

Office of Inspector General
Pension Benefit Guaranty Corporation

Semiannual Report to Congress

For the Period October 1, 2019 to March 31, 2020



SARC #62

Our Value Framework

Principles

Integrity – Respect – Excellence

Vision

Providing deep knowledge and sensible solutions through independent, positive engagement

Mission

Conduct independent and objective audits and investigations of PBGC programs and operations

Provide leadership to promote efficiency and effectiveness

Prevent and detect fraud and abuse in PBGC programs and operations

Keep the Board and Congress fully and currently informed about problems and deficiencies

Report immediately to the Board whenever the Inspector General becomes aware of any particularly serious or flagrant problems

Report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of federal criminal law

Pillars

People Focused – Process Oriented – Performance Driven

From the Inspector General



Robert A. Westbrooks

The Board of Directors
Pension Benefit Guaranty Corporation

I write this letter at a time when the DC-Maryland-Virginia region and other parts of the country are under mandatory stay-at-home orders, as government and public health officials take extraordinary steps to slow the spread of COVID-19 for the safety and well-being of millions of Americans. I am especially proud to present the accompanying Semiannual Report summarizing the activities of our office for the period October 1, 2019 through March 31, 2020.

This fiscal year, prior to the outbreak of COVID-19, our office issued two novel reports in addition to our annual financial and IT audit work. The first report analyzed the Corporation's cybersecurity performance and IT audit remediation efforts over time. The second report alerted management to fraud vulnerabilities we identified in an ongoing fraud investigation. We also concluded a significant criminal investigation involving a former PBGC contractor employee who stole pensioners' personal information to commit identity theft. This former contractor was sentenced to 32 months of incarceration as a result of this egregious breach of public trust.

As an organization, we responded swiftly to the COVID-19 pandemic and seamlessly adjusted to a new virtual office. Just as crisis reveals an individual's character, it also reveals an organization's culture. Notwithstanding the change in office environment, our staff remained committed to providing reliable information to the Board and the Congress and to leading the Corporation in promoting efficiency and effectiveness and anti-fraud activities. In fact, we issued two final performance audit reports during the first two weeks of 100 percent telework. We look forward to resuming our normal business operations. Until such time, though, we are well-positioned to be on the leading edge of remote, robust oversight.

Respectfully submitted,

Robert A. Westbrooks

Robert A. Westbrooks
Inspector General

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Statement Regarding Plain Writing

We strive to follow the Plain Writing Act of 2010. The Act requires that government documents be clear, concise, well-organized, and follow other best practices appropriate to the subject or field and intended audience. The abbreviations we use in this report are listed below.

Abbreviations

APR	Annual Performance Report
AUP	Agreed Upon Procedures
BCV	Benefit Calculation and Valuation
BPD	Benefit Payment Division
CAP	Cross-Agency Priority
CFO	Chief Financial Officer
CFS	Consolidated Financial System
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CLA	CliftonLarsonAllen, LLP
COR	Contracting Officer Representative
CRM	Customer Relationship Management
ERISA	Employee Retirement Income Security Act of 1974
ERM	Enterprise Risk Management
FIPS	Federal Information Processing System
FISMA	Federal Information Security Modernization Act
FPBU	Funds Put to Better Use
FY	Fiscal Year
GAO	Government Accountability Office
IPVFB	Integrated Present Value of Future Benefits
IG	Inspector General
IT	Information Technology
ITIOD	IT Infrastructure Operations Department
NIST	National Institute of Standards and Technology
OGC	Office of General Counsel
OIG	Office of Inspector General
OIT	Office of Information Technology
PAE	Plan Asset Evaluations
PDR	Participant Data Reviews
PVFB	Present Value Future Benefit
SARC	Semiannual Report to Congress
SEC	Securities and Exchange Commission
SSA	Social Security Administration
SSN	Social Security Number
TFM	Treasury Financial Manual

TVA	Tennessee Valley Authority
U.S.	United States
U.S.C.	United States Code
WOSB	Women Owned Small Business

Executive Summary

During the period October 1, 2019 through March 31, 2020, we:

