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PBGC OIG

Pension Benefit Guaranty Corporation Office of the Inspector General

**TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING
THE PENSION BENEFIT GUARANTY CORPORATION
IN FISCAL YEAR 2025**



Office of Inspector General

October 17, 2024

MEMORANDUM

TO: Ann Orr
Acting Director

FROM: Nick Novak *Nicholas J. Novak*
Inspector General

SUBJECT: Top Management and Performance Challenges Facing the PBGC
in Fiscal Year 2025 (Report No. SR-2025-01)

In accordance with the Reports Consolidation Act of 2000, this memorandum transmits the Inspector General's summary of the top management and performance challenges facing the PBGC and briefly assesses management's progress in addressing these challenges.

I have identified four management and performance challenges: (1) strengthening PBGC's information technology; (2) Contracting Officers' Representatives' oversight of contracts; (3) human capital: mission critical skills; and (4) acquisition challenges. These challenges were identified based on oversight work performed for the Office of Inspector General, input from PBGC management, and knowledge of the PBGC's programs and operations. I appreciate management's strong commitment to address these challenges and welcome comments on this report.

I will continue to work with you and management to reassess the goals of our office to ensure that my focus continues to remain on the most important risks and priorities of the Corporation. I remain committed to keeping you and the Corporation's other decision-makers informed of problems identified through our audits, evaluations, and investigations so that timely corrective actions can be taken.

I appreciate the cooperation received from the PBGC and look forward to working with you in the coming months. If you have any questions concerning this report, please contact me at (202) 355-2980.

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Challenge

1

Strengthening PBGC's Information Technology

Information technology (IT) resources are critical to federal agencies. They enable PBGC to provide quality services to its stakeholders, generate and disseminate knowledge, and facilitate greater productivity and advancement. As noted in Government Accountability Office (GAO)'s 2023 *High Risk Series report*, malicious cyberattacks continue to occur to federal agencies that could result in serious harm.¹ Therefore, it is vital that federal agencies protect and continue to strengthen the confidentiality, integrity, and availability of their information systems. It is important for PBGC to strengthen its cybersecurity by modernizing IT investments, protecting PBGC information, continuing zero trust architecture implementation, and improving the public's digital experience through [PBGC.gov](https://www.pbgc.gov).



¹GAO High-Risk Series: Efforts Made to Achieve Progress need to Be Maintained and Expanded to Fully Address All Areas, GAO-23-106203, April 2023, page 58.

Modernizing IT Investments

Federal agencies have increasingly used the cloud as part of their IT modernization efforts to update IT legacy systems. Often referred to as cloud computing, it offers on-demand computing resources (e.g., networks, servers, storage, applications, and services) as needed. To assist federal agencies in their IT modernization efforts, GAO recommends federal agencies develop plans to modernize IT legacy systems through the use of the cloud.² GAO's best practices state modernization plans should include: (1) modernization milestones, (2) a work description to modernize the IT legacy system, and (3) disposition IT legacy system details.

In *PBGC's IT Strategic Plan*, the Corporation recognized the necessity to update its IT legacy systems to the cloud.³ According to PBGC, IT modernization benefits include enhancing cybersecurity, streamlining processes, and providing better stakeholder service.⁴

PBGC emphasized the importance of cloud technologies in the Corporation's goals and objectives. As such, the Corporation plans to modernize and innovate PBGC's IT solutions through the use of the cloud to enable convenient, on-demand network access to computing resources.⁵ PBGC identified at least four ongoing cloud modernization efforts on its IT modernization website: (1) Acquisition Management System, (2) Transformational Pension Insurance Modeling System (PIMS) for Single Employer Program, (3) Transition to Internet Protocol Version 6, and (4) the Office of Negotiations and Restructuring-Office of General Counsel Case Management Modernization.⁶

PBGC communicates its plans for cloud modernization on its website. It lists each project name, if there is an agile approach, the budget years, costs, and the modernization milestones (i.e., target completion). Additionally, PBGC briefly describes the benefits for modernizing or replacing the Corporation's IT legacy systems with cloud systems.

² Information Technology: Agencies Need to Develop Modernization Plans for Critical Legacy Systems, GAO-19-471, June 2019, pages 9-10.

³ *IT Strategic Plan FY 2022-2026*, October 2022, page 5.

