



Office of Inspector General
Pension Benefit Guaranty Corporation

May 04, 2017

TO: Patricia Kelly
Chief Financial Officer

FROM: Nina Murphy *NM*
Assistant Inspector General for Audits, Evaluations and Reviews

SUBJECT: Evaluation Memorandum Report - PBGC's Fiscal Year 2016 Compliance with the Improper Payments Elimination and Recovery Act (Project EVAL-2017-10/PA-17-117)

We evaluated PBGC's compliance with improper payment requirements. Specifically, our objective was to determine PBGC's Fiscal Year (FY) 2016 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. We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspections and Evaluations*.

Summary

We determined that PBGC is compliant with improper payment requirements, as detailed below.

Background

Section 3(a)(3) of IPERA defines each agency's "compliance" as follows:

The agency –

- (A) has published an annual financial statement for the most recent FY and posted the report and any accompanying materials required under guidance of the Office of Management and Budget (OMB) on the agency website;
- (B) if required, has conducted a program risk assessment for each program or activity that confirms with section 2(a) of the IPIA of 2002;

- (C) if required, publishes improper payments estimates for all programs and activities identified under section 2(b) of the IPIA of 2002 in the accompanying materials to the annual financial statement;
- (D) publishes programmatic corrective action plans prepared under section 2(c) of the IPIA for 2002 that the agency may have in the accompanying materials to the annual financial statement;
- (E) publishes improper payments reduction targets established under section 2(c) of the IPIA of 2002 (31 United States Code Section 3321 note) that the agency may have in the accompanying materials to the annual financial statement for each program assessed to be at risk, and is meeting such targets; and
- (F) has reported an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under section 2(b) of the IPIA of 2002.

Under OMB guidance, the agency Inspector General shall review the Agency Financial Report (AFR) or Performance and Accountability Report (PAR), and any accompanying information, for the most recent FY in order to determine if the agency is compliant with IPERA requirements, as detailed above.

In previous FYs, PBGC identified the following payment streams (recognized as programs or activities):

1. benefit payments to participants in "final pay" status for plans trustee by PBGC under Title IV of the Employee Retirement Income Security Act (Benefit Payments);
2. payments to contractors for goods and services, including government credit card transactions (Payments to Contractors);
3. financial assistance loans to insolvent multiemployer plans that are unable to pay pension benefits when due under the requirements of Title IV of Employee Retirement Income Security Act for the payment of participants' benefits and reasonable administrative expenses of the plan (Multiemployer Financial Assistance Payments);
4. payments made to federal employees, including payroll and travel reimbursements (Payments to Federal Employees); and
5. refunds of previously paid premiums (Premium Refunds).

In the previous years, PBGC concluded that none of its payment streams were susceptible to significant improper payments. Therefore, as permitted by OMB, PBGC performs risk assessments of its payment streams on a three-year cycle.

Details

Based on our review, we determined that for FY 2016 PBGC is compliant with IPERA requirements (Table 1). Specifically, the Corporation published an AFR for FY 2016 and posted that report and any accompanying materials required under guidance of the OMB on the Corporation's website. PBGC performed the required risk assessments on Payments to Contractors and Multiemployer Financial Assistance Payments and concluded that neither payment streams were susceptible to significant improper payments as defined in OMB Circular A-123, Appendix C. Under this guidance, a program is susceptible to significant improper payments if the total amount of overpayments plus underpayments in the program exceeds both 1.5 percent of program outlays and \$10 million of all program activity or activity payments made during the FY reported or \$100 million regardless of the improper payment percentage of total program outlays. Additionally, while not required, PBGC performed statistical sampling to supplement the risk assessments and published the estimated improper payment rates for Payments to Contractors and Multiemployer Financial Assistance Payments in the AFR. These rates were below the OMB thresholds for significant improper payments. Further, during our review nothing came to our attention that would indicate these payment streams were susceptible to significant improper payments.

Table 1: PBGC's Compliance with OMB's IPERA Requirements

	OMB Criteria for IPERA Compliance	Complied
1	Published an AFR or PAR for the most recent FY and posted that report and any accompanying materials required by OMB on the agency's website;	✓
2	Conducted a program specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 United States Code (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);	N/A ^{ab}
4	Published programmatic corrective action plans in the AFR or PAR (if required);	N/A ^a
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); and	N/A ^a
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.	N/A ^{ab}

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

^a The criteria is not applicable, based on the results of PBGC's program specific risk assessment. PBGC determined that neither of these payment streams were susceptible to the significant risk of improper payments. Therefore, items 3, 4, 5, and 6 are not applicable.

^b PBGC elected to disclose and publish in the AFR the statistically obtained estimates of the improper payment rates for the Multiemployer Financial Assistance Payments and Payments to Contractors, both below 10 percent.

Conclusion

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

cc: Tom Reeder, Director

Marty Boehm, Director, Corporate Controls and Reviews Department

Nicole Puri, Risk Management Officer

Department of Labor Board staff

Department of the Treasury Board staff

Department of Commerce Board staff

House committee staff (Education and Workforce, Ways and Means, HOCR)

Senate committee staff (HELP, Finance, HSGAC)

Comptroller General

OMB Controller

Appendix I: Objective, Scope, and Methodology

Objective

To determine PBGC's Fiscal Year (FY) 2016 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 in accordance with Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspections and Evaluations*, at PBGC Headquarters, 1200 K St NW, Washington, D.C. 20005. Our evaluation commenced in January 2017 and we are statutorily required to issue the final report by May 12, 2017. To achieve our objective, we reviewed the requirements of IPIA, IPERA, IPERIA and related OMB guidance. We reviewed prior related OIG audits and evaluations. Also, we obtained and reviewed documentation from PBGC officials.

Appendix II: Management Response



May 2, 2017

To: Robert A. Westbrooks
Inspector General

From: Patricia Kelly 
Chief Financial Officer

Subject: Management's Response to the Draft Audit of PBGC's Fiscal Year 2016
Compliance with Improper Payments Elimination and Recovery Act,
Project PA-17-117

Thank you for the opportunity to comment on the subject report and for your office's diligent work in reviewing our improper payment assessment and reporting processes. We were pleased to note that our processes were found to be compliant.

Again, your work in this vital area is much appreciated.

cc: Marty Boehm

Appendix III: 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 IV: Staff Acknowledgement

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

Appendix V: 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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