- Closed 37 recommendations and issued 26 new recommendations. The total number of open audit recommendations is 73. (Page 18)
- Issued the following reports:
 - **Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements.** PBGC's financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the U.S. This is the 27th consecutive unmodified financial statement audit opinion. We noted that PBGC made some progress in implementing corrective actions; however, we found the Corporation should continue to focus its efforts in resolving the remaining outstanding significant control deficiencies. (Page 18)
 - **Audit of Pension Benefit Guaranty Corporation's Reclassified Financial Schedules for Fiscal Year 2019.** The Reclassified Financial Schedules were prepared in accordance with the requirements of the U.S. Department of the Treasury's Treasury Financial Manual for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office. The financial information is used in preparing and auditing the *Financial Report of the U.S. Government*. (Page 19)
 - **Vulnerability Assessment and Penetration Testing Report Fiscal Year 2019.** Current year testing noted improvements in the effectiveness of the vulnerability management program but identified weaknesses in the areas of patch management, configuration management, and unsupported software. (Page 19)
 - **Audit of PBGC's FY 2019 Compliance with the Federal Information Security Modernization Act.** PBGC's security program, as in the prior year, fell below the specified threshold of effectiveness, *Managed and Measurable* (Level 4), and achieved an overall *Consistently Implemented* (Level 3) maturity level. However, CliftonLarsonAllen, LLP (CLA) did note areas of improvement in the Security Training and Information Security Continuous Monitoring domains – each moving up one level. In addition, two functional areas, Detect and Respond, were found to meet the *Managed and Measurable* (Level 4) maturity level. (Page 20)
 - **PBGC's Agreed-Upon Procedures for Contract Closeout.** We found PBGC's Procurement Department could have conducted better monitoring of the agreed-upon procedures during the period of performance and did not follow up on findings from the contract closeout reports. (Page 20)

- **Risk Advisory — Additional Measures to Address Fraud Vulnerabilities in Benefits Administration.** In recent months, we observed an increase in fraudulent activity in benefits administration. We provided management with a non-public version of this Risk Advisory with our observations regarding certain fraud vulnerabilities and suggestions for PBGC management to prevent additional losses to PBGC or participants. (Page 22)
- **Summary and Analysis of PBGC’s FISMA Performance and Update on Remediation Efforts.** In FY 2018, the Corporation’s cybersecurity performance independent assessment ranked above average in comparison to both other small agencies and to Chief Financial Officers Act (CFO Act) agencies. This is an improvement in PBGC’s performance relative to other agencies. To address open IT audit recommendations, management has submitted audit recommendation closure packages for 39 of the 48 IT audit recommendations. (Page 21)
- Continued work on our **Deceased Participants Program.** In February 2017, our Office of Investigations initiated a computer matching program to identify PBGC benefits being paid to deceased participants. During this reporting period, we identified 18 deceased participant cases, which we referred to management for coordination to terminate benefits and seek recoupment. To date, we have identified 196 instances of improper payment or fraud relating to deceased participants in the single-employer and multiemployer programs. (Page 25)

Background

The Pension Benefit Guaranty Corporation

The Employee Retirement Income Security Act of 1974 (ERISA) established the Pension Benefit Guaranty Corporation (PBGC) within the U.S. Department of Labor to administer the pension insurance program. ERISA requires that PBGC: (1) encourage the continuation and maintenance of voluntary private pension plans, (2) provide for the timely and uninterrupted payment of pension benefits to participants and beneficiaries, and (3) maintain premiums at the lowest level consistent with carrying out PBGC's obligations.