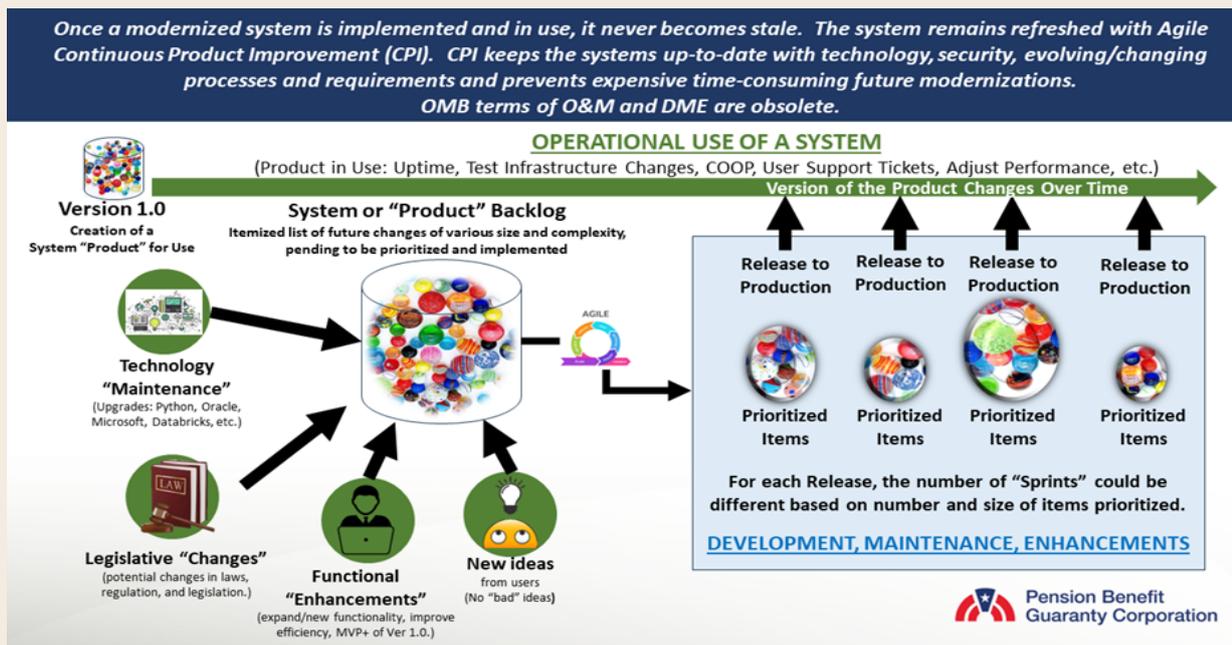
⁴ See *IT Modernization Projects* at: <https://www.pbgc.gov/about/it-modernization-projects>

⁵ *IT Strategic Plan FY 2022-2026*, October 2022, page 5.

⁶ See *IT Modernization Projects* at: <https://www.pbgc.gov/about/it-modernization-projects>

PBGC's Office of Information Technology (OIT) cloud modernization effort process is depicted below:

Figure 1: OIT Cloud Modernization Effort Process



Source: PBGC's OIT

PBGC tracks its cloud computing IT modernization efforts on its website. Some of the listed target completion dates are, however, imprecise. In some instances, PBGC displays the fiscal year rather than a defined target completion date that includes a quarter and fiscal year. In one example, PBGC's IT modernization project targeted completion date is stated as "FY 2023." The IT modernization project actual target completion date was then better defined as "Q2 FY 2024." It would be more transparent if the PBGC target completion dates were clearly defined by quarter and fiscal year. PBGC should also clearly identify the disposition of the IT legacy system and state what IT legacy system is being replaced on its website to align with GAO best practices.

Regarding another IT modernization project, PBGC noted that the Corporation is “replacing a 20+ year old legacy on-premises system.” PBGC, however, does not discuss the disposition of the IT legacy system. Documenting specific details regarding the disposition of the IT legacy system can assist in holding modernization officials accountable.

PBGC must consistently communicate modernization milestones and clearly detail the disposition of their IT legacy systems if it intends to benefit from using the cloud. OIT officials recognized that disposition of IT legacy systems was an inherent part of the cloud modernization process. An OIT official stated that uniform use of the IT modernization project quarterly target completion dates would improve transparency. In July 2024, the department updated PBGC.gov to do this. Additionally, OIT communicated the disposition of the IT legacy system for the cloud modernization efforts listed on its website.

