



PENSION BENEFIT GUARANTY CORPORATION

Semiannual Report to Congress

Management's Response to the OIG Semiannual Report:

October 1, 2020 to March 31, 2021

PENSION BENEFIT GUARANTY CORPORATION

SEMIANNUAL REPORT TO CONGRESS

The Pension Benefit Guaranty Corporation (PBGC) remains dedicated to enhancing the retirement security of over 34 million American workers, retirees, and beneficiaries. We are committed to ethically and effectively carrying out the agency's critical mission and ensuring the agency's employees and contractors operate responsibly, transparently, and in accordance with the law. Through its dedicated, independent work, PBGC's Office of Inspector General (OIG) is important to our continued success in serving the public. PBGC has worked diligently to address OIG's recommendations.

Throughout the COVID-19 pandemic, we have remained fully operational and have ensured that we are preserving plans and protecting pensioners, paying timely and accurate benefits, and maintaining high standards of stewardship and accountability, while focusing on the health and safety of our workforce.

During the previous reporting period, OIG completed an investigation into a bribery scheme for improper actions that took place in 2015 and 2016. As a result of the investigation, the former PBGC Procurement Department (PD) Director pled guilty to bribery and was formally sentenced in September 2020. Acutely aware of the significance of the perpetrated fraud, I requested that OIG review all procurement practices. OIG completed the review in December 2020 and determined the former PD Director's actions were enabled by internal control weaknesses. Management added controls, including requiring all requisite contract actions receive legal review, and we have budgeted for a new procurement workflow software that we will implement as soon as possible. PD Management continues to brief the PBGC Board of Directors and me on its progress. This issue remains of strong interest to the Board and me.

The American Rescue Plan Act of 2021 (ARPA), enacted on March 11, 2021, is estimated to provide tens of billions of dollars in Special Financial Assistance (SFA) for qualifying multiemployer plans. Eligible plans that apply for SFA will receive a one-time, lump-sum payment. Unlike our traditional programs, these payments are funded by taxpayer funds. As we stand up the SFA program and develop controls to maintain our high standards of stewardship, accountability, and integrity, we will continue to keep the OIG informed. We value the OIG's role and working relationship to prevent fraud, waste, and abuse.

Additionally, while currently financially healthy, the Single-Employer Program remains exposed to more than \$176 billion in underfunding in pension plans sponsored by financially weak companies that could potentially become claims to PBGC.

Over the last 46 years, PBGC has worked diligently to preserve plans, protect plan participants, and ensure participants in trustee plans and their beneficiaries receive timely, uninterrupted benefits. Last year, PBGC attained its 28th 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, 2020, which contain recommendations that remain open. I am pleased to report that PBGC has closed more than 68 percent of the recommendations in these reports. Table 2 summarizes OIG reports requiring final action.

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

Gordon Hartogensis
Director

Table 1

**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of March 31, 2021**

Date Issued	Report No.	Title of Report	Status of Management Actions
05/06/2015	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, five were closed. The remaining recommendation is in process.
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, two were closed. The remaining recommendation is 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 has been submitted to the OIG for closure.
12/20/2017	2018-7	FY 2017 Federal Information Security Modernization Act Independent Evaluation Report	Of the four recommendations included in the report, three have closed. The remaining recommendation is in process.
05/30/2019	2019-11	PBGC's use of the Women Owned Small Business Set-Aside Contracting Program	Of the two recommendations included in the report, one recommendation has closed. The remaining recommendation is in process.

09/25/2019	2019-13	PBGC's Efforts to Reduce the Collection, Maintenance, and Use of Social Security Numbers	Of the four recommendations included in the report, one has closed. The three remaining recommendations are in process.
09/27/2019	2019-14	PBGC's Property Management Program	Of the two recommendations included in the report, one recommendation has closed. The remaining recommendation is in process.
11/15/2019	2020-02	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements	Of the 11 recommendations included in the report, eight were closed. Of the three remaining recommendations, two have been submitted to the OIG for closure and one remains in process.
12/20/2019	2020-05	Pension Benefit Guaranty Corporation's Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014	Of the six recommendations included in the report, three have closed. Of the three remaining recommendations, one has been submitted to the OIG for closure and two remain in process.
03/20/2020	2020-08	PBGC's Agreed Upon Procedures for Contract Closeouts	Of the seven recommendations included in the report, all remain in process.

Table 2

**Management Statement on OIG Reports Requiring Final Action For the
Period Ending March 31, 2021**

	Ref. 5a U.S.C. 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.	26	\$ 348,839	\$
B.	For which management decisions were made during the reporting period.	5*	\$ -	\$ -
C.	For which final action had been taken by the end of the reporting period, including — 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.	13	\$ -	\$ -
D.	For which no final action has been made by the end of the reporting period.	18	\$ 348,839	\$ -

* During the reporting period, the OIG issued seven (7) reports; only five (5) contained recommendations.