PBGC is responsible for protecting the pensions of over 35 million American workers and retirees participating in about 25,000 private-sector defined benefit plans. The Corporation receives no general tax revenues. It manages approximately \$131 billion in assets financed by insurance premiums from its single-employer and multiemployer pension insurance programs, investment income, and the assets of terminated plans. In FY 2019 PBGC paid over \$6 billion in retirement benefits to more than 932,000 retirees in over 4,900 single-employer plans. It also paid \$160 million in financial assistance to 89 insolvent multiemployer plans.¹

PBGC faces significant, long-standing, and well-known risks. With the premium base declining as fewer employers offer defined benefit plans, both pension insurance programs face long-term funding challenges; but, the financial condition of the multiemployer program is particularly dire. In 2003, the Government Accountability Office (GAO) designated the single-employer pension insurance program as high risk, and GAO added the multiemployer pension insurance program to its high-risk list in 2009. At the end of FY 2019, PBGC's net position in the single-employer program was \$8.7 billion, and its net position in the multiemployer program was negative \$65.2 billion. PBGC's estimate of the reasonably possible exposure to loss in the single-employer program is \$154.7 billion; the reasonably possible exposure in the multiemployer program is \$10.9 billion. According to PBGC's FY 2018 Projections Report, the multiemployer pension insurance program shows a very high likelihood of insolvency during FY 2025 and insolvency is a near certainty by the end of FY 2026.

PBGC's governance structure is comprised of the Board of Directors, their Board Representatives, the Advisory Committee, a Presidentially-appointed and Senate-confirmed Director, and PBGC executives. PBGC is also subject to Congressional oversight. Other elements of governance include PBGC's system of internal control, its clearly articulated authority under ERISA to act, and PBGC's operational policies and procedures. PBGC governance is complex and requires those who are charged with its oversight to view the

¹ Unless otherwise cited, the figures contained in this section are based on PBGC's 2019 Annual Report.

Corporation from different perspectives. Oversight by the PBGC Board, PBGC management, and Office of Inspector General (OIG) is critical to effective corporate governance.

The Office of Inspector General

The PBGC Office of Inspector General was created under the 1988 amendments to the Inspector General Act of 1978 (IG Act). We provide independent and objective audits, inspections, evaluations, and investigations to help Congress, the Board of Directors, and PBGC protect the pension benefits of American workers.

We are organizationally independent from the Corporation, with the Inspector General reporting to the Board of Directors. Under Public Law 112-141, the Inspector General must attend at least two Board meetings per year “to provide a report on the activities and findings of the Inspector General, including with respect to monitoring and review of the operations of the Corporation.”

The OIG executive leadership team consists of the Inspector General, Deputy Inspector General, the Chief Counsel, and the Assistant Inspectors General. The Assistant Inspector General for Audits leads our audit staff, the Assistant Inspector General for Investigations leads our investigative staff, and the Assistant Inspector General for Management leads office operations.

Our office operates in compliance with the *Quality Standards for Federal Offices of Inspector General* issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Our audits are performed in compliance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. Our evaluations and inspections work are performed in compliance with the CIGIE *Quality Standards for Inspection and Evaluation*, and investigations are conducted in compliance with the CIGIE *Quality Standards for Investigations*.

We strive to provide deep knowledge and sensible solutions through independent, positive engagement. We focus our available resources on high-risk areas and continuously seek ways to increase value to our stakeholders. During FY 2019, we updated our risk assessment of PBGC programs and operations. We also created an OIG capability model to measure long-term progress in our three oversight imperatives: Contracting, Data Analytics and Visualization, and Compliance and Integrity.

We also actively participate in and support OIG community activities. The Inspector General serves as chair for the Professional Development Committee of the CIGIE and serves on the CIGIE Executive Council. Our Assistant Inspector General for Audits represents our office on the CIGIE Inspection and Evaluation Committee. Our Deputy IG represents our office on the CIGIE Enterprise Risk Management Working Group. Our Chief Counsel represents our office on the Chief Counsels of Inspectors General Employment Law Working Group. Our Assistant

Inspector General for Management and Administration represents our office on the CIGIE Data Analytics Working Group.

Management Challenges

Information Security

As stated in PBGC's Strategic Plan for 2018-2022, protecting retiree income by paying benefits on time and accurately is a statutory requirement and one of the fundamental reasons PBGC exists. In FY 2019, the Corporation paid over \$6 billion in benefits to more than 932,000 retirees in single-employer plans. PBGC relies on information systems and electronic data to carry out operations and to process, maintain and report essential information. Many of PBGC's systems contain vast amounts of personally identifiable information (PII), including approximately 2 million Social Security Numbers (SSN) for active customers. It is PBGC's responsibility to protect the confidentiality, integrity and availability of this information.