Protecting PBGC Information

The Federal Information Security Modernization Act (FISMA) requires federal agencies to develop, document, and implement agency-wide information security programs.⁷ Additionally, FISMA requires a federal agency Inspector General to conduct annual independent assessments of their agency's information security programs. In FY 2023, our independent assessment found PBGC's information security program was *effective*. PBGC was assessed in one FISMA function at *Optimized*. The Corporation was further evaluated in the remaining four FISMA functions as *Managed and Measurable*. Although the FISMA function assessment ratings were effective, the Inspector General's independent auditor identified weaknesses in the FISMA Configuration Management domain. Three new recommendations related to PBGC's FISMA Configuration Management domain were issued in the *Pension Benefit Guaranty Corporation FY 2023 Federal Information Security Modernization Act of 2014 Report*.⁸ The report found PBGC must:

- Replace invalid certificates with those issued by a trusted Certificate Authority as well as implement user security training to promote user skepticism when dealing with invalid certificates while accessing web resources.
- Remove software that is no longer supported by a vendor and not receiving relevant security patches.
- Reconfigure administrative interfaces with strong, unique passwords.

The National Institute of Standards and Technology defines a trusted certificate as a certificate that allows others (relying parties) to rely on a secure connection.⁹ DHS' Cybersecurity & Infrastructure Security Agency¹⁰ further states that trusting a certificate, entails trusting the certificate authority to verify the organization's identity. A trusted certificate is essential in order to prevent an attacker from intercepting and/or altering data and to properly verify and validate information.

Additionally, software vendors may choose to release security patches to fix performance bugs, as well as provide enhanced security features. Patches are

⁷ See FISMA: <https://www.congress.gov/113/plaws/publ283/PLAW-113publ283.pdf>.

⁸ Pension Benefit Guaranty Corporation FY 2023 Federal Information Security Modernization Act of 2014 Report, AUD-2024-06, January 2024, page 18.

⁹ See National Institute of Standards and Technology trusted certificate definition at: https://csrc.nist.gov/glossary/term/trusted_certificate.

¹⁰ See DHS' Cybersecurity & Infrastructure Security Agency trusted certificate information at: <https://www.cisa.gov/news-events/news/understanding-website-certificates#:~:text=If%20the%20web%20address%20matches,site%20that%20you%20are%20visiting>.

software and operating system updates that address security vulnerabilities. Vendors may discontinue support for some of their software or stop issuing software updates for it (also known as end-of-life software). DHS' Cybersecurity and Infrastructure Security Agency recommended federal agencies should not use unsupported end-of-life software as a best practice.¹¹ Continued use of end-of-life software posed a significant risk to federal agencies. End-of-life software may allow an attacker to exploit unpatched security vulnerabilities. The use of end-of-life software can also cause software compatibility issues as well as decrease system performance and productivity.

Lastly, an attacker has multiple methods for guessing a user's account credentials. DHS' Cybersecurity and Infrastructure Security Agency advises a weak password or the same password for multiple accounts increases a user's susceptibility to brute force or dictionary attacks. These are both methods for guessing a password to gain unauthorized access to user accounts. Therefore, long, unique, and random passwords for user accounts prevent information from falling into the wrong hands.¹²

The Corporation should retire all end-of-life products, utilize valid certificates, and require strong user administration passwords to ensure PBGC has the best defense against attackers exploiting vulnerabilities and continue to provide information security that is effective. As such, OIT recognized the need to continually improve PBGC's IT security. By the end of June 2024, OIT plans to submit four Recommendation Closure Forms addressing outstanding FISMA audit recommendations to:

- Replace invalid certificates with those issued by a trusted Certificate Authority, as well as implement user security training to promote user skepticism when dealing with invalid certificates while accessing web resources. Reconfigure administrative interfaces with strong, unique passwords.
- Reconfigure administrative interfaces with strong, unique passwords.¹³

In addition to its four Recommendation Closure Forms, OIT will submit a Program Status Report. OIT requested a recommendation closure extension to remove software that is no longer supported by a vendor due to the department's dependency on a third-party. OIT officials stated the third-party vendor recently released guidance on how to update the software. PBGC needs time to evaluate the impact of the software solution on their respective applications and is targeting resolution by December 2024. Finally, OIT asserted plans to remove software that is no longer supported by the vendor by June 2025.

