OFFICE OF INSPECTOR GENERAL

EVALUATION REPORT

PBGC's Special Financial Assistance Program's Policies and Procedures for the Annual Statement of Compliance Need Improvement

Report No. EVAL-2025-08

March 27, 2025

PBGC's SFA Program's Policies and Procedures for the ASOC Need Improvement

Evaluation Report Number: EVAL-2025-08
Date: March 27, 2025

Brief Sheet

Background and Key Questions

Multiemployer plans that have received Special Financial Assistance (SFA) under Section 4262 of the Employee Retirement Income Security Act (ERISA) of 1974 and the PBGC's SFA regulation (29 CFR Part 4262) are required, under §4262.16(i), to submit an Annual Statement of Compliance (ASOC) for each plan year through the final plan year ending in 2051.

The ASOC is due annually, no later than 90 days after the end of each plan year and must address compliance for that specific year. PBGC's primary objective in requiring the ASOC is to ensure that the plan is compliant with the restrictions and conditions imposed by ERISA and PBGC regulations on the plan's actions while in receipt of SFA.

Our objective was to assess whether the PBGC's design of its ASOC review policies and procedures provides reasonable assurance that the use of SFA funds complies with ERISA requirements.

Evaluation Results

The design of PBGC's ASOC policy and procedures is generally sufficient to ensure compliance with ERISA. However, there are a few areas where improvements could enhance the process. First, the absence of clearly defined procedures for supervisory reviews led to discrepancies in ASOC submissions that were not detected and corrected during the review. As a result, some discrepancies in financial data and typographical mistakes were not fully resolved at the time of review. Additionally, PBGC's approach to reconciling SFA funds could be more comprehensive to reduce the risk of misallocation and delays in identifying issues. The current review procedures also lack specific guidelines and thresholds for identifying significant variances, which might result in potential problems going unnoticed. Furthermore, PBGC's procedures for monitoring the Reinstatement of Benefits under the American Rescue Plan (ARP) Act could benefit from clearer communication between PBGC, the Department of Labor (DOL), and the Treasury. Finally, PBGC has not yet conducted a risk assessment to evaluate its ASOC review workload, which may present challenges in managing long-term program requirements effectively.

Recommendations/Management Agreement

We made eight recommendations to improve the ASOC policies and procedures. The Corporation agreed with the recommendations and plans to complete all actions by September 30, 2025. Specifically, ONR plans to: update their procedures to clearly defines roles for the federal review process and clearly specify the criteria, propose changes to the ASOC instructions to request plans provide reconciliation information, include additional language in the procedures to clearly specify what the criteria are for analysis and review of exceptions in the ASOC workbook, and develop a strategic risk assessment approach and conduct a risk assessment.

Further, we have closed recommendation six based on a meeting the OIG held with the DOL. The proactive initiatives undertaken by the DOL have effectively addressed the concerns related to improving SFA oversight and compliance in the Reinstatement of Benefits. As such, no additional action is required from the PBGC.

Office of Inspector General

March 27, 2025

MEMORANDUM

TO: John Hanley
Chief of Negotiations and Restructuring

FROM: John Seger JOHN SEGER Digitally signed by JOHN SEGER Date: 2025.03.27 13:42:43 -04'00'
Assistant Inspector General for Audits, Evaluations, and Inspections

SUBJECT: Issuance of Final Report: PBGC's Special Financial Assistance Program's Policies and Procedures for the Annual Statement of Compliance Need Improvement (Report No. EVAL-2025-08)

We are pleased to provide you with the above-referenced final report. We appreciate the cooperation you and your staff extended to the OIG during this project. We thank you for your receptiveness to our recommendations and your commitment to reducing risk and improving the effectiveness and efficiency of PBGC programs and operations.

This report contains public information and will be posted in its entirety on our website and provided to the Board and Congress in accordance with the Inspector General Act.

cc: Lisa Carter, Director, Corporate Controls and Reviews Department
Karen Morris, General Counsel, Office of General Counsel
Latrece Wade, Risk Management Officer
Department of Labor Board Staff
Department of Treasury Board Staff
Department of Commerce Board staff
House committee staff (Education and Workforce, Ways and Means, HOGR)
Senate committee staff (HELP, Finance, HSGAC)

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Background

Established by ERISA, the Pension Benefit Guaranty Corporation (PBGC or the Corporation) protects the retirement security of about 31 million American workers, retirees, and beneficiaries in both single-employer and multiemployer private-sector pension plans. In fiscal year (FY) 2024, PBGC paid over $5.8 billion in benefits to 912,000 participants. To support its mission, one of the three strategic goals articulated in PBGC's Strategic Plan is to "maintain high standards of stewardship and accountability."