GAO has identified information security as a government-wide high-risk since 1997 and expanded the risk in 2015 to include protecting the privacy of PII. Protecting PBGC networks, systems, and data is a long-standing and continuing management challenge.

Management has made some progress in information security and identifies maintaining effective IT security as a strategic objective within their Strategic Goal to maintain a High Standard of Stewardship and Accountability. In 2009, we found PBGC had a material weakness with its entity-wide security program planning and management, and access control and configuration management. In our FY 2015 internal controls report, IT conditions we previously reported as *material weaknesses* resulting in an adverse opinion on internal control were downgraded to *significant deficiencies*. In FY 2017, management took corrective actions regarding entity-wide security program planning and management. As a result, this area is no longer a reportable condition.

However, as noted in our FY 2018 financial statement audit report, access control and configuration management remain long-standing concerns and significant deficiencies. Two of our oldest open audit recommendations date back to FY 2007 and relate to remedying vulnerabilities identified in key databases and implementing a logging and monitoring process for major applications. PBGC made progress and submitted these recommendations for closure in June 2019. However, the recommendations were returned for further action due to similar vulnerabilities identified during testing and to provide additional time to fully implement its logging and monitoring of major applications.

Office of Management and Budget Memorandum M-17-12, *Preparing for and Responding to a Breach of Personally Identifiable Information* states, "The unprecedented volume of PII maintained

by the Federal Government today, coupled with the rapidly evolving threat and risk landscape, necessitate that agencies take an aggressive approach to protecting Federal information resources.” Our office has noted PII concerns beginning with our FY 2010 report, *PBGC Needs to Improve Controls to Better Protect Participant Personally Identifiable Information (PII)*, and in a limited distribution Risk Advisory, *Personally Identifiable Information and Data Loss Prevention Control Weaknesses*, issued in 2017.

Our FY 2019 Federal Information Security Modernization Act (FISMA) audit found that PBGC improved its information security program, completing corrective actions to close 6 of 26 recommendations in the FY 2018 FISMA. No weaknesses were identified in the areas of security training, incident response and contingency planning; however, weaknesses were observed in risk management, vulnerability and configuration management, identity and access management, data protection and privacy, and information security continuous monitoring.

During FY 2019, we issued an evaluation report, *PBGC’s Data Protection at Contractor-Operated Facilities*. Our report found that although controls relating to data protection at the contractor-operated facilities are, for the most part, suitably designed, PBGC has opportunities to improve the operational effectiveness of some of these controls. We also recently issued a Risk Advisory to management that highlighted the need for additional safeguards to protect sensitive participant data from insider threats.

In March 2018, the Administration issued the *President’s Management Agenda* which laid out a new Cross-Agency Priority (CAP) Goal, *Leveraging Data as a Strategic Asset*, to develop and implement a comprehensive Federal Data Strategy. The mission of the strategy is to guide the Federal Government to use ethical governance, conscious design, and learning culture to leverage the value of federal data. Our evaluation of *PBGC’s Efforts to Reduce the Collection, Maintenance, and Use of Social Security Numbers*, issued in September 2019, identified several PBGC offices that have responsibilities involving the collection, maintenance, or use of SSNs. The types of work vary by office and individual, but include access to SSNs of federal employees, contractors, pension plan participants, or beneficiaries. While the Office of Information Technology (OIT) has made efforts in controlling access to PII, including SSNs, continued progress is needed across the organization to more narrowly grant access based on individual employee’s duties in accordance with the principle of least privilege. Currently, the limits of PBGC’s technology affect both its ability to conceal SSNs when not needed and to secure SSNs and other PII. As PBGC plans and continues modernizing its systems, limiting access to SSNs with the latest IT technology should be considered.

Further improvements in PBGC’s information security posture are needed so the Corporation can remain agile in the rapidly changing threat environment. The Corporation also must swiftly implement the latest National Institute of Standards and Technology (NIST) federal security standards and OMB requirements.