¹¹ See Department of Homeland Security's (DHS) Cybersecurity & Infrastructure Security Agency patching best practices at: <https://www.cisa.gov/news-events/news/understanding-patches-and-software-updates>.

¹² See DHS' Cybersecurity & Infrastructure Security Agency recommendations at: <https://www.cisa.gov/resources-tools/training/formulate-strong-passwords-and-pin-codes>.

¹³ RCF packages are under OIG review.

Continuing Zero Trust Architecture Implementation

In FY 2023, we noted the significance of PBGC implementing zero trust architecture. This implementation effort remains as a top management challenge. The “Zero Trust Architecture Model” is defined as an environment in which “no actor, system, network, or service operating outside or within the security perimeter is trusted.” OMB required federal agencies to implement a federal zero trust architecture and achieve specific zero trust security goals by the end of FY 2024 in OMB Memorandum M-22-09, *Moving the U.S. Government Toward Zero Trust Cybersecurity Principles* (dated January 26, 2022). An effective zero trust architecture incorporates, among others, the following elements: authenticating and validating user identities, automating security monitoring, and coordinating the transition to Internet Protocol Version 6.¹⁴

Although we included zero trust architecture in our FY 2023 IT management challenge, the Corporation already determined it must continue to implement this architecture. A PBGC Strategic Goal Objective in the *FY 2025 PBGC Annual Performance Plan* is to maintain effective IT security and respond to OMB Memorandum M-22-09 by implementing zero trust architecture.¹⁵ Additionally, the Internet Protocol Version 6 is an initiative on PBGC’s *IT Modernization Projects* website.¹⁶ The Corporation intends to establish a modern and scalable network infrastructure with Internet Protocol Version 6. However, PBGC has paused its transition to Internet Protocol Version 6 due to a third-party support implementation issue. Short of applying all the necessary principles and fully implementing zero trust architecture, PBGC increases the risk from internal and external threats. According to OIT, the department is in the process of implementing zero trust architecture. PBGC anticipates the majority of zero trust architecture to be completed by December 2024. Officials added pausing the Internet Protocol Version 6 transition does not impact OIT’s efforts to improve IT Security or limit access to PBGC systems.

¹⁴ According to OMB Memorandum M-21-07, “Completing the Transition to Internet Protocol Version 6 (IPv6),” November 19, 2020, Internet Protocol Version 6 is a next-generation Internet protocol. The Internet Protocol is an address with globally unique numeric identifiers that distinguish individual entities and allow internet communication. Internet Protocol Version 6 is designed to replace Version 4, which has been in use since 1983.

¹⁵ *FY 2025 PBGC Annual Performance Plan* at: <https://www.pbgc.gov/sites/default/files/documents/fy-2025-pbgc-annual-performance-plan.pdf>.

¹⁶ *IT Modernization Projects* at: <https://www.pbgc.gov/about/it-modernization-projects>.

Improving the Public's Digital Experience through PBGC.gov

Federal agencies serve their customers digitally and each year provide information and services to more than 400 million individuals, families, businesses, and organizations through their websites.¹⁷ The interactions between an individual and an organization enabled by digital technologies are referred to as digital experiences.¹⁸ According to *analytics.usa.gov*, as of May 2024, there were approximately 1.7 billion visits to federal websites in the last 30 days. Due to the public's use and reliance on federal websites, OMB's Memorandum M-23-22 recognizes the need to improve the public's digital experience. The Memorandum requires federal agencies to modernize websites, digitize forms and services, and ensure an individual's online privacy, among other things, to enhance the public's experience while delivering information and services to the public.¹⁹

PBGC also recognized the importance of the public's interactions through its website and digital services and incorporated *PBGC.gov* requests in its budget and performance plan. The Corporation included a goal to improve the usability, content, and availability of *PBGC.gov* in its *FY 2025 Congressional Budget Justification*. Additionally, PBGC's *FY 2024 Annual Performance Plan* emphasized the need to continue to improve the customer experience through its website. The Corporation further identified as part of its *FY 2025 PBGC Annual Performance Plan* a Strategic Goal Objective to ensure availability of and improve its website. To achieve its goal, PBGC intends to solicit leadership and external stakeholder input to improve the public's digital experience. As digital channels are now the public's primary source to interact with the federal government,²⁰ the Corporation must enhance its stakeholder access to *PBGC.gov* and improve the digital experience.

