotline Contacts Closed this Period





OFFICE OF INSPECTOR GENERAL HOTLINE

Suspect Fraud, Waste, Abuse, or Mismanagement? **LET'S TALK!**

**Workers and Retirees
are Counting on You!**



Call the Hotline at 1-800-303-9737

Or write to:

**Pension Benefit Guaranty Corporation
Office of the Inspector General Hotline**

445 12 St SW

Washington, D.C. 20024-2101

Website: oig.pbgc.gov

or email to:

hotline@pbgc.gov

Your report can be made anonymously or in confidence.

Reporting Requirements



Reports with no agency comment within 60 days

We work closely with the Corporation to ensure timely responses to our draft audit reports. All agency responses were received within 60 calendar days.



Management decisions on previously issued audits

PBGC did not have any recommendations from a prior period with no management decision.



Attempts to interfere with PBGC OIG independence

We did not encounter any instances where PBGC attempted to interfere with our independence.



Audits closed but not disclosed to the public

It is our practice to post all closed nonsensitive audits and evaluations on our public website. Consequently, we have no previously undisclosed audits and evaluations to report.



Compliance with Federal Financial Management Improvement Act

PBGC is in compliance with the Federal Financial Management Improvement Act.



Information or assistance refused by PBGC

PBGC did not unreasonably refuse information or assistance.



Whistleblower retaliation

PBGC OIG did not close any investigations in which a PBGC official was found to have engaged in whistleblower retaliation.



Investigations involving senior Government employees where misconduct was substantiated

There were no investigations involving senior Government employees where misconduct was substantiated.



Investigations involving senior Government employees that were closed but not disclosed to the public

There were no investigations involving senior Government employees that were closed but not disclosed to the public.



Human trafficking

In accordance with the Trafficking Victims Prevention and Protection Reauthorization Act (Public Law 117-348), PBGC OIG is required to report on its human trafficking investigations.

Allegations received: 0
Referred: 0
Accepted: 0
Declined: 0



No-knock entries

In accordance with the Executive Order on Advancing Effective, Accountable Policing and Criminal Justice Practices to Enhance Public Trust and Public Safety (EO 14074, May 25, 2022), PBGC OIG is required to report on the use of no-knock entries. During the reporting period, we performed zero no-knock entries.

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Reporting Requirements

Index of reporting requirements under the Inspector General Act of 1978, as amended.

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Acronym Glossary

Acronym	Meaning
ARP	American Rescue Plan Act of 2021
CIGIE	Council of the Inspectors General on Integrity and Efficiency
ERISA	Employee Retirement Income Security Act of 1974
FY	Fiscal Year
IG	Inspector General
IG Act	Inspector General Act of 1978
OBA	Office of Benefits Administration
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OIT	Office of Information Technology
OMA	Office of Management and Administration
ONR	Office of Negotiations and Restructuring
PBGC	Pension Benefit Guaranty Corporation
SFA	Special Financial Assistance