Modernization of PBGC's Key Benefits-Related Information Technology Systems

The modernization of legacy systems challenges agencies to prioritize IT spending to deliver better service to the public while enhancing mission effectiveness, reducing cybersecurity risks, and building a modern IT workforce. Along with infrastructure modernization projects, PBGC also needs to prioritize program office modernization projects to ensure they are strategically aligned, transparent, synchronized, and driven by performance-based data.

PBGC relies on legacy information systems to perform its essential service of ensuring retirees receive their correct pension amount. The Participant Management Program provides the capability to administer benefits to approximately 1.5 million participants in PBGC trustee plans and facilitates payments to more than 932,000 retirees or their beneficiaries, with benefits over \$6 billion. The program is the consolidation of the Integrated Present Value of Future Benefits (IPVFB); Benefits Administration, Benefit Calculation and Valuation (BCV); Spectrum; and other related IT systems. Benefits Administration includes systems to pay benefits, provide customer service, and manage user access functions, such as its Customer Relationship Management (CRM) system.

Management has made some progress in modernizing IT systems, which was reflected in the condition being downgraded in severity from a material weakness in the FY 2015 financial statement audit. PBGC completed the last phase of its modernization projects for IPVFB in FY 2018. However, we continue to identify the Office of Benefits Administration's (OBA) controls over the present value of future benefit (PVFB) liability as a significant deficiency in our FY 2018 financial statement audit. PBGC management implemented certain corrective actions during FY 2018, which included enhancing the valuation tool to calculate its single largest liability, developing targeted financial analysis processes to mitigate financial reporting risks, and implementing IT solutions to mitigate system weaknesses. Nonetheless, testing of the PVFB liability reported at June 30, 2019 and September 30, 2019 continued to reveal errors caused by system limitations or programming flaws and data entry errors and inaccurate use of plan data provisions.

Additionally, our limited scope review of the acquisition and performance of Spectrum 4 in FY 2018 found that its deployment resulted in increased errors/variances and slower day-to-day functioning of the system. Spectrum is the web-based application that allows the Benefit Payment Division (BPD) to manage customer pension payments and data. BPD's goal was to eliminate legacy systems and consolidate payment data from other systems in order to send payment information to PBGC's paying agent. The OIG review team also identified concerns relating to a lack of overall understanding of the needs of the system at the time of solicitation, an increased reliance on contract support as the project progressed, and a lack of transparency regarding cost and deliverables. In FY 2019, PBGC provided an update to the OIG on Spectrum and based on continuing updates to the system, variances/errors continue to decrease in

frequency. Additionally, system performance has improved with total time to run transactions decreasing and availability of the system nearing 100 percent.

In FY 2019, the Corporation began a multi-year projects to modernize BCV and CRM. BCV is PBGC's pension calculation and valuation solution used by plan actuaries to determine participant benefits and calculate corporate liabilities for plans PBGC will trustee. The actuarial calculations the systems perform are essential in determining eligibility and the correct benefit amount for participants entering pay status. The BCV modernization aims to close performance gaps, retire antiquated technology, reduce security issues, incorporate re-engineered processes, and integrate with other corporate systems while aligning with IT infrastructure. CRM is the central repository for all PBGC participant interactions. Customer service representatives use data pulled from the repository to answer questions for plan participants, beneficiaries, and plan managers. The CRM project seeks to provide new functionality and security enhancements that will improve customer interaction.

Since 2015, GAO has identified "Improving the Management of IT Acquisitions and Operations" as a high risk since "federal IT investments too frequently fail or incur cost overruns and schedule slippages while contributing little to mission-related outcomes. These investments often suffered from a lack of disciplined and effective management, such as project planning, requirements definition and program oversight and governance." With PBGC embarking on critical legacy system modernization, we continue to identify PBGC's modernization efforts as a top management challenge and will provide oversight in light of the critical nature of the systems, PBGC's history of challenges in integrating its systems, and its reliance on professional services contract support.

