




Office of Inspector General
Pension Benefit Guaranty Corporation

April 4, 2018

TO: Patricia Kelly
Chief Financial Officer

FROM: Nick Novak 
Deputy Inspector General

SUBJECT: Evaluation Memorandum Report - PBGC's Fiscal Year 2017 Compliance with the Improper Payments Elimination and Recovery Act (Project EVAL-2018-12/PA-18-123)

We evaluated PBGC's compliance with improper payment requirements. Specifically, our objective was to determine PBGC's Fiscal Year (FY) 2017 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. 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 conforms 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 of 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 should 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 trusted 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. payments made to federal employees, including payroll and travel reimbursements (Payments to Federal Employees);
4. 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 (Financial Assistance Payments); and
5. refunds of previously paid premiums (Premium Refunds).

In 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 2017 PBGC is compliant with IPERA requirements. (Table 1) Specifically, the Corporation published an AFR for FY 2017 and posted the 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 Federal Employees, and concluded that the payment stream was not 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 or activity payments made during the FY reported or \$100 million regardless of the improper payment percentage of total program outlays.

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 ^a
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 ^a

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

^aThe criteria is not applicable, based on the results of PBGC's program specific risk assessment. PBGC determined that the payment stream was not susceptible to the significant risk of improper payments. Therefore, items 3, 4, 5, and 6 are not applicable.

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.6535 or audit manager, Sharron Greene, ext. 3419.

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

Senate Committee on Homeland Security and Governmental Affairs

House Committee on Oversight and Governmental Reform

Comptroller General

OMB Controller

Appendix I: Objective, Scope, and Methodology

Objective

To determine PBGC's Fiscal Year (FY) 2017 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 December 2017 and we are statutorily required to issue the final report by May 14, 2018. 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: Acronyms

AFR	Agency Financial Report
FY	Fiscal Year
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments 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, and Natali Dethomas, Auditor, made key contributions to this report.

Appendix IV: Feedback

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Office of Inspector General
Pension Benefit Guaranty Corporation
1200 K Street, NW, Suite 480
Washington, DC 20005

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