OIT disclosed that PBGC gets feedback through online surveys on *PBGC.gov* as well as through other efforts with a variety of stakeholders. These digital and in person interactions help PBGC prioritize changes to its customer-facing IT solutions, which in turn leads to enhanced features. As a result of these outreach efforts PBGC enhanced the *PBGC.gov* customer experience. OIT acknowledged recent enhancements to *PBGC.gov* included the option for stakeholders to conduct online benefit estimates in the *MyPBA* self-service system, submit reports through "e-Filing Portal," and conduct a search for unclaimed retirement benefits. OIT further disclosed the *PBGC.gov* changes follow recent enhancements to the *MyPAA* premium filing application and the deployment of software to ensure that *PBGC.gov* is available for stakeholder access.

¹⁷ White House Fact Sheet: Building Digital Experiences for the American People, Sep. 2023, at: <https://www.whitehouse.gov/omb/briefing-room/2023/09/22/fact-sheet-building-digital-experiences-for-the-american-people/>.

¹⁸ OMB's Memorandum M-23-22, Delivering a Digital-First Public Experience, Sep. 2023, p. 26.

¹⁹ Id. at pp. 18, 23, 24.

²⁰ Id. at p. 1.

Challenge

Contracting Officers' Representatives' Oversight of Contracts

Once PBGC awards contracts, Contracting Officers' Representatives (CORs) are responsible for monitoring the progress of the contractor's work to see that it meets all contract requirements, including for timeliness and quality, and reviewing invoices for accuracy before PBGC pays them. Additionally, COR's oversight is critical for time-and-materials and labor-hours contracts to provide reasonable assurance that the contractor is using efficient methods and cost controls because billing under these contracts is based on the contractors' time spent and cost of materials. Over multiple reports and investigations we have found the PBGC either does not review invoices prior to payment or performs inadequate reviews. We have also found that the COR files do not contain sufficient documentation required by federal and PBGC regulations.

Two OIG investigations in 2023 illustrated the need for diligent contract oversight, particularly for work performed under labor-hours and time-and-materials contracts. Specifically, we found that two contractors made false claims regarding time spent working on PBGC contracts, leading PBGC to pay for hours not worked.



One investigation revealed that another contractor had been operating a private business and was also working full-time at two different government contracting firms for months, all while simultaneously claiming to be working full-time on official PBGC business via employment with the contractor. Another contractor employee committed information security violations in addition to billing for hours not worked.

Recent OIG audit and evaluation reports revealed PBGC CORs are not performing adequate contract oversight. Specifically, our engagements found insufficient oversight from CORs has led to inaccurate billing and payment of labor hours; unnecessary expenses; and unrecouped funds due to overpayments, and disallowed direct costs, or de-obligated funds.

Specifically, our report, [*Evaluation of Hotline Complaints Regarding a PBGC Contract*](#) (**EWAL-2023-04**, November 22, 2022), found a concern related to PBGC's oversight of a labor-hour contract although fraud allegations in two hotline complaints were unsubstantiated. However, this evaluation found that a COR approved Labor Hour contract invoices without verifying supporting documentation. As a result, the labor hours charged for the two task orders and paid by PBGC may not be accurate. The OIG made two recommendations to the Office of Benefits Administration: 1) Establish controls to monitor COR reviews of contractor invoices and supporting documents; and 2) In coordination with the Procurement Department (PD), train CORs to properly review supporting documents before they approve or reject contractor invoices. The agency concurred with both findings and recommendations and planned to close them by December 29, 2023 and April 28, 2023, respectively. However, both recommendations remain open and communications between the OIG and PBGC continue to ensure full completion of the recommendations.

Most recently, we continued to find oversight issues in our recently issued report, [*PBGC Needs to Strengthen Oversight Controls Between CORs and Other Technical Personnel*](#) (**EWAL-2024-11**, September 26, 2024). We found PBGC does not have adequate processes and procedures for overseeing contractors in an Integrated Project Team (IPT) environment including Agile management. Specifically, oversight duties between the COR and the IPT were not clearly defined and PBGC did not incorporate contract oversight into its Agile Operating Model Playbook. As a result, CORs did not properly monitor the contractors, and a COR approved an invoice without verifying supporting documentation. Further, CORs did not adequately maintain contract file documentation and, when CORs changed, there was a lack of communication between the incoming and outgoing CORs, and documents were not transferred between them. Finally, PBGC did not formally accept the PIMS final deliverable on the SE PIMS contract as complete; and PBGC exercised an unjustifiable option. The OIG made ten recommendations to strengthen PBGC's controls for overseeing contractors in an IPT environment including Agile Project Management. Our recommendations focus on developing processes and procedures, training, and various control improvements related to contractor oversight activities. The agency concurred with all ten findings and recommendations with plans to rectify and close them all by September 30, 2025.