Transparency and Accountability of Professional Services Contracting

PBGC is highly dependent on contractor staff to conduct its work, which includes providing IT support, developing and assessing internal controls, and calculating and paying pension benefits. OBA has approximately 250 federal employees supported by almost 700 contractor staff. Within these totals, OBA's three primary field offices, which oversee the day-to-day benefits administration activities and Customer Contact Center for PBGC's trustee and non-trustee plans, are staffed with about 420 contractor staff. OIT has approximately 110 federal employees supported by roughly 330 contract staff to operate, maintain and secure PBGC's network, systems, and services. This staffing model has raised concerns in the past regarding inherently governmental functions and the technical ability of a sufficient number of federal employees to effectively oversee contract deliverables.

PBGC's workload influx plan in the event of a dramatic increase in plan failures depends on scalable contractor support to perform critical plan asset evaluations (PAE), participant data reviews (PDR), actuarial valuations services, and data collection. In February 2019, PBGC experienced a significant influx when it took responsibility as trustee for Sears Holding Corporation's two defined benefit plans. Together, these plans cover about 90,000 workers and retirees.

Our office has raised concerns for many years about PBGC management's oversight of professional services contracts. Recently, we reported on PBGC's data protection at contractor-operated facilities and protecting sensitive participant data from insider threats. Previously, we reported on concerns over contracts that include closely aligned firm-fixed-price and labor-hour type tasks, and concerns regarding over-reliance on contractors for IT system modernization efforts. Sufficient and effective oversight is a shared responsibility, though, and this remains a top management challenge.

In Focus

COVID-19: Adapting to a New Virtual Work Environment

Beginning in March 2020, our nation found itself confronting the first pandemic of the 21st century to reach America’s shores. Due to the specific nature of the pathogen in question and how it is transmitted, the government’s response relied heavily on isolation and containment. For many government employees, stay at home orders and school closures presented unprecedented challenges in balancing work with caregiver responsibilities. For many government agencies, social distancing and remote work presented unprecedented challenges in balancing human capital with mission responsibilities.

The PBGC OIG moved quickly to make use of available technology, adapt procedures, and leverage the skills of our staff. In doing so, we maintained our focus on mission priorities and maintained operational effectiveness during these extraordinary times.

Staff Health and Well-Being:
Priority #1

- COVID-19 Pandemic: Federal and State responses**
- March 5, 2020: Maryland declared a state of emergency.
 - March 11, 2020: World Health Organization declared COVID-19 a pandemic. Washington, DC declared a state of emergency
 - March 12, 2020: PBGC OIG issued guidance permitting full-time telework. OMB issued a memorandum to the heads of Executive departments and agencies that encouraged agencies to make use of telework flexibilities. Virginia declared a state of emergency.
 - March 13, 2020: President Trump declared a federal state of emergency.
 - March 15, 2020: OMB issued a second memorandum encouraging federal agencies to offer maximum telework.
 - March 17, 2020: OMB issued a third memorandum with updated COVID-19 guidance for the Federal Government as a whole.

Technology and physical infrastructure can be replaced or reconstituted once a crisis is over, but staff are the core of any organization, and expertise, institutional memory, and relationships cannot simply be replaced overnight if lost. PBGC OIG transitioned quickly to telework out of concern for the safety of its staff. Implementation was swift and conducted without the lengthy planning discussions and meetings usually preceding such moves. On March 12, OIG staff received guidance to begin working remotely the very next day based on the highly-contagious nature of the pathogen and the possibility of asymptomatic transmission.

Infrastructure for Success

Clearing the office and sending people home to work is a good start. Working from home, though, requires technological, administrative, and logistical infrastructure just like in an office environment. PBGC OIG lost no time in delivering office laptop computers, monitors, and peripherals to teleworkers in order to enable the continuation of operations. Our IT specialist ensured that employees maintained access to shared drives and collaborative tools. OIG leaders scheduled more frequent and regular meetings to communicate expectations and track deliverables across a geographically dispersed workforce. Given the importance of face-to-face communication, PBGC OIG adopted Microsoft Teams as a key technology platform. Video calls soon filled the communication void left by the absence of formal meetings and informal desk-side collaboration that occupies a large part of each work day.

