



# PENSION BENEFIT GUARANTY CORPORATION

## Semiannual Report to Congress

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Management's Response to the OIG Semiannual Report:

October 1, 2021 to March 31, 2022

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# PENSION BENEFIT GUARANTY CORPORATION

## SEMIANNUAL REPORT TO CONGRESS

The Pension Benefit Guaranty Corporation (PBGC) remains dedicated to enhancing the retirement security of over 33 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 continues to work diligently to address OIG's recommendations.

The American Rescue Plan Act of 2021 (ARP), enacted on March 11, 2021, established a new Special Financial Assistance Program (SFA), funded by taxpayer funds. During the reporting period ending March 31, 2022, PBGC received applications from 36 plans requesting approximately \$9 billion in funds. Eight applications were approved for a total of \$1.9 billion in taxpayer-funded assistance.

PBGC appreciates the work that OIG has done in reviewing the risk environment of the SFA Program. PBGC has developed initial internal controls to maintain our high standards of stewardship, accountability, and integrity. Additionally, PBGC continues to develop processes and procedures for auditing multiemployer plans that have received SFA. PBGC management is reviewing the observations in the Risk Assessment of PBGC's Implementation of Special Financial Assistance and is assessing whether existing processes are commensurate with the new risk context and will mitigate those risks to the extent possible.

PBGC will continue to keep OIG informed of changes in the SFA Program and looks forward to the insights shared from OIG's SFA Application Risk Model and Dashboard. We value OIG's role and working relationship to prevent fraud, waste, and abuse.

While currently financially healthy, the Single-Employer Program remains exposed to more than \$105 billion in underfunding in pension plans sponsored by financially weak companies that could potentially become claims to PBGC. Similarly, although SFA extended the life of the Multiemployer Program, the Multiemployer Program still faces fundamental financial risks, such as underfunded plans sponsored by employers who have elevated risk of bankruptcy and premium rates that do not completely reflect the risk a plan poses to PBGC's finances. In its March 2022 High-Risk Series Report, GAO noted that Congress could take further actions to improve the long-term stability of both insurance programs.

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 29th 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 March 31, 2022, which contain recommendations that remain open. I am pleased to report that PBGC has closed more than 74 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, 2022**

<b>Date Issued</b>	<b>Report No.</b>	<b>Title of Report</b>	<b>Status of Management Actions</b>
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.
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 final recommendation closed after the period.
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.
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, four have closed. The remaining two recommendations are in process.
03/20/2020	2020-08	PBGC's Agreed Upon Procedures for Contract Closeouts	Of the seven recommendations included in the report, five recommendations have closed. The remaining two recommendations are in process.
09/23/2020	2020-11	PBGC Needs to Improve Incentive Contracting Practices	Of the seven recommendations included in the report, six have closed. The remaining recommendation is in process.

12/09/2020	2021-02	FY 2020 Financial Statement Audit - General-purpose financial statements of the Single-Employer program and Multiemployer program, including the related notes	Of the 10 recommendations included in the report, six have closed. The remaining four recommendations are in process.
01/21/2021	2021-05	FY 2020 Compliance with the Federal Information Security Modernization Act (FISMA)	Of the 11 recommendations included in the report, seven have closed. The remaining four recommendations are in process.
02/01/2021	2021-06	FY 2020 Financial Statement Audit - Management Letter Report	Of the nine recommendations included in the report, five have closed. The remaining four recommendations are in process.

**Table 2**

**Management Statement on OIG Reports Requiring Final Action For the  
Period Ending March 31, 2022**

	<b>Ref. 5a U.S.C. 5(b)(2)(A)-(D)</b>	<b>Number of Reports</b>	<b>Disallowed Costs</b>	<b>Funds Put to Better Use</b>
A.	For which final action had not been taken by the commencement of the reporting period.	18	\$ 175,839	\$ -
B.	For which management decisions were made during the reporting period.	5*	\$ 175,839	\$ -
C.	<p>For which final action had been taken by the end of the reporting period, including —</p> <ul style="list-style-type: none"> <li>i. dollar value of disallowed costs that were recovered by management</li> <li>ii. dollar value of disallowed costs that were written off by management</li> <li>iii. dollar value of recommendations that were actually completed</li> <li>iv. dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed</li> </ul> <p>No. of reports for which final action was taken during the period.</p>	6	\$ 175,839	
D.	For which no final action has been made by the end of the reporting period.	17	\$ -	\$ -

\* During the reporting period, the OIG issued nine (9) reports; only five (5) contained recommendations.