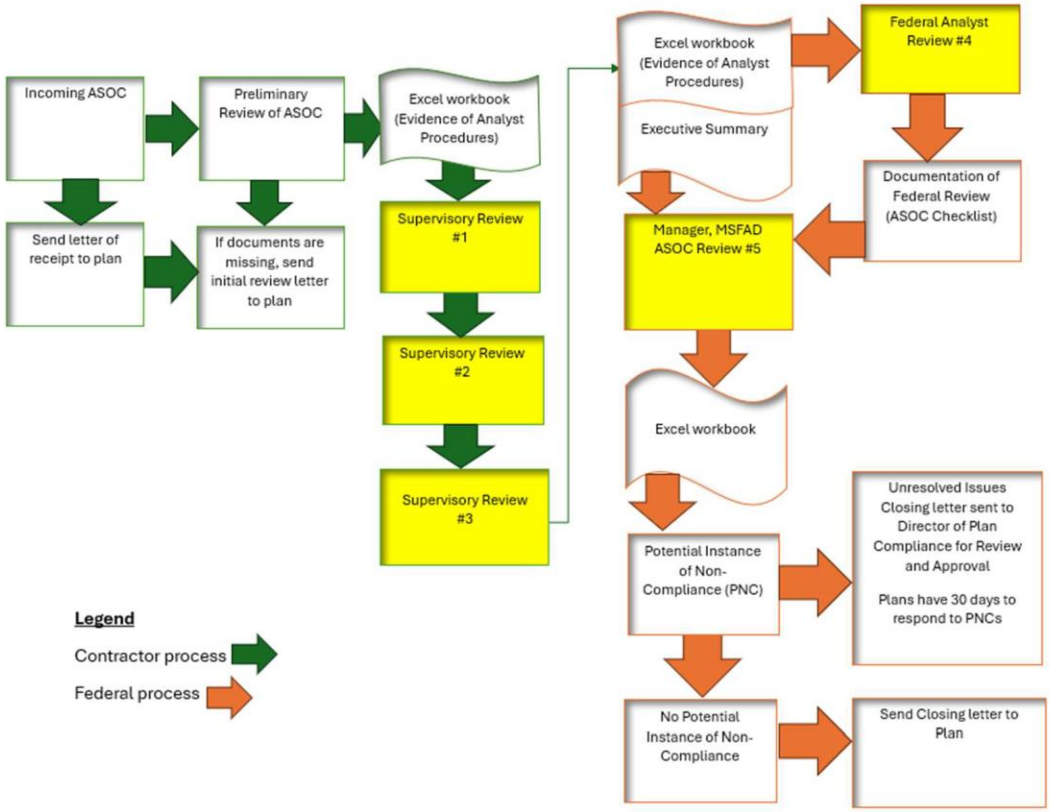
For the first time in its history, PBGC received taxpayer funds to provide SFA to financially troubled multiemployer plans under the ARP enacted on March 11, 2021. The amount of SFA to which an eligible plan may be entitled is the amount required to pay all benefits due through the plan year ending in 2051. As of September 30, 2024, PBGC has approved 127 SFA applications for $68 billion in SFA.

PBGC's Review of Plan's Annual Statement of Compliance

Multiemployer plans that have received SFA under Section 4262 of the Employee Retirement Income Security Act of 1974 and the PBGC’s SFA regulation (29 CFR Part 4262) are required, under §4262.16(i), to submit an ASOC for each plan year through the final plan year ending in 2051. The ASOC is due annually, no later than 90 days after the end of each plan year, and must address compliance for that specific year.

To assist PBGC contractors and staff in reviewing the ASOC and the accompanying documentation, the PBGC has developed the PBGC SFA Annual Statement of Compliance Review Procedures (ASOC Review Procedures) and an ASOC workbook, which documents the review analyst’s completion of the procedure steps. A federal analyst reviews the contractor's work using the Multiemployer Special Financial Assistance Division (MSFAD) ASOC review checklist. After the federal analyst's review, the work is submitted to the MSFAD division manager for final review. Figure 1 illustrates the review process, and the roles of the contractor and federal analysts.

Figure 1: ASOC Review Procedures



Source: OIG prepared based on the ASOC Review Procedures and MSFAD policies.

PBGC’s primary objective in requiring the ASOC is to ensure that the plan is compliant with the restrictions and conditions imposed by ERISA and PBGC regulations on the plan’s actions while in receipt of SFA.

PBGC's Office of Negotiations and Restructuring (ONR) includes the Plan Compliance Department (PCD), which oversees the Multiemployer Insurance Program, standard termination activities, and ensures plan compliance with PBGC regulations and ERISA. Within PCD, MSFAD administers the special financial assistance program and reviews ASOCs to assess plan compliance, and the Multiemployer Program Division (MEPD) administers the traditional financial assistance program.

Objective

Our objective was to assess whether the PBGC's design of its ASOC review policies and procedures provides reasonable assurance that the use of SFA funds complies with ERISA requirements.