Contract oversight is a combined effort of the Contracting Officer, CORs, and other staff, such as technical monitors. Continued oversight breakdowns, particularly with Labor Hour and Time-and-Materials contracts, can lead to waste. CORs perform contract oversight as a collateral duty, which can inhibit and challenge the accomplishment of all their duties and responsibilities. This drives the need to provide balanced training, tools for efficiency, and a trusted partnership with the Procurement Department staff, which serve as the contracting experts in the Corporation. With contractors outnumbering federal employees, the role CORs fill at the Corporation are critical and continuing to empower and educate them remains a key performance challenge.

Challenge

Human Capital: Mission-Critical Skills

Recruiting, hiring, and retaining qualified employees has been a long-standing challenge across the federal government – particularly for positions requiring unique or critical skills. Noting gaps in some mission-critical skills, for over 20 years the GAO has identified strategic human capital management as posing high-risk to federal agencies. While the Corporation has taken initiatives to strengthen human capital management, retaining mission-critical staff remains a challenge and poses risk to the achievement of the Corporation’s mission.



In recent years, the Corporation has initiated measures to strengthen human capital planning. For example, the current Strategic Plan recognizes the importance of investing in human capital, as well as the importance of seeking highly skilled professionals.²¹ The Corporation’s 2023 Annual Report highlights the FY 2023 Enterprise Risk Management framework, noting that recruiting and retaining staff are among the top risks. Additionally, the 2023 Annual Report notes filling 90 percent of the new Special Financial Assistance positions that resulted from the American Rescue Plan Act of 2021; implementing Office of Personnel Management (OPM) programs, such as the Pathways Internship Program; and participating in the U.S. Department of Veterans Affairs Job Fair.

²¹ Strategic Plan: FY 2022-2026, p.18.

The 2023 Annual Report also notes the importance of providing a robust *Workplace Flexibilities Program* to attract and retain talented professionals in these mission-critical skill series and an increased focus on employee services and wellness activities. Finally, to attract talent from underrepresented populations and create a diverse applicant pool, the Corporation routinely performs outreach to Historically Black Colleges and Universities.

Although not required to develop a formal Workforce Plan (please see [OPM's Workforce Planning Guide](#) for further information), the Corporation has established a Workforce Planning *Toolkit*. Organizations have the option to use the toolkit to identify current and future workforce needs, and to ensure the “right people with the right skills are in the right place at the right time.”²² While most of the departments within the Corporation have not utilized this toolkit, as of July 2024, the largest department has chosen to establish a plan based on the toolkit. Also, the Human Resource Department (HRD) conducts recruitment consultations with hiring managers to market job vacancies and recruits from professional organizations, including the Society of Actuaries and the American Economic Association.

²² Pension Benefit Guaranty Corporation (PBGC) Workforce Planning Toolkit, p. 4.

Corporation's Mission-Critical Occupations

The Corporation considers the following job series and titles as *Mission-Critical Occupations*:

- 0510 - Accounting
- 0511 - Auditing
- 0905 - General Attorney
- 1102 - Contracting
- 1160 - Financial Analysis
- 1510 - Actuarial Science
- 2210 - Information Technology Management

The Corporation uses workplace flexibility, monetary rewards for high performing employees, superior qualification pay setting authority, creditable service for leave, student loan repayment, and other tools to attract and retain mission-critical staff.

Data from 2023 indicates the Corporation maintained a similar or lower turnover rate, as compared to all federal agencies, for its *Mission-Critical Occupations* except for the *1102-Contracting* series.²³ See Table 1.