Initiative and Flexibility

Some situations call for an organization to undertake a slow and deliberate approach to change. Considering the nature of the threat posed by this pandemic, OIG leadership felt that it did not have the luxury of time and decided to act quickly in implementing maximum telework before such guidance was widely implemented elsewhere in the Federal Government. By March 23, our office issued new Virtual Office Guidance which established new virtual office normal business hours and core work hours, as well as outlining expectations regarding status updates, email, chat, and video conferencing. Our office issued revised telework guidance after a quick orientation to the new environment and assessment of the risks inherent in a delay.

Continuity of Operations

In creating a new virtual work environment, the PBGC OIG ensured no loss in productivity. The newly created infrastructure, coupled with a work culture that values flexibility and resilience, helped enable OIG staff to remain on task, socially connected, and functioning at full effectiveness. As of the date of this Semiannual Report to Congress (SARC), OIG staff issued two reports during the crisis and continued working on additional reports that were in various stages of completion.

Audits, Evaluations, and Reviews

Summary of Performance

Management Decisions	
Open Recommendations Beginning of Period	84
Opened This Period	26
Closed This Period	37
Open Recommendations End of Period	73
Reports with Open Recommendations End of Period	27

Financial Audits and Related Work

Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements

(AUD-2020-2, issued November 15, 2019)

<https://oig.pbqc.gov/pdfs/AUD-2020-2.pdf>

We contracted with the independent public accounting firm CLA and oversaw this audit. CLA determined the financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the U.S. This is the 27th consecutive unmodified financial statement audit opinion. PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019. PBGC continues to develop and execute corrective actions to remediate previously identified control deficiencies. PBGC management continues to implement certain corrective actions to enhance the valuation tool used to calculate its single largest liability and implement IT solutions to mitigate system weaknesses. PBGC had two significant deficiencies: (1) Controls over the Actuarial Estimates and (2) Access Controls and Configuration Management.

The OIG found an instance of potential noncompliance or other matter that is required to be reported in accordance with Government Auditing Standards. Specifically, in prior years, PBGC did not record its full contractual obligation under all of its multiyear lease arrangements in potential violation of the Antideficiency Act. In FY 2019, PBGC submitted draft letters to the OMB to report the violations. PBGC was awaiting finalization of OMB's review prior to reporting the violations to the President, the Congress, and the Comptroller General as required.

Audit of Pension Benefit Guaranty Corporation's Reclassified Financial Schedules for Fiscal Year 2019

(AUD-2020-3, issued November 19, 2019)

<https://oig.pbqc.gov/pdfs/AUD-2020-3.pdf>

We contracted with CLA to perform this audit. The reclassified financial schedules were prepared in accordance with the requirements of the U.S. Department of the Treasury's Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 4700 (TFM 2-4700) for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office to use in preparing and auditing the Financial Report of the U.S. Government, and are not intended to be a complete presentation of the balance sheet of PBGC as of September 30, 2019, and the related statements of operations, net position, and cash flows of the Single-Employer and Multiemployer Program Funds administered by the PBGC.

The reclassified financial schedules referred to above presented fairly, in all material respects, the financial position of the Pension Benefit Guaranty Corporation as of September 30, 2019, and its net costs and changes in net position for the year then ended in accordance with the requirements of the TFM.

Fiscal Year 2019 Financial Statement Audit Management Letter Report

(AUD-2020-06, issued January 9, 2020)

<https://oig.pbqc.gov/pdfs/AUD-2020-6.pdf>

This management letter summarizes CLA's findings and recommendations related to internal control deficiencies and other matters. The issues noted in this report are not significant; therefore, the deficiencies were not required to be reported in the Independent Auditor's Report (AUD-2020-2). During the FY 2019 audit, CLA did not identify any new internal control deficiencies of less significant matters to be included in this report. CLA, as part of their work, followed up on open recommendations included in the previous years' management letter and closed one recommendation.

Vulnerability Assessment and Penetration Testing Report Fiscal Year 2019

(EVAL-2020-04, issued November 25, 2019)

<https://oig.pbqc.gov/pdfs/EVAL-2020-04.pdf>

OIG contracted with CLA to assess PBGC's network for technical weaknesses in PBGC's computer systems that may allow employees or outsiders to cause harm to, and/or impact, PBGC's business processes and information. Although the current year testing noted

improvements, the report included five repeat recommendations. In addition, the report was redacted in its entirety because it contained privileged and confidential information.