Evaluation Results

Summary

The design of PBGC's ASOC policy and procedures is generally sufficient to ensure compliance with ERISA. However, we identified five areas for improvement: unclear roles and responsibilities in the ASOC Review Procedures, failure to reconcile annual beginning and ending SFA balances, lack of guidance for handling significant variances, absence of a formal process to ensure information sharing and cooperation with other agencies, and the lack of a risk assessment to guide the review of ASOC workload. These issues could potentially prevent PBGC from identifying if plans are properly complying with ERISA related to handling of SFA funds. We recommend eight enhancements to address these conditions and improve the policy and procedural design of the ASOC review process.

Finding 1: ASOC Review Process Lacks Clear Roles and Responsibilities for Reviewers

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government, known as the Green Book, underscores the importance of clearly defined roles and expectations within management review processes. Principle 3.07 requires management to consider the overall review responsibilities and key roles that are needed to fulfill those responsibilities. While those in key roles can further assign responsibility for internal control to roles below them in the organizational structure, they retain ownership for fulfilling the overall responsibilities. In addition, Principle 3.10 requires management to have effective documentation establishing and communicating the who, what, when, where, and why of internal control execution. Principle 3.11 states that documentation of controls is evidence that controls are identified, communicated, monitored, and evaluated. PBGC identified the ASOC submission process as a key control as part of its annual financial statement preparation. Specifically, PBGC noted it would document the process through “review workpapers and evidence of management review and approval.”

The ASOC submission process, depicted in Figure 1, includes three contractor supervisory reviews, followed by a federal analyst review, and then a MSFAD division manager review. PBGC contractors utilize the ASOC Workbook to conduct their review test work activities during the plan submission review process. Upon completing their ASOC Workbook, contractors forward it for federal review. We found that the PBGC does not have written procedures for the supervisory review process used by the federal analyst and the MSFAD division manager to review the evaluations of plan submissions conducted by contract analysts with initial review by the federal analyst. Supervisory review procedures would document what control activities are being performed at what level of review by which supervisor. For example, it would be appropriate for initial levels of review to concentrate on the accuracy of the information contained in the ASOC Workbook while higher levels of review would concentrate on key decisions or determinations for compliance.

The permissibility of investments area highlights the need for written procedures for supervisory review. To protect plan assets, investments must be limited to certain options, as mandated by ARP and PBGC's regulations. To verify adherence to these regulations, the contract analyst completes a complex analysis of each of the plan's investments during the year and documents that analysis in a Holdings Worksheet. PBGC does not, however, identify which federal reviewer has responsibility for reviewing the Holdings Worksheet nor provide instructions for how the federal reviewer should conduct the review. Further, there are no instructions on how to document that review, including resolution of any key decisions about an investment's permissibility.

While PBGC did not have written supervisory review procedures, MSFAD did utilize an ASOC Review Checklist, which serves as a review control. The ASOC Review Checklist includes comments for each review control step and two signatures, one for the federal analyst's review and another for the MSFAD division manager. However, we found it is unclear whether the review comments were made by the federal analyst or the MSFAD division manager, as there are no initials or dates next to each comment. The absence of identifiers for those who made and resolved the comments, what the federal division manager reviewed, and clear guidance on roles and responsibilities creates uncertainty about whether a proper review control was conducted.

The lack of documented supervisory review procedures for the ASOC submission process led to discrepancies. Specifically, the reviewers of one plan's ASOC submission failed to identify or address the discrepancies we uncovered during our review. For example, we discovered that the PBGC did not research and document a potential inconsistency in the plan's ASOC submission. Specifically, the analyst did not note in the ASOC Workbook steps he took to validate the plan's updated cash flow projections' beginning balance, which indicated a discrepancy with the plan's bank statement. Additionally, we found no tick marks on the bank statement to indicate that it had been reviewed in relation to the ASOC workbook's cash flow projections. Cash flow projections for SFA funds are key for the analyst's review, particularly in the first ASOC when audited financial statements are unavailable. Identifying discrepancies early, rather than later, allows for timely corrective action, helping prevent funds from being misplaced or misallocated. Delaying identification increases the risk of the issue escalating, which could lead to mismanagement or improper use of taxpayer funds.

Therefore, it is essential to document and resolve any discrepancies in the ASOC Workbook, as it serves as the primary source of accountability for the agency's use of SFA funds. We brought this issue to PBGC's attention during our exit meeting, and after further investigation, they were able to resolve it. This example highlights how supervisory review could have detected the issue earlier.

In another instance, we identified simple typographical errors in the publication dates of supporting documentation. Additionally, the review analyst noted that the plan had no transactions that were unrelated to benefits and expenses. It is unclear, however, how the review analyst conducted the review of the monthly bank statements to make that determination because the statements were not included as a reference, given the tedious nature of this task and the potential to overlook anomalies.

Failure to identify and address issues during the review process may allow discrepancies to persist and compound over time. Without guidelines for roles and responsibilities, there is confusion regarding responsibilities for identifying and resolving errors during the multiple layers of review.

