

April 1, 2024–September 30, 2024

SARC #71

PBGC OIG

Pension Benefit Guaranty Corporation Office of the Inspector General

SEMI-ANNUAL REPORT TO CONGRESS





PBGC Headquarters

Washington, DC

→ From the Inspector General



Nicholas J. Novak

Dear Members of the Board
Pension Benefit Guaranty Corporation

I am pleased to present the Office of Inspector General (OIG) Semiannual Report to Congress, covering the period April 1, 2024 to September 30, 2024. This report fulfills our statutory requirement to keep Congress informed about the significant activities and accomplishments of the Office of Inspector General regarding oversight of the Pension Benefit Guaranty Corporation (PBGC).

During these six months, we continued to focus on enhancing the efficiency, effectiveness, and integrity of PBGC's operations. Our audits, evaluations, and investigations highlighted critical areas for improvement and provided actionable recommendations to address identified issues.

Notably, we completed the report, *Limited Scope Evaluation of Projected Benefit Payments in Selected Special Financial Assistance (SFA) Applications*, dated September 26, 2024. This was our fifth report concerning plans receiving SFA. In this report, we showed how we discovered some plans erroneously included information regarding deceased participants in the census data used in their applications, which resulted in an incorrect amount of SFA that PBGC awarded those plans. Nonetheless, we determined PBGC's SFA procedures were

generally sufficient to ensure increases in projected benefit payments were consistently identified, evaluated against appropriate criteria, and documented. Finally, we determined that the sampled plans' benefit payment projections in the SFA applications were generally reasonable and without significant errors.

Because of our prior reports, PBGC already had begun to audit plan participant data to remove any deceased participant information that had been included in SFA applications and calculations. Acting PBGC Director Ann Y. Orr has said, "PBGC is working diligently with other plans to facilitate return of SFA funds based on inaccurate census data." Moreover, the Justice Department already has recovered approximately \$135 million in SFA paid to plans with incorrect data. We commend PBGC and the Justice Department for their work in safeguarding government funds. OIG will continue to do its part to have any remaining erroneously paid SFA returned to the Treasury Department. As noted in our most recent [report](#), the erroneously paid SFA, including the \$135 million cited above, may eventually total \$250 million.

Last, I want to recognize the support that the Pandemic Response Accountability Committee (PRAC) has given our office. PRAC data scientists, working with our senior actuary, Jensen Chan, created and maintain a sophisticated data model for OIG staff to analyze the universe of plans applying for SFA. In testimony to Congress this September, Michael E. Horowitz, who serves as the Inspector General of the Justice Department and chair of the PRAC, noted our partnership with PRAC, citing this modeling work as an example of using advanced data analytics to better target investigations and hold wrongdoers accountable.

We appreciate the cooperation and support we have received from the Board representatives and Acting Director Ann Orr and look forward to continuing to work with the Board, PBGC staff, and Congress in the months ahead.

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 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 Fiscal Year (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 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 \$79.6 billion in assistance to 198 financially troubled multiemployer pension plans.² The total SFA program decreased by \$0.1 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, 2024, PBGC received 165 SFA applications requesting a total of \$75.9 billion in SFA and approved 127 applications for \$68 billion in SFA. Twenty-two applications, requesting a total of \$2.5 billion, were under PBGC review as of September 30, 2024. During FY 2024, PBGC paid \$14.6 billion in SFA. During FY 2024, 19 plans repaid \$144.1 million of SFA to the Treasury due to adjustments related to erroneous calculations due to the inclusion of deceased participant data.³

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

² PBGC FY 2023 Projections Report, July 2024.

³ SFA figures in this paragraph were based on data reported by PBGC at <https://www.pbgc.gov/arp-sfa/sfa-applications>.

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 three 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.

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



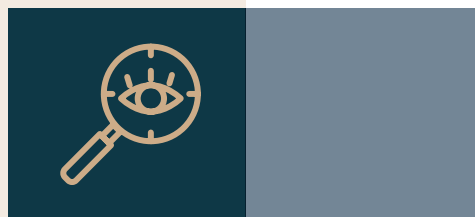
Respect

We treat each other and those with 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.