Table 1: 2023 Turnover Rates for Mission-Critical Occupation Series

Occupational Series	PBGC	All Federal Agencies
0510 – ACCOUNTING	1.75%	8.58%
0511 – AUDITING	2.80%	10.61%
0905 – GENERAL ATTORNEY	7.34%	7.71%
1102 – CONTRACTING	52.38%	9.95%
1160 – FINANCIAL ANALYSIS	10.00%	10.24%
1510 – ACTUARY SCIENCE	1.01%	3.93%
2210 – INFORMATION TECHNOLOGY MANAGMENT	4.27%	7.43%

Source: OIG-prepared table based on Corporation data for Calendar Year 2023 and OPM's all federal agency workforce data at fedscope.opm.gov for Fiscal Year 2023. Turnover rate includes separations, transfers, and retirements.

²³ The Corporation's turnover rate is based on calendar year, while OPM's data for all federal agencies is by fiscal year.

Although the Corporation’s 2023 turnover rate is less than the 2023 turnover rate for all federal agencies in some mission-critical occupational series, a few mission-critical occupational series warrant attention. The Corporation’s turnover rate for the 1102 – Contracting series has been consistently above the rate for all federal agencies since at least 2020. See Table 2. For the first seven months of 2024, the Corporation reports a 15% turnover rate in the Contracting series. This rate still exceeds the historic turnover rate in the Contracting series for all federal agencies.

Additionally, there are two other mission-critical occupational series that have exceeded federal turnover rates two of the last four years: 0905-General Attorney and 1160-Financial Analyst. GAO reports that federal agencies must continue to implement measures to reduce mission-critical skill gaps.

Table 2: 1102 Contracting Turnover Rate (including retirements)

Year	PBGC	All Federal Agencies
2020	23.53%	9.46%
2021	33.33%	9.78%
2022	17.39%	11.34%
2023	52.38%	9.95%

Source: OIG table based on Corporation data and OPM’s Federal Workforce Data located at fedscope.opm.gov

Contracting Occupational Series Challenges

As noted in our [Risk Advisory \(SR-2024-05, February 21, 2024\)](#), the Corporation has incurred significant personnel challenges within the Procurement Department with high turnover at virtually all levels. As noted in GAO's high-risk report, mission-critical skill gaps in the acquisition field undermine an agency's ability to meet its mission.²⁴ Further, over 30 information technology contracts have been moved from PBGC's Procurement Department to other federal agency procurement offices.

Since 2017, the Procurement Department has been managed by four Directors (the most recently hired in June 2024) and three Acting Directors. The Procurement Department's January 2024 organization chart shows 27 full-time equivalent positions. In total, 38 personnel have left the department since 2019. Of those departures, 26 were contract specialists. As of July 2024, the Procurement Department was working to fill six vacancies.

The Corporation acknowledges the retention challenges, citing leadership turnover, internal leadership crisis, low morale, lack of internal and external leadership support, and increased oversight as factors impacting retention. To improve retention, the Corporation has implemented several measures including a blanket retention incentive for the Acquisition Division in the Procurement Department and partnering with OMB to discuss a detail program.

The Corporation, like other federal agencies, has implemented a range of initiatives to attract and retain staff. As noted by the Corporation, potential loss of workplace flexibilities such as remote work and telework, combined with federal salaries lagging the private sector, increase the risk of being unable to attract and retain highly skilled employees in mission-critical occupation series.

We encourage the Corporation to continue activities to retain staff in the Procurement Department and monitor the turnover rate for other occupational series, particularly 0905-General Attorney and 1160-Financial Analyst. Reducing turnover is imperative to building an experienced federal workforce necessary to successfully meet the Corporation's mission.

²⁴ High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas, GAO-23-106203, Apr. 2023, p. 47.

Challenge

Acquisition Challenges

PBGC is highly dependent on contracting and, consequently, the PD, to carry out its mission. PBGC relies on contractors for critical areas including reviewing Special Financial Assistance applications, providing information technology support, and calculating and paying pension benefits. The current PBGC workforce consists of just under 1,000 federal employees, who are supported by approximately 1,500 contractor employees. In Fiscal Year 2023, PBGC awarded approximately \$340 million in contracts for goods and services.



Within PBGC, PD continues to face challenges regarding effectively working with PBGC program offices. In the past year, with the challenges between PD and the Office of Information Technology, PBGC used other agencies to award some key contracts, resulting in PBGC paying an estimated \$3 million in unplanned-for fees to these agencies in FY 2024.