Recommendations

We recommend that the Office of Negotiations and Restructuring:

1. Develop written procedures that clearly define the responsibilities of the federal review process.

PBGC's Response and OIG Evaluation

Resolved. PCD was unable to corroborate the discrepancies or typographical errors noted in the report. However, management concurred with the recommendation. PCD will add additional language to the existing written procedures to clearly define the responsibilities of the federal review process. The Corporation's goal is to complete the planned action by June 30, 2025.

We appreciate PBGC's agreement with the recommendation to enhance the written procedures for clarifying the roles and responsibilities of the federal review process. We would like to emphasize that the discrepancies in the ASOC Workbook were not addressed until after they were brought to PBGC's attention during our evaluation. The finding highlighted that the necessary review steps, such as validating the beginning balance of the updated cash flow projections and reviewing the bank statement, were not conducted as part of the initial review process. Our concern is not just the discrepancies themselves, but that they were not identified or resolved proactively, which delayed corrective action. We appreciate your commitment to improving the review process and hope that these enhancements will help ensure discrepancies are identified and resolved in a timely manner moving forward.

Closure of the recommendation will occur when the Corporation provides evidence that language was added to the existing written procedures to clearly define the federal review process.

2. Develop written procedures for how errors and discrepancies should be reported, tracked, and resolved, as well as specific criteria for identifying errors or deviations from established standards.

PBGC's Response and OIG Evaluation

Resolved. PBGC concurred with the recommendation. PCD will add language to the existing written procedures to more clearly specify what the criteria are for the reporting, tracking, and resolution of any errors or discrepancies. The Corporation's goal is to complete the planned action by June 30, 2025.

Closure of the recommendation will occur when the Corporation provides evidence that language was added to the existing written procedures to more clearly specify the criteria.

Finding 2: PBGC Does Not Reconcile Beginning and Ending SFA Fund Balances

ERISA requires PBGC to monitor compliance with the conditions of the SFA program. To support this, PBGC has established procedures for both federal and contracted staff to review a plan's ASOC. According to Green Book Principle 10.10, within the design controls principle, management can implement various transaction control activities for operational processes, including reconciliations. Transaction control activities are actions built directly into operational processes to support the entity in achieving its objectives and addressing related risks and are often associated with financial processes. For PBGC's ASOC review, a crucial component of this process is the accurate and detailed reconciliation of SFA funds.

Annual financial statements follow this best practice of reconciliation by reporting the beginning account balance, any changes throughout the year, and the ending balance. The ending balance is then carried over as the beginning balance for the following year. In another example, PBGC's MEPD employs a reconciliation process to monitor insolvent plans receiving funds through its traditional financial assistance programs. This process accounts for the beginning balance, benefits and expenses paid during the year, and the ending balance. Reconciling SFA funds in a similar manner enables an analysis of key elements, helping to identify significant changes or irregularities that could indicate noncompliance with SFA conditions. It is a good stewardship practice to give an annual, high-level accounting of taxpayer funds that were given to plans to ensure their financial health.

PBGC's ONR does not perform a reconciliation of SFA funds that includes both beginning and ending balances, as well as an analysis of key elements such as benefit payments, administrative expenses, and investment returns. Initially, PBGC's ASOC Review Procedures (dated June 2024) involved a partial and ineffective reconciliation of SFA funds. While this reconciliation covered beginning balances, key elements, and ending balances, it compared actual amounts to projected amounts rather than analyzing material changes. In August 2024, we identified that the PBGC removed this partial reconciliation in their ASOC spreadsheet but has not formally revised its ASOC Review Procedures as of December 2024. The new procedures do not include adequate reconciliation of SFA funds. While they incorporate an analysis of actual administrative expenses and benefit payments (steps 14-16), they fail to account for investment returns, beginning and ending balances of SFA funds, or analysis of significant changes over time.

PBGC's review procedures do not mandate that analysts perform a reconciliation of SFA funds, nor do they require the plan to submit such a reconciliation in its ASOC package. Instead, PBGC relies on year-end audited financial statements to verify that funds are used appropriately. In addition, the procedures lack steps to document beginning balances, administrative expenses, benefit payments, investment returns, and ending balances for SFA funds. Additionally, there are no procedures in place to identify material changes in these key elements. Our concern is that if funds are misallocated, PBGC must wait for the year-end audited financial statements, which could delay the identification of misallocated funds. This delay increases the risk that issues may not be discovered in time or could worsen over time. Timely identification of misallocated funds is crucial, as it allows for corrective actions to be taken promptly, preventing further complications.

The absence of a comprehensive reconciliation process means that PBGC is unable to easily track and monitor SFA funds, over multiple years, potentially leading to missed compliance issues or undetected discrepancies.

Recommendation

We recommend that the Office of Negotiations and Restructuring:

3. Revise its ASOC review procedures to require an annual reconciliation of SFA funds and to require the review analyst to conduct an analysis of material changes or outliers in the key elements to ensure full compliance with SFA conditions.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. The Corporation will propose changes to the ASOC instructions to request that plans provide the requested reconciliation information. This will be subject to review and approval by the Office of Management and Budget Office of Information and Regulatory Affairs. The Corporation's goal is to complete the planned action by September 30, 2025.

