



PENSION BENEFIT GUARANTY CORPORATION

Semiannual Report to Congress

Management's Response to the OIG Semiannual Report:

October 1, 2019 to March 31, 2020

PENSION BENEFIT GUARANTY CORPORATION

SEMIANNUAL REPORT TO CONGRESS

The Pension Benefit Guaranty Corporation (PBGC) remains committed to protecting the retirement security of over 35 million American workers, retirees, and beneficiaries. We are committed to ethically and effectively carrying out the agency's critical mission, as well as ensuring the agency's employees and contractors operate responsibly and transparently. Especially now, as coronavirus disease 2019 (COVID-19) affects families and individuals across the country, we are taking steps to ensure we continue to: preserve plans and protect pensioners, pay timely and accurate benefits, and maintain high standards of stewardship and accountability.

Through its dedicated, independent work, PBGC's Office of Inspector General (OIG) is fundamental to our continued success in serving the public. During this reporting period, PBGC has worked diligently to address the OIG recommendations. We continue to focus on information security, the modernization of PBGC's key benefits-related information technology systems, and the transparency and accountability of our professional services contracting, which the OIG has cited as management challenges.

Management continues to improve the control environment to reduce the risk associated with the potential unauthorized use of personally identifiable information (PII). During the reporting period, management expanded its formal Insider Threat Program with the release of PBGC's Insider Threat, Privacy and Security Reportal, which allows all PBGC staff to quickly and easily report an insider threat, privacy, or security incident. Additionally, the Office of Information Technology implemented technology to block the intentional or unintentional release of PII via any PBGC information technology devices and to detect and alert on anomalous user behavior on PBGC's network. The importance of these controls is accentuated during this time of a greater virtual work environment to ensure the health and safety of all PBGC employees while continuing our critical work.

Over the last 45 years, PBGC has worked diligently to preserve plans, protect plan participants, and ensure that participants in trustee plans and their beneficiaries receive timely, uninterrupted benefits. Last year, PBGC attained its 27th consecutive unmodified audit opinion and maintained, in all material respects, effective internal control over financial reporting.

Table 1 presents resolved audit reports issued prior to April 1, 2019, which contain recommendations that remain open. I am pleased to report that PBGC has closed more than 77 percent of the recommendations in these reports. Table 2 details OIG reports requiring final action.

In addition to our continued focus on internal controls to address the important issues raised by our OIG, I remain keenly focused on the risks facing PBGC's two insurance programs, particularly with respect to the Multiemployer Insurance Program, which had a net position of negative \$65.2 billion at the end of fiscal year 2019. Both programs continue to be reported in the Government Accountability Office's High-Risk List.

Our ongoing work with Congress, the PBGC Board of Directors, and our OIG is critical to carrying out PBGC's vital mission. We remain committed to enhancing and improving our efforts and operations to better serve the workers and retirees we protect.

/s/

Gordon Hartogensis
Director

Table 1

**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of March 31, 2020**

Date Issued	Report No.	Title of Report	Status of Management Actions
11/15/2007	2008-2	Report on Internal Controls PBGC's FY 2007 and 2006 Financial Statement Audit	Of the 18 recommendations included in the report, 16 were closed. The two remaining recommendations are in process.
5/16/2013	2013-7	FY 2012 Vulnerability Assessment and Penetration Testing Report	Of the five recommendations included in the report, four were closed. The remaining recommendation is in process.
1/9/2014	2014-6	FY 2013 Vulnerability Assessment and Penetration Testing Report	Of the seven recommendations included in the report, six were closed. The remaining recommendation is in process.
5/6/2015	2015-9	FY 2014 Federal Information Security Management Act Independent Evaluation Report	Of the 21 recommendations included in the report, 20 were closed. The remaining recommendation is in process.
12/11/2015	2016-1	FY 2015 Vulnerability Assessment and Penetration Testing Report	Of the six recommendations included in the report, four were closed. The two remaining recommendations are in process.
11/13/2015	2016-3	Report on Internal Controls Related to the PBGC's FY 2015 and 2014 Financial Statement Audit	Of the five recommendations included in the report, four were closed. The remaining recommendation is in process.
2/19/2016	2016-7	FY 2015 Federal Information Security Modernization Act Final Report	Of the eight recommendations included in the report, seven were closed. The remaining recommendation is in process.
11/15/2016	2017-3	Report on Internal Controls Related to the PBGC's FY 2016 and 2015 Financial Statement Audit	Of the eight recommendations included in the report, six were closed. The two remaining recommendations are in process.