The breakdown of adequately defining requirements and determining the need for a requirement to be exercised requires effective communication between the staff within PD and program offices. Most recently, in September 2024, our office issued [*PBGC Needs to Strengthen Oversight Controls Between CORs and Other Technical Personnel*](#) (**EVAL-2024-11, September 26, 2024**). Our objective was to determine if PBGC's oversight of the modernization and development contracts for SE PIMS was in conformance with federal and PBGC regulations. We found PBGC did not adequately define the Time and Materials/Labor Hour option's requirements when it exercised two option periods on one of the contracts. Furthermore, the options should not have been exercised because the language in the contract explaining the need for the options was not met. We made two recommendations related to this finding, which PBGC plans to remediate by September 30, 2025.

Poorly defined requirements create challenges when selecting the type of contract to award. With continued confusion across the Corporation on contract type selection, in July 2024 we issued [*Capping Report: PBGC Contract Type Selection*](#) (**SR-2024-08, July 11, 2024**) PD officials noted that contracting officers determine contract type based on the program office's description of its bona fide need, and that poorly defined requirements create challenges in determining the correct contract type. The program offices and PD must work together to improve the process of defining requirements and then selecting the most appropriate type of contract to award.

In February 2024, our [*Risk Advisory on Procurement Challenges*](#) (**SR-2024-05, February 21, 2024**) detailed issues that threaten PD's ability to fulfill its role timely and effectively. We identified a lack of continuity in senior acquisition leadership, ineffective strategic human capital planning for acquisition personnel, and ineffective policies and procedures for routine contract activities, all of which may leave PBGC vulnerable to low staff morale, contract award delays, and fraud, waste and abuse in its acquisition function.²⁵

This risk advisory contained suggestions that do not constitute formal audit recommendations. The suggestions included that the Corporation assess its acquisition function following the guidelines in GAO's Framework and facilitate discussions with procurement and program stakeholders to improve the acquisition process and communication across program offices. Further, we suggested the Corporation update its procurement policies and procedures, benchmark PBGC's acquisition function with other similarly sized agencies to identify best practices, and develop a strategic human capital recruiting, hiring, and retention plan to ensure the department is adequately staffed.

²⁵ We detail human capital challenges in management challenge 3, so we are not discussing in detail within this challenge.

Although not required, PBGC provided a response highlighting planned improvements, including addressing acquisition leadership vacancies, improving stakeholder relationships, and modernizing the acquisition processes.

In a prior evaluation, we found similar concerns related to inadequate planning guidance and unresolved conflict between stakeholders, particularly related to contract type. See [*PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services* \(EVAL-2021-09, June 4, 2021\)](#). We concluded that PBGC's acquisition planning for actuarial support services did not meet its needs timely and effectively. We made five recommendations to the Office of Management and Administration to improve policies and procedures for acquisition planning, including developing and implementing a tracking process for existing contracts and guidance for reviewing and revising proposals by offerors. PBGC addressed our specific recommendations from this report and anticipates further improvement with the implementation of a new contract management system in December 2024.

PD leadership turnover and struggles with stakeholder relationships have resulted in frustration across PBGC staff and delays in critical acquisition awards. PD has long faced challenges with PBGC stakeholders who often plan acquisitions based on past contracting practices. PD also has had trouble managing expectations and pushback from program offices when contracting officers propose innovative strategies that are promoted as best practices in government. Further, PD recognizes that consistency in its organization is important. The overall goal is to not have an inflexible contracting workforce, but a workforce able to exercise, as permitted by the Federal Acquisition Regulations, wide business discretion and sound business judgement.

The suggestions in the Risk Advisory on the procurement function provide a roadmap to the Corporation to improve morale in PD, grow corporate knowledge, and create more cohesive working relationships with stakeholders. We continue to encourage PBGC to better integrate PD into the PBGC community, improve communication between PD and program offices, and have them work together more effectively to procure goods and services required to meet PBGC's mission.

Acronym Glossary

Acronym Meaning

COR	Contracting Officer's Representative
DHS	Department of Homeland Security
FISMA	Federal Information Security Modernization Act
FY	Fiscal Year
GAO	Government Accountability Office
HRD	Human Resource Department
IT	Information Technology
MYPAA	My Plan Administration Account
MYPBA	My Pension Benefit Access
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PBGC	Pension Benefit Guaranty Corporation
PD	Procurement Department
SE PIMS	Single Employer Pension Insurance Modeling System