Closure of the recommendation will occur when the Corporation provides evidence that the ASOC instructions are changed as indicated above. We recognize such a change may be subject to Office of Management and Budget review and approval.

Finding 3: ASOC Review Procedures Lack Defined Guidance for "Significant" Variances

The Green Book requires that management design appropriate types of control activities for the entity's internal control system. Green Book Principle 10.03 states that control activities help management fulfill responsibilities and address identified risk responses in the internal control system. In addition, Green Book Principle 10.04 states that control activities can be either preventive or detective. Generally, detective controls are a type of internal control that detects errors or irregularities that have already occurred.

Under ERISA, PBGC is required to monitor compliance with the conditions imposed on plans to receive SFA Funds to ensure the proper use of SFA funds. One condition for a plan to receive SFA is that funds must only be used for paying benefits and expenses. PBGC monitors this through its ASOC review.

We identified that PBGC's ASOC Review Procedures (version 9) depended on analysts' interpretation of what constitutes a significant variance when conducting reviews of key

SFA elements. The procedures instructed analysts to compare current information and trends to prior years, focusing on “significant year-over-year fluctuations” to identify any SFA conditions that may require further review. The procedures specifically highlight areas such as administrative expenses, benefit increases, and contribution decreases. However, the term “significant” was not defined within the review procedures, and there were no established thresholds or risk tolerances to guide the determination of what constitutes a "significant" variance.

During our review, PBGC revised its ASOC review procedures and, in two instances, provided a percentage-based risk tolerance to guide the review analyst in their work. For example, a 20 percent variance in year-over-year administrative expenses would be considered “significant.” Although a percentage-based risk tolerance enhances the design of the ASOC review procedures, a dollar-based threshold (in conjunction with a percentage-based risk tolerance) may better account for variances associated with larger plans. Additionally, unique risk tolerances could be used in cases where standardized risk tolerances are inefficient for a particular plan.

The absence of clear definitions or thresholds for "significant" variances in the other areas not yet addressed by the PBGC increases the risk that key deviations in SFA-related expenditures or trends may go undetected or not be investigated promptly. This could compromise the proper use of SFA funds, particularly in ensuring that the funds are being used for their intended purposes. Moreover, the lack of defined criteria may lead to inconsistent application of review procedures, which could result in misallocation of resources or failure to identify potential misuse of SFA funds.

Resolution

During the evaluation, PBGC addressed this finding in part by revising its ASOC Review Procedures to define a percentage-based risk tolerance for certain steps, such as a 20 percent variance in administrative expenses. This revision improves the clarity and consistency of the review process. However, PBGC is encouraged to consider adding a dollar-based threshold (and/or unique risk tolerances) in addition to the percentage-based risk tolerance to better account for the variety of plans and SFA sizes.

Recommendations

We recommend that the Office of Negotiations and Restructuring:

4. Define specific and measurable risk tolerances for changes in key elements and develop related review procedures.

PBGC’s Response and OIG’s Evaluation

Resolved. PBGC concurred with the recommendation. PCD has addressed this recommendation and will consider whether the addition of any additional thresholds would be beneficial. The Corporation’s goal is to complete the planned action by June 30, 2025.

Closure of the recommendation will occur when the Corporation provides evidence of revised review procedures.

5. Design specific procedures to ensure (1) appropriate in-depth analysis and review of exceptions, and (2) ensure the review and decision-making process for exceptions and historical data is fully documented in the ASOC workbook.

PBGC’s Response and OIG Evaluation

Resolved. PBGC concurred with the recommendation. PCD will add additional language to the existing written procedures to more clearly specify what the criteria are for analysis and review of exceptions documented in the ASOC workbook. The Corporation’s goal is to complete the planned action by June 30, 2025.

Closure of the recommendation will occur when the Corporation provides evidence of revised review procedures.

Finding 4: ASOC Review Procedures Are Insufficient to Determine Compliance with the Reinstatement of Benefits

Some pension plans received additional SFA funds, equivalent to benefits that were previously suspended due to plan insolvency or under the Multiemployer Pension Reform Act of 2014. These funds were intended to reinstate suspended benefits and provide back payments (make-up payments) to eligible individuals. Under ARP, reinstatement must be paid in a lump sum within three months of a plan receiving SFA, or in equal monthly installments over five years. In addition, the Green Book, OV2.22 stresses the importance of comprehensive compliance objectives, including the need for effective controls, which include procedures, to ensure compliance with laws and regulations.

PBGC’s reinstatement procedures rely on self-certification by the plans. Plans are required to answer four yes/no questions to attest to their compliance with ARP. PBGC’s ASOC procedures require plans to certify that they have 1) reinstated benefits in a timely manner, (2) reinstated the correct benefit amounts, and (3) issued make-up payments either in lump sums or installments. If a plan answers "no," it must provide an explanation. Plans must also submit a copy of an amendment to reinstate suspended benefits. Other than that, PBGC does not require plans to submit evidence supporting their compliance, leaving little assurance that the certification is accurate.

