



May 11, 2020

MEMORANDUM REPORT

TO: Patricia Kelly
Chief Financial Officer

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

SUBJECT: Evaluation of PBGC's Fiscal Year 2019 Compliance with Improper Payment Information Act (EVAL-2020-10)

This memorandum report presents the results of our evaluation of the PBGC's Fiscal Year (FY) 2019 Compliance with Improper Payment Information Act. The objective of this evaluation was to determine if PBGC is in compliance with the Improper Payments Information Act of 2002 (IPIA) as amended by Improper Payments Elimination and Recovery Act of 2010 (IPERA) and Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). In addition, we evaluated the agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments. We conducted our work in accordance with the CIGIE Quality Standards for Inspection and Evaluation (See Appendix I). We are statutorily required to issue the final report by May 15, 2020.

We thank you for your commitment to reducing risk and improving the effectiveness and efficiency of PBGC programs and operations. This report communicates the results of our review and does not contain recommendations; therefore, no management response is required. 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.

Summary

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

Table 1. PBGC IPERA Compliance Reporting

Compliance Requirements	Program	
	Contractor and Purchase Card	Multiemployer Financial Assistance
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: OIG assessment of PBGC's FY 2019 compliance.

^a Requirements 3 through 6 are not applicable based on the results of PBGC's program specific risk assessments. PBGC determined the contractor and purchase card and multiemployer financial assistance payment streams were not susceptible to the significant risk of improper payments.

Background

The Pension Benefit Guaranty Corporation guarantees the retirement benefits of over 35 million workers and retirees through insurance coverage with single employer and multiemployer plan sponsors. The Corporation is directly responsible for the pension benefits of about 1.5 million current and future retirees in trusteed pension plans and

pays over \$6 billion a year in benefits. PBGC receives no taxpayer funds. Because of its vital mission and operating model, one of the three strategic goals articulated in PBGC's Strategic Plan is to "maintain high standards of stewardship and accountability."

IPIA Requirements

To improve accountability of Federal agencies' administration of funds, the IPIA, as amended by IPERA and IPERIA, requires federal agencies to report to the President and Congress on the agencies' improper payments. An improper payment is any payment that should not have been paid or was paid in the incorrect amount (either overpayments or underpayments) as well as other cases listed in OMB implementing guidance. PBGC reports the required improper payment disclosures in the annual report. PBGC's FY 2019's Annual Report was issued on November 15, 2019.

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 for each program assessed to be at risk and estimated for improper payments (if required and applicable).
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:

- Benefit Payments: benefit payments to participants in “final pay” status for plans trusted by PBGC under Title IV of the Employee Retirement Income Security Act;
- Contractor and Purchase Card Payments: payments to contractors for goods and services, including government credit card transactions;
- Payments to Federal Employees: payments made to federal employees, including payroll and travel reimbursements;
- Multiemployer Financial Assistance Payments: 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
- Premium Refunds: 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 2019, in accordance with its three-year rotation strategy, PBGC performed risk assessments of two payment streams: Contractor and Purchase Card payments and Multiemployer Financial Assistance payments.

Details

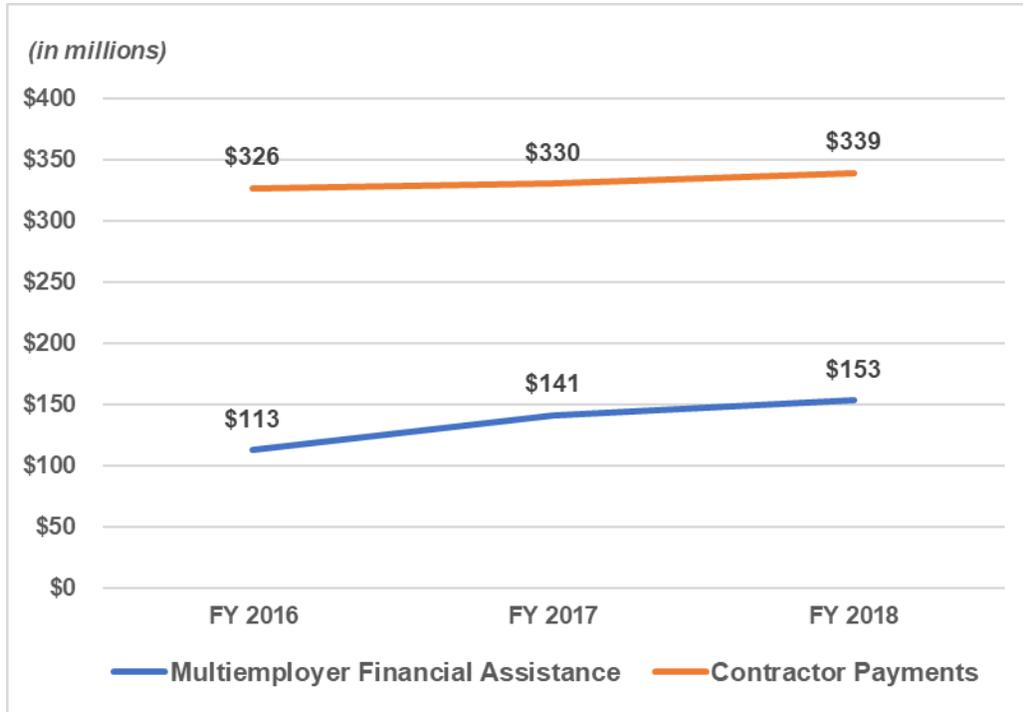
Based on our review, we determined that for FY 2019 PBGC is compliant with IPERA requirements outlined in Table 1, specifically:

Requirement 1: The corporation published an annual report for FY 2019 and posted it with accompanying materials required, under guidance of the OMB, on the Corporation's website. We took no exception to accuracy and completeness of reporting for this requirement.