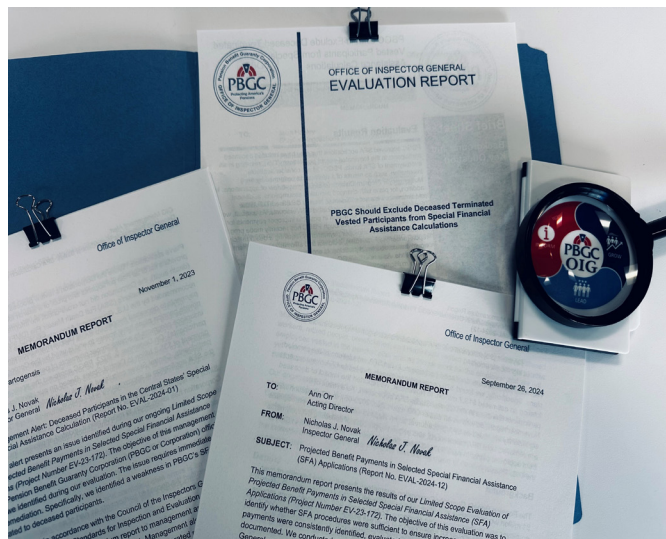


Audits, Inspections, and Evaluations

We conduct independent and objective audits and evaluations of PBGC's programs and activities to ensure they operate economically, efficiently, and effectively.

Oversight of the SFA Program

In the last 19 months, OIG completed 3 oversight reports of the SFA program in which we found plans asking for or receiving SFA that was calculated based on records that incorrectly included deceased participants. Across our oversight reports, we identified weaknesses in the Corporation's evaluation of applying plans' census data that support their SFA requests. For example, OIG found a plan had included 3,479 deceased participants resulting in an overpayment of \$127 million. Based on our work, we estimated that SFA payments already paid may include \$250 million for deceased participants, and that, if the Corporation implemented our recommendations, about \$125 million in future payments would be saved. Responding to OIG's findings and recommendations, the Corporation has significantly improved its SFA procedures. It now requires applicants to submit participant census data and conducts independent death audits using the Social Security Administration's Master Death File. The Corporation also updated its application instructions and internal review processes to better identify and exclude deceased participants from SFA computations. For previously paid SFA, the Corporation is conducting a retrospective review and is working to request funds be paid to Treasury for erroneous calculations.



Audit Accomplishments



4

Evaluation Reports Issued



3

Special Reports 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 the Quality Standards for Inspection and Evaluation by the Council of the Inspectors General on Integrity and Efficiency.

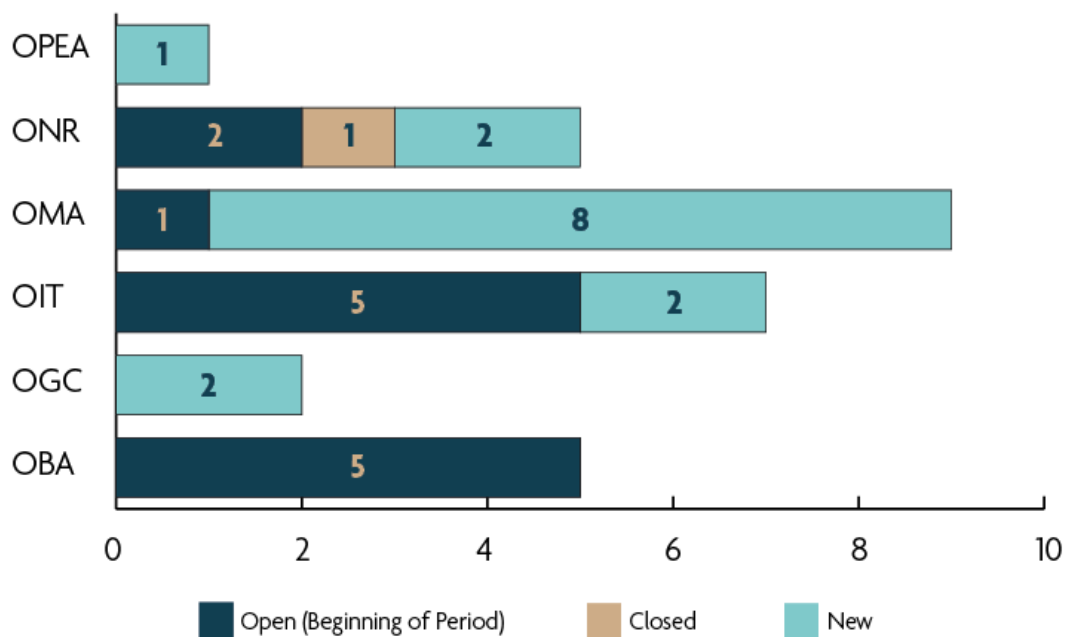


Special Reports

provide information on emerging issues to management's 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 September 30, 2024



**As of September 30, 2024, PBGC OIG has
27 open recommendations included in
9 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 PBGC OIG with sufficient supporting evidence to demonstrate the actions corrected the issue.

