April 11, 2019

TO: Patricia Kelly
Chief Financial Officer

FROM: Brooke Holmes
Assistant Inspector General for Audits, Evaluations, and Reviews

SUBJECT: Evaluation Memorandum Report - PBGC's Fiscal Year 2018 Compliance with the Improper Payments Elimination and Recovery Act (*EVAL-2019-10/Project No. PA- 19-133*)

We evaluated PBGC's compliance with improper payment requirements to determine PBGC's Fiscal Year (FY) 2018 compliance with the *Improper Payments Information Act* (IPIA) of 2002, as amended and expanded by the *Improper Payments Elimination and Recovery Act* (IPERA) of 2010 and the *Improper Payments Elimination and Recovery Improvement Act* (IPERIA) of 2012. This report communicates the results of our review and does not contain recommendations; therefore, no management response is required. It 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.

Summary

We determined that PBGC is compliant with the six improper payment requirements (Table 1).

Table 1. PBGC IPERA Compliance Reporting

Compliance Requirements	Program	
	Benefit Payments	**Premium Refunds**
1. Published Agency Financial Report (AFR) or Performance and Accountability Report (PAR)	Compliant	Compliant
2. Conducted a Risk Assessment	Compliant	Compliant
3. Published an Improper Payment Estimate	N/A[a]	N/A[a]
4. Published Corrective Action Plans	N/A[a]	N/A[a]
5. Published and Is Meeting Reduction Targets	N/A[a]	N/A[a]
6. Reported an Improper Payment Rate of Less than 10 percent	N/A[a]	N/A[a]

Source: PBGC OIG's assessment of PBGC's compliance.

[a] Criteria 3 through 6 are not applicable based on the results of PBGC's program specific risk assessment. PBGC determined the benefit payments and premium refunds payment streams were not susceptible to the significant risk of improper payments.

Background

To improve accountability of Federal agencies' administration of funds, the IPERA requires federal agencies to annually report to the President and Congress on the agencies' improper payments. An improper payment is any payment that should not have been made or that was made in an incorrect amount (either overpayments or underpayments) as well as other cases listed in the OMB implementing guidance. PBGC issued its FY 2018 Annual Report, including the required improper payment disclosures, on November 15, 2018.

Compliance Criteria

As required by OMB, agencies' OIGs must report on six requirements as part of their IPIA/ IPERA compliance reporting. The compliance means that the agency has:

1. Published an AFR or PAR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website;
2. Conducted a program specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 U.S.C. (if required);
3. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
4. Published programmatic corrective action plans in the AFR or PAR (if required);
5. Published, and is meeting, annual reduction targets (See Part IV.A.5, below) for each program assessed to be at risk and estimated for improper payments (if required and applicable); and
6. Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.

PBGC Programs or Activities

PBGC identified the following payment streams as programs/activities in prior fiscal years:

- <u>Benefit Payments</u>: benefit payments to participants in "final pay" status for plans trusteed by PBGC under Title IV of the Employee Retirement Income Security Act;
- <u>Payments to Contractors</u>: payments to contractors for goods and services, including government credit card transactions;
- <u>Payments to Federal Employees</u>: payments made to federal employees, including payroll and travel reimbursements;
- <u>Financial Assistance Payments</u>: financial assistance payments to insolvent multiemployer plans that are unable to pay benefits when due under the requirements of Title IV of Employee Retirement Income Security Act; and
- <u>Premium Refunds</u>: refunds of previously paid premiums.

In the previous years, PBGC concluded that none of its payment streams were susceptible to significant improper payments. According to OMB for programs that are deemed to be not susceptible to significant improper payments, agencies must perform risk assessments at least once every three years. In FY 2018, PBGC performed risk assessments of two payment streams, Benefit Payments and Premium Refunds, in accordance with its three-year rotation strategy. In

FY 2018 Benefit Payments - trusteed plans under the single employer program totaled $5.8 billion, and based on the average historical percentages, Premium Refunds are generally 0.5 percent of collected premiums ($5.8 billion), or approximately $29 million.

Details

Based on our review, we determined that for FY 2018 PBGC is compliant with IPERA requirements (Table 1). Specifically, the Corporation published an AFR for FY 2018 and posted the report and any accompanying materials required, under guidance of the OMB, on the Corporation's website (Table 1- Requirement 1). For the Benefit Payments and Premium Refunds risk assessments, PBGC concluded that both payment streams are not susceptible to "significant" improper payments as defined in OMB Circular A-123, Appendix C (Table 1-Requirement 2). Under this guidance, "significant improper payments" are defined as gross annual improper payments (the total amount of overpayments and underpayments) in the program exceeding both 1.5 percent of program outlays and $10 million of all program or activity payments made during the FY reported or $100 million regardless of the improper payment percentage of total program outlays.

The IPERA compliance requirements 3 through 6 do not apply based on the results of PBGC's program specific risk assessments (Table 1). PBGC determined that the payment streams were not susceptible to significant improper payments; therefore, an improper payment estimate, corrective action plans, annual reduction targets, and rates less than ten percent are not required for the payment streams.

Conclusion

We appreciate the cooperation you and your staff extended to us during this project. If you have questions or comments, please contact me at 202-326-4000, ext. 3790, or audit manager, Parvina Shamsieva-Cohen, ext. 3478.

cc:

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Frank Pace, Acting Director, CCRD
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Department of Labor Board staff
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OMB Controller
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Senate Committee on Homeland Security and Governmental Affairs
House Committee on Oversight and Governmental Reform
Comptroller General

Appendix I: Objective, Scope and Methodology

Objective

To determine PBGC’s FY 2018 compliance with the Improper Payments Information Act (IPIA) of 2002, as amended and expanded by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012.

Scope and Methodology

We conducted this evaluation from December 2018 through March 2019 at PBGC Headquarters, 1200 K Street, NW, Washington, D.C. 20005.

To achieve our objective, we reviewed the requirements of IPIA, IPERA, IPERIA, and related OMB guidance. From PBGC’s website, we reviewed PBGC’s FY 2018 AFR, focusing on the Improper Payment Reporting section in the Finances chapter. We also obtained and reviewed PBGC’s FY 2018 Benefit Payments and Premium Refunds risk assessments and supporting documentation such as: cycle memos, guaranteed benefit payment summary, and PBGC procedures from PBGC officials. We made inquiries to PBGC officials regarding payment recapture activities and payment integrity. In addition, we compared the annual amounts of payments used in the risk assessment to PBGC annual reports. We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*.

Appendix II: Acronyms

AFR	Agency Financial Report
FY	Fiscal Year
IPERA	Improper Payment Elimination and Recovery Act of 2010
IPERIA	Improper Payment Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payment Information Act of 2002
PAR	Performance and Accountability Report
PBGC	Pension Benefit Guaranty Corporation
OIG	Office of the Inspector General
OMB	Office of Management and Budget

Appendix III: Staff Acknowledgement

In addition to the contacts named in the Conclusion, Yolanda Young, Auditor-In-Charge, made key contributions to this report.

Appendix IV: Feedback

Under our OIG Value Framework, we seek to provide high-quality reports through independent, positive engagement, and we are committed to continuous improvement.

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