Requirement 2: In FY 2019, PBGC's Corporate Controls and Reviews Department (CCRD) performed risk assessments of two payment streams: contractor and purchase card payments and multiemployer financial assistance payments.

Figure 1 shows the annual payment volume for the two payment streams for the last three fiscal years.

Figure 1. PBGC's FY 2016-2018 Payment Volume (in Millions) for Contractor and Purchase Card Payments and Multiemployer Financial Assistance Payments.



Source: CCRD risk assessments for contractor and purchase card payments and multiemployer financial assistance payments.

For the two payment streams in its risk assessments, PBGC concluded that both payment streams are not susceptible to "significant" improper payments as defined in OMB Circular A-123, Appendix C. Under this guidance, "significant improper payments" are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or (2) \$100 million (regardless of the improper payment percentage of total program outlays). We took no exception to accuracy and completeness of reporting for this requirement.

Requirements 3 through 6: Based on the results of PBGC's program specific risk assessments the IPERA compliance requirements 3 through 6 do not apply. 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.

In addition, we assessed the section on recapturing of potential improper payments in PBGC's published FY2019 annual report and took no exception.

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 202-229-3790, or audit manager, Parvina Shamsieva-Cohen, 202-229-3478.

cc: Gordon Hartogenesis, PBGC Director
Frank Pace, Director, CCRD
Paul Chalmers, Acting General Counsel
Latrece Wade, Risk Management Officer
Department of Labor Board staff
Department of Treasury Board staff
Department of Commerce Board staff
Comptroller General
OMB Controller
House committee staff on Oversight and Reform
Senate committee staff on Homeland Security and Government Affairs

Appendix I: Objective, Scope, Methodology, and Standards

Objective

Review the payment integrity section of the FY 2019 Agency Financial Report (AFR) to determine whether PBGC is in compliance with the Improper Payments Information Act of 2002 (IPIA), as amended and evaluate the agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

Scope

We conducted this evaluation from December 2019 through April 2020 at PBGC Headquarters, 1200 K Street, NW, Washington, D.C. 20005.

Methodology

To achieve our objective, we reviewed applicable federal laws, Office of Management and Budget (OMB) guidance, and agency policy and procedures. We retrieved agency's FY 2019 AFR from its website and reviewed the Improper Payment Reporting section included in the report. We interviewed PBGC's CCRD staff to gain an understanding of the procedures, oversight, and internal controls in place for the FY2019 AFR payment integrity section and any accompanying materials related to preparing the required risk assessments, follow-up on corrective action plans, preventing and detecting improper payments and recapturing improper payments.

We obtained source data from the agency to support applicable payment integrity information in the annual report and analyzed the source data to evaluate accuracy and completeness of payment integrity information in the report. We also obtained and reviewed PBGC's FY 2019 Contractor and Purchase Card payments and Multiemployer Financial Assistance payment risk assessments and supporting documentation such as: prior years' annual reports, cycle memos, financial assistance disbursement reports, contractor payment volume reports, payment details for selected quarters and PBGC's policy and procedures. For the contractor and purchase card payment stream, we judgmentally selected one quarter per year from FYs 2016-2018 and verified the monthly amounts of the selected quarters to the payment details derived from Form SF-1166 (Voucher and Schedule of Payments). The agency used this form to report on the status of receipts or disbursements. For the multiemployer financial assistance payment stream, we reconciled the FYs 2016-2018 number of payments, number of plans and payments values used in the risk assessment to the financial assistance disbursement detail, source data originated from PBGC's Financial Operations Department.

Applicable Professional Standards

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 and observations based on our objective. During the review, we obtained an understanding of internal controls that are significant to the engagement objective and did not find them unsatisfactory. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. Accordingly, the inspection included tests of controls and compliance with laws and regulations to the extent necessary to satisfy the evaluation objective. Finally, we partially relied on computer-processed data to satisfy our evaluation objective. We conducted a limited reliability assessment by comparing computer-processed data to supporting information and deemed the data was sufficiently reliable. Thus, the evidence we obtained gives a reasonable basis for our conclusions and observations based on our objective.

Appendix II: Acronyms

Acronym	Meaning
AFR	Agency Financial Report
CCRD	Corporate Controls and Review Department
FY	Fiscal Year
IPERA	Improper Payment Elimination Recovery Act of 2010
IPERIA	Improper Payment Elimination Recovery Improvement Act of 2012
IPIA	Improper Payment Improvement Act
PAR	Performance and Accountability Report
PBGC	Pension Benefit Guaranty Corporation
OIG	Office of Inspector General
OMB	Office of Management and Budget

Appendix III: Staff Acknowledgements

Staff Acknowledgements

In addition to the contact above, Parvina Shamsieva-Cohen, Audit Manager, and Yolanda Young, Auditor-In-Charge, made key contributions to this report.

Appendix IV: 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
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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.