PBGC's Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014

(AUD-2020-05, issued December 20, 2019)

<https://oig.pbqc.gov/pdfs/AUD-2020-5.pdf>

We contracted with CLA to perform an audit of PBGC's information security program and practices, as required by FISMA. CLA concluded PBGC's security program, as in the prior year, fell below the specified threshold of effectiveness, *Managed and Measurable* (Level 4). PBGC's information security program achieved an overall *Consistently Implemented* (Level 3) maturity level. However, CLA did note areas of improvement in the Security Training and Information Security Continuous Monitoring domains – each moving up one level from the prior year. In addition, two functional areas, Detect and Respond, were found to meet the *Managed and Measurable* (Level 4) maturity level. CLA also concluded that PBGC's implementation of a subset of selected controls for selected information systems was not fully effective to ensure the confidentiality, integrity, and availability of the Corporation's information and information systems, potentially exposing them to unauthorized access, use, disclosure, disruption, modification, or destruction. Consequently, CLA noted weaknesses in 5 of the 8 Inspector General FISMA Metric Domains and made a total of 8 new and 20 repeat recommendations to assist PBGC in strengthening its information security program; two were issued in the Financial Statements audit report and six were issued in this report. PBGC agreed with the six new recommendations in this report and previously agreed with the two recommendations in the Financial Statements audit report.

Performance Audits, Evaluations, and Special Reports

PBGC's Agreed-Upon Procedures for Contract Closeouts

(EVAL-2020-08, issued March 20, 2020)

https://oig.pbqc.gov/pdfs/Eval_2020_08.pdf

We found that PBGC's Procurement Department (PD) could have conducted better monitoring of the agreed-upon procedures (AUP) during the period of performance and did not follow up on findings from the contract closeout reports. Specifically, PD should have evaluated the status of the contracts included in the Vendor contract closeout pool to verify such contracts were ready for closeout. By failing to do so, PD incurred unnecessary expenses in having the contractor conduct a premature closeout review. Additionally, PD has not followed up on the recommendations provided in the final AUP reports and has not recouped

funds due to overpayments, disallowed direct costs, or de-obligated funds. This inaction exposed PBGC to future liability. Without proper follow-up on the contract closeout AUP reports, PBGC is limited in its ability to prevent, detect, and recover from acquisition risks, such as property loss, financial liability, and overpayments. We identified \$293,000 of funds put to better use and \$173,000 of questioned costs and we made seven recommendations with which PBGC agreed and plans to implement corrective action.

PBGC's FY 2018 Annual Performance Report

(EVAL-2020-09, issued March 30, 2020)

<https://oig.pbqc.gov/pdfs/EVAL-2020-09.pdf>

Although we found no material misstatements, we did find several errors in the FY 2018 Annual Performance Report (APR). We also determined that PBGC has not implemented OMB Circular A-11, Part 6. Specifically, PBGC does not have an agency-wide validation and verification policy in place to ensure data accuracy. In addition, PBGC did not, as required, disclose its assessment of the reliability and completeness of the performance data in the FY 2018 APR. As a result, the APR may not accurately reflect the Corporation's progress towards performance goals and fulfilling the requirements of OMB A-11, Part 6. This failure increases the reputational risk that the APR could contain a material misstatement. We made two recommendations in the report, which PBGC agreed with and plan to implement by December 31, 2020.

Summary and Analysis of the Corporation's FY 2018 Federal Information Security Modernization Act Performance and Update on IT Remediation Efforts

(SR-2020-01, issued October 11, 2019)

<https://oig.pbqc.gov/pdfs/SR-2020-01.pdf>

We issued this special report to provide the Board with insights from the OMB annual report on the Corporation's cybersecurity performance in relation to the established FISMA metrics and other federal agencies. We note this information represents the Corporation's cybersecurity effectiveness at a point in time and, therefore, have also included an update on management's IT remediation efforts to date. Although the Corporation improved its performance in the Protect and Respond functions, its overall cybersecurity