Summary of Outstanding Recommendations

Report No.	Issue Date	Report Title	Total Report Recs	Open Recs 9/30/2024	Potential Cost Savings
2021-01	12/08/2020	Internal Controls Must Be Strengthened to Promote Procurement Integrity	3	1	\$4,800,000 ⁴
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
2024-04	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
2024-11	09/26/2024	PBGC Needs to Strengthen Oversight Controls Between CORs and Other Technical Personnel	10	10	\$1,442 ⁵
2024-12	09/26/2024	Projected Benefit Payments in Selected Special Financial Assistance (SFA) Application	2	2	\$250,000,000 ⁴ \$125,000,000 ⁵
2024-13	09/27/2024	Evaluation of PBGC's Inclusion of Anti-Gag Provision in Required Agreements	3	3	\$0

⁴ These identified funds are questioned costs. Questioned costs include funds identified as unnecessary or unreasonable.

⁵ These identified potential savings are funds put to better use. Funds put to better use is a broad definition, but generally includes any identified savings from implementation of a recommendation.



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 Council of the Inspectors General on Integrity and Efficiency (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*.

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
Investigation	August 22, 2024	U.S. Agency for International Development	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, plan participants, 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's Quality Standards for Investigations. Significant issues for which we completed or concluded an investigation during this reporting period include:



Impersonating a Deceased Participant

An individual was indicted on 14 counts of fraud. On August 19, 2024, the defendant pleaded guilty to 3 of the 14 counts, which included (1) Aggravated Identity Theft, (2) Conspiracy to Commit Wire Fraud, and (3) Wire Fraud. Sentencing is pending.

Investigative Activities



796

Hotline contacts received



3

Criminal investigations referred for prosecution



2/1

Convictions/Indictments



26/1

Subpoenas/Search Warrants



\$190K

Thefts identified⁶

⁶Thefts include ineligible benefit payments, invoicing fraud, and unjust enrichment. Dollars are approximate.

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.



73

Investigations/Complaints/
Hotlines Opened
During Reporting Period



69

Ongoing
Investigations



84

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

Restitution: \$0
Administrative Recovery from OIG Referrals: \$68,092.49⁷

Investigative referrals for criminal prosecution

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

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

Indictments, informations and arrests from prior referrals

Indictments: 1
Informations: 2
Arrests: 1

Investigative memos

PBGC OIG did not distribute any investigative memos.

Administrative

Informal Referrals to PBGC: 7
Formal Referrals to PBGC: 24
Referred to Outside Agency: 7
Recovery Referrals: \$105,147

⁷Recoveries performed by the Office of Benefits Administration. Additionally, PBGC wrote-off \$91,153.01 due to death of the subject prior to prosecution.