PBGC has an obligation to ensure that SFA funds are properly tracked and accurately accounted for, as good stewardship of taxpayer monies is a fundamental responsibility of government agencies. Importantly, ARP assigned responsibility for ensuring reinstatement and repayment of suspended benefits to the DOL and Treasury. But the three primary pension agencies—DOL, Treasury, and PBGC—acknowledge shared responsibility for SFA administration. PBGC assumed responsibility for SFA compliance when it promulgated rules, forms, and instructions, including procedures for reviewing compliance with make-up payments and reinstatement provisions.

We found that although PBGC's procedures identified variances, they did not communicate these variances with the DOL or Treasury. Additionally, it was unclear whether the DOL shared their work with PBGC to confirm that PBGC's ASOC procedure requirements were met because ONR told us they do not keep DOL work in their files.

As illustrated in Figure 2, the differences were found between the plan's projected funding, the actual transfer of funds, and the estimated disbursements. We observed on the MSFAD ASOC Review Checklist that one of the reviewers noted the variance between the estimated and paid amounts. The reviewer wrote, "Per the SFA Annual Review Procedures, DOL's review of the reinstatement of previously suspended benefits is assumed to be sufficient for PBGC's SFA Annual compliance review purposes." While there may be simple explanations for the variances, the information should be shared with DOL and Treasury, the agencies responsible for ensuring reinstatement. These agencies can then determine the appropriate course of action, if any.

Figure 2: Example of Unresolved Discrepancy in SFA Funding

Funding Projection in SFA Application:	$24.7 million
Amount transferred from one plan account to another plan account for disbursement to eligible individuals:	$32.5 million
Reviewer's estimated amount disbursed to eligible individuals:	$27.2 million

Source: OIG prepared based on ASOC documentation.

It is unclear under what circumstances PBGC communicates with the DOL and Treasury regarding potential reinstatement issues identified in the ASOC reviews because no formal process was defined. Lack of a clearly defined process between the participating agencies to ensure compliance increases the risk that individuals may not receive their full or accurate benefits.

Recommendation

We recommend that the Office of Negotiations and Restructuring take the following actions to strengthen its SFA compliance procedures:

6. Implement a formal process that identifies roles and responsibilities, including information sharing, and cooperation with DOL and Treasury to improve SFA oversight and compliance over the Reinstatement of Benefits.

PBGC's Response and OIG Evaluation

Resolved and closed. Following the release of the draft report, the PBGC Office of Inspector General (OIG) engaged in discussions with DOL Employee Benefits Security Administration (EBSA) to review their ongoing efforts, which confirmed that the actions being taken by DOL satisfactorily resolved the matter. The proactive initiatives undertaken by the DOL EBSA have effectively addressed the concerns related to improving SFA oversight and compliance in the Reinstatement of Benefits. As such, no additional action is required from the PBGC to establish a formal process for information sharing and cooperation with DOL and Treasury. Accordingly, we consider this recommendation closed.

Finding 5: PBGC Has Not Implemented a Risk Assessment to Guide the Strategic Review of ASOC Workload

Green Book Principle 7.02 explains that the risk assessment process helps identify and analyze risks related to achieving the entity's objectives. By doing so, it forms the foundation for developing appropriate risk responses. In addition, Principle 7.03 states that management is responsible for identifying risks throughout the entity, which includes evaluating both inherent and residual risks. Inherent risk refers to the potential risk the entity faces without management intervention, while residual risk is the remaining risk after management has responded. The failure to address either type of risk could lead to deficiencies in the internal control system.

Under ERISA, these plans are required to submit compliance statements until 2051, which is approximately 30 years from the initiation of the SFA program. Currently, PBGC's review strategy involves reviewing all 200 ASOCs each year beginning in year 4 of the program. PBGC estimates that each compliance statement will require up to 60 hours of review.

PBGC's has not performed a risk assessment or any other mechanism to periodically evaluate the approach to reviewing ASOCs. A risk assessment would help analyze key aspects of the program, such as the 30-year duration, the evolving nature of the ASOC packages, and the varying number of hours required for review. By conducting such an assessment, PBGC could identify cost-effective strategies for managing workload and ensure that the compliance process is continually optimized. As the program matures, periodic risk assessments would provide insights needed to revise or redesign policies and procedures, ensuring that every step in the process adds value to the overall compliance efforts. Without a risk assessment or periodic review of the ASOC review process to plan for future trends, PBGC is at risk of continuing processes that do not add value, potentially leading to inefficiencies and waste of taxpayer funds.

Recommendations

We recommend that the Office of Negotiations and Restructuring:

7. Develop and document an approach for strategic risk assessments of the ASOC review program.

PBGC's Response and OIG's Evaluation

Resolved. Management concurs with this recommendation and will develop and document a strategic risk assessment approach. The Corporation's goal is to complete the planned action by September 30, 2025.