Table 1

**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of March 31, 2020**

Date Issued	Report No.	Title of Report	Status of Management Actions
01/18/2017	2017-6	PBGC's FY 2016 Financial Statement Audit Management Letter Report	Of the nine recommendations included in the report, six were closed. The three remaining recommendations are in process.
02/22/2017	2017-8	FY 2016 Vulnerability Assessment and Penetration Testing Report	Of the three recommendations included in the report, one recommendation was closed. The two remaining recommendations are in process.
03/22/2017	2017-9	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report	Of the 20 recommendations included in the report, 19 were closed. The remaining recommendation is in process.
11/13/2017	2018-2	FY 2017 Vulnerability Assessment and Penetration Testing Report	Of the seven recommendations included in the report, four have closed. The three remaining recommendations are in process.
11/17/2017	2018-6	Report on Internal Control Related to the PBGC's FY 2017 & 2016 Financial Statement Audit	Of the five recommendations included in the report, four have closed. The remaining recommendation is in process.
12/20/2017	2018-7	FY 2017 Federal Information Security Modernization Act Independent Evaluation Report	Of the four recommendations included in the report, all remain in process.
11/15/2018	2019-1	Audit of the Pension Benefit Guaranty Corporation's FY 2018 & FY 2017 Financial Statements	Of the 13 recommendations included in the report, nine were closed. The four remaining recommendations are in process.
11/29/2018	2019-3	Fiscal Year 2018 Vulnerability Assessment and Penetration Testing of PBGC's Network	Of the three recommendations included in the report, two have closed. The remaining recommendation is in process.

Table 1

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With Final Action Pending as of March 31, 2020**

Date Issued	Report No.	Title of Report	Status of Management Actions
12/20/2018	2019-4	Pension Benefit Guaranty Corporation's Fiscal Year 2018 Compliance with the Federal Information Security Modernization Act of 2014	Of the five recommendations included in the report, two recommendations have closed. The remaining three recommendations are in process.
01/17/2019	2019-5	Evaluation of the Early Warning Report	Of the three recommendations included in the report, two have closed. Subsequent to the reporting period, the remaining recommendation was closed.
01/31/2019	2019-8	PBGC's Data Protection at Contractor-Operated Facilities	Of the eight recommendations included in the report, five have closed. The three remaining recommendations are in process.

Table 2

**Management Statement on OIG Reports Requiring Final Action For the
Period Ending March 31, 2020**

Ref. Title 5 (b)(2)(A)-(D)	Number of Reports	Disallowed Costs	Funds Put to Better Use
A. For which final action had not been taken by the commencement of the reporting period.	28	\$ -	\$ -
B. For which management decisions were made during the reporting period.	4*	\$ 173,000	\$ 293,000
C. For which final action had been taken by the end of the reporting period, including--- <ul style="list-style-type: none"> i. dollar value of disallowed costs that were recovered by management ii. dollar value of disallowed costs that were written off by management iii. dollar value of recommendations that were actually completed iv. dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed No. of reports for which final action was taken during the period.	5	\$ -	\$ -
D. For which no final action has been made by the end of the reporting period.	27	\$ -	\$ -

 * During the reporting period, the OIG issued nine (9) reports; only four (4) contained recommendations.