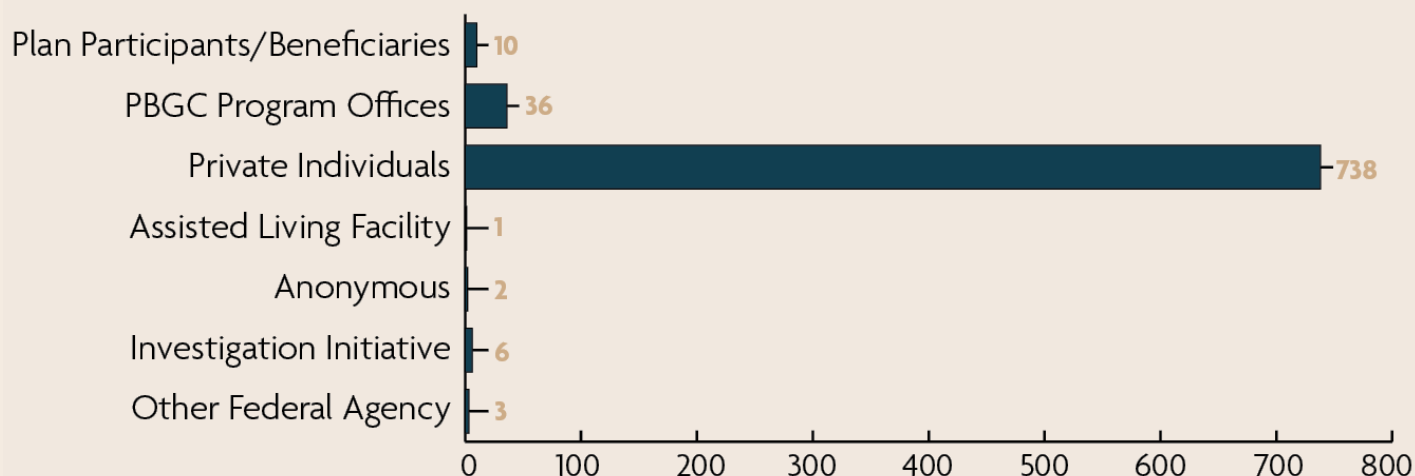


Hotline Complaint Center

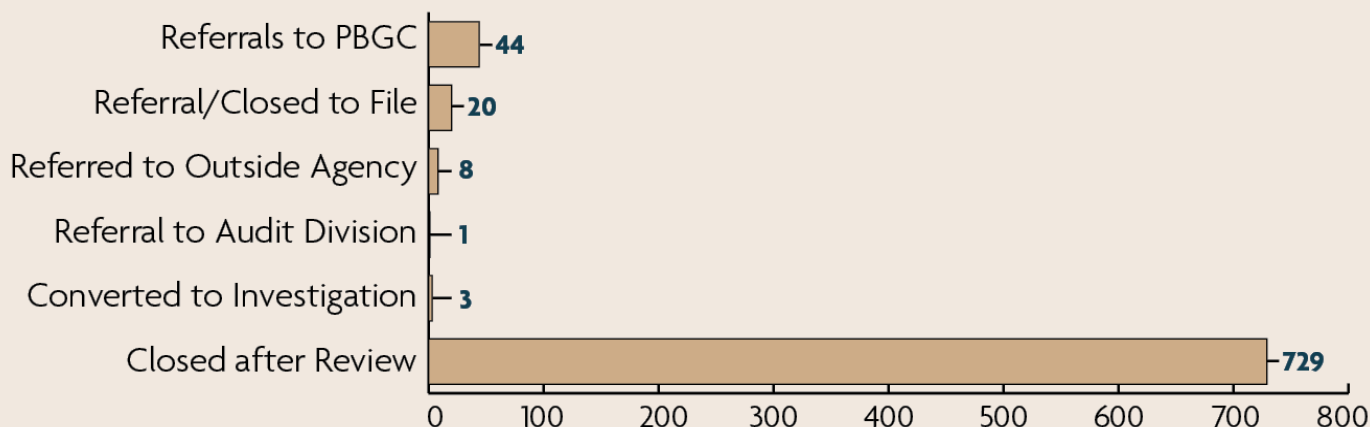
PBGC OIG maintains a Hotline Complaint Center for receiving allegations of fraud, waste, abuse, or mismanagement in PBGC programs or operations. Allegations may be reported 24 hours a day, 7 days a week by PBGC employees, contractors, or the general public.

We received a total of **796** hotline contacts and closed **805** 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 12th St SW

Washington, DC 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 non-sensitive audits and evaluations on our public website. We generally do not provide or post on our website the full text of reports that would disclose specific vulnerabilities that could be exploited; typically, such reports are IT-related. During this period, we posted [one restricted access special 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 (Executive Order 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

CIGIE	Council of the Inspectors General on Integrity and Efficiency
ERISA	Employee Retirement Income Security Act of 1974
FY	Fiscal Year
IG Act	Inspector General Act of 1978
OBA	Office of Benefits Administration
OGC	Office of the General Counsel
OIG	Office of Inspector General
OIT	Office of Information Technology
OMA	Office of Management and Administration
ONR	Office of Negotiations and Restructuring
OPEA	Office of Policy and External Affairs
PBGC	Pension Benefit Guaranty Corporation
PRAC	Pandemic Response Accountability Committee
SFA	Special Financial Assistance