Closure of the recommendation will occur when the Corporation provides evidence of their strategic approach

8. Conduct a strategic risk assessment to determine the most cost-effective approach to ensuring compliance with ARP and PBGC regulations. This assessment should consider factors such as the number and size of the plans submitting ASOCs and the 30-year duration of the program.

PBGC's Response and OIG's Evaluation

Resolved. Management concurs with this recommendation and will conduct a risk assessment. The Corporation’s goal is to complete the planned action by September 30, 2025.

Closure of the recommendation will occur when the Corporation provides a completed risk assessment.

Appendix I: Objective, Scope, Methodology, and Standards

Objective

Our objective was to assess whether the PBGC's design of its ASOC review policies and procedures provides reasonable assurance that the use of SFA funds complies with ERISA requirements.

Scope

Our scope reviewed the design of PBGC’s policies and procedures; along with the supporting spreadsheet, related to the ASOC review process. We conducted this evaluation at PBGC Headquarters, 445 12th Street SW, Washington, DC 20024-2101, and via telework. We conducted fieldwork from June 2024 to December 2024.

Methodology

To answer our objective, we obtained and reviewed applicable criteria in ARP, PBGC's Final Rule, PBGC ASOC Review Procedures, ASOC spreadsheet, MSFAD ASOC Review Checklist, PBGC Template 4a, Capital IQ methodology, GAO Green Book: GAO’s Standard for Internal Control in the Federal Government, ERISA, Chapter 18, Part 5: Administration and Enforcement.

We reviewed the following documents: PBGC FY 23 Annual Report, PBGC FY 24 Annual Report, ASOC Instructions, ASOC Tracker-Manager Review, SFA Holdings Worksheet, PBGC’s Fiscal Year 2024 Risk Profile, ONR Review Status Tracker, ASOC Executive Summary and ASOC Key Controls.

We conducted the review under the authority of the Inspector General Act of 1978, as amended, and in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we plan and perform the engagement to obtain sufficient and appropriate evidence to provide a reasonable basis for our conclusions. We believe the evidence obtained provided a reasonable basis for our conclusions and observations based on our evaluation objective. Accordingly, the evaluation included reviewing PBGC's compliance with laws and regulations to the extent necessary to satisfy the evaluation objective. Because our review was limited, it would not necessarily have disclosed all design deficiencies that may have existed at the time of our evaluation. We determined that the computer processed data used to evaluate PBGC's ASOC is sufficiently reliable for the purpose of meeting our evaluation objectives. Thus, the evidence we obtained gives a reasonable basis for our conclusions and observations based on our objective.

Appendix II: Management Response

PBGC Pension Benefit Guaranty Corporation

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PBGC.gov

March 20, 2025

TO: Nick Novak, Inspector General

FROM: John Hanley, Chief of Negotiations and Restructuring JOHN HANLEY Digitally signed by JOHN HANLEY Date: 2025.03.20 10:38:51 -04'00'

SUBJECT: Management Response to OIG's Draft Report - Annual Statement of Compliance

Thank you for the opportunity to provide additional comments on the Office of Inspector General's (OIG) draft report, received March 7, 2025, relating to the evaluation of PBGC's Annual Statement of Compliance (ASOC) review procedures. Your office's work on this is appreciated, and we are pleased that you have found that our policies and procedures in this area are sufficient to ensure that plans subject to this requirement are compliant with ERISA. PBGC met with representatives from the OIG on February 24, 2025, to discuss the findings, recommendations, and technical comments on the draft report. The discussion was informative and helpful.

With respect to Finding 1 (ASOC review process roles and responsibilities) PBGC was unable to corroborate the discrepancies or typographical errors noted in the report. Nonetheless management concurs with the report's recommendation to bolster the written procedures so that responsibilities and criteria are better defined.

With respect to Finding 4 (Reinstatement of Benefits) the U.S. Department of Labor (DOL), in coordination with the Treasury Department has communicated to PBGC that they are "responsible for ensuring the reinstatement of benefits and the payment of make-up payments under section 4262(k)." As PBGC lacks jurisdiction in this area PBGC coordinated with DOL and Treasury on the information collected related to the reinstatement of benefits in the ASOC instructions. We will communicate this finding to DOL and request discussions to ensure reinstated benefits were paid out.

In the attachment to this memorandum, you will find our specific responses to each recommendation and scheduled completion dates. Timely action to address these recommendations is an important priority for PBGC.

cc: Karen Morris, General Counsel
Rossi Marcelin, Director, Plan Compliance Department
Lisa Carter, Director, Corporate Controls and Reviews Department

Our comments on the specific recommendations in the draft report are as follows:

1. **Develop written procedures that clearly define the responsibilities of the federal review process. (OIG Control Number 2025-08-01-ONR)**

PBGC Response: Management concurs with this recommendation. The Plan Compliance Department (PCD) will add additional language to the existing written procedures to clearly define the responsibilities of the federal review process.

Scheduled Completion Date: June 30, 2025

2. **Develop written procedures for how errors and discrepancies should be reported, tracked, and resolved, as well as specific criteria for identifying errors or deviations from established standards. (OIG Control Number 2025-08-02-ONR)**

PBGC Response: Management concurs with this recommendation. Errors and discrepancies are currently reported, tracked, and resolved within the existing review process and PBGC is unaware of any unidentified errors or discrepancies present in completed reviews. PCD will add language to the existing written procedures to more clearly specify what the criteria are for the reporting, tracking, and resolution of any errors or discrepancies.

Scheduled Completion Date: June 30, 2025

3. **Revise its ASOC review procedures to require an annual reconciliation of SFA funds and to require the review analyst to conduct an analysis of material changes or outliers in the key elements to ensure full compliance with SFA conditions. (OIG Control Number 2025-08-03-ONR)**

PBGC Response: Management concurs with this recommendation. PBGC review procedures are sufficient to ensure full compliance with SFA conditions. This recommendation cannot be resolved with only a revision to PCD review procedures but will require additional documentation be submitted by plan filers. PBGC will propose changes to the ASOC instructions to request that plans provide the requested reconciliation information. This will be subject to review and approval by the Office of Management and Budget (OMB) Office of Information and Regulatory Affairs.

Scheduled Completion Date: September 30, 2025

4. **Define specific and measurable risk tolerances for changes in key elements and develop related review procedures. (OIG Control Number 2025-08-04-ONR)**

PBGC Response: Management concurs with this recommendation. PCD has addressed this recommendation by incorporating percentage-based risk tolerances into our review procedures. We will consider whether the addition of any additional thresholds would be beneficial.

Scheduled Completion Date: June 30, 2025

5. **Design specific procedures to ensure (1) appropriate in-depth analysis and review of exceptions, and (2) ensure the review and decision-making process for exceptions and historical data is fully documented in the ASOC workbook. (OIG Control Number 2025-08-05-ONR)**

PBGC Response: Management concurs with this recommendation. As described in response to recommendation 2 above exceptions are currently reported, tracked, and resolved within the existing review process. PCD will add additional language to the existing written procedures to more clearly specify what the criteria are for analysis and review of exceptions documented in the ASOC workbook.

Scheduled Completion Date: June 30, 2025

6. **Implement a formal process that identifies roles and responsibilities, including information sharing, and cooperation with DOL and Treasury to improve SFA oversight and compliance over the Reinstatement of Benefits. (OIG Control Number 2025-08-06-ONR)**

PBGC Response: PBGC is unable to unilaterally implement such a process. PBGC will contact the Department of Labor who has jurisdiction in this area and notify them of the PBGC OIG's recommendation in this area. We will document the results of this communication and request discussions with DOL to ensure the reinstated benefits were appropriately paid to participants and beneficiaries.

Scheduled Completion Date: September 30, 2025

7. **Develop and document an approach for strategic risk assessments of the ASOC review program. (OIG Control Number 2025-08-07-ONR)**

PBGC Response: Management concurs with this recommendation and will develop and document such an approach.

Scheduled Completion Date: September 30, 2025

8. **Conduct a strategic risk assessment to determine the most cost-effective approach to ensuring compliance with ARP and PBGC regulations. This assessment should consider factors such as the number and size of the plans submitting ASOCs and the 30-year duration of the program. (OIG Control Number 2025-08-08-ONR)**

PBGC Response: Management concurs with this recommendation and will conduct a strategic risk assessment as described.

Scheduled Completion Date: September 30, 2025

Appendix III: Acronyms

Acronym	Meaning
ARP	American Rescue Plan
ASOC	Annual Statement of Compliance
DOL	U.S. Department of Labor
EBSA	Employee Benefits Security Administration
ERISA	Employee Retirement Income Security Act of 1974
FY	Fiscal Year
GAO	Government Accountability Office
MEPD	Multiemployer Program Division
MSFAD	Multiemployer Special Financial Assistance Division
ONR	Office of Negotiations and Restructuring
PBGC	Pension Benefit Guaranty Corporation
PCD	Plan Compliance Department
PNC	Plan Non-Compliance
SFA	Special Financial Assistance

Appendix IV: Staff Acknowledgments

Staff Acknowledgments	David Reynolds, Audit Manager; Ruth Walk, Team Lead; Jensen Chan, Actuary; Yolanda Young, Senior Auditor; and Richard McCaffery, Senior Program Analyst; made key contributions to this report.

Appendix V: Feedback

Please send your comments, suggestions, and feedback to OIGFeedback@pbgc.gov and include your name, contact information, and the report number. You may also mail comments to us:

Office of Inspector General
Pension Benefit Guaranty Corporation
445 12th Street SW
Washington, DC 20024

If you want to discuss this report or your comments with a member of the Office of Inspector General staff, please contact our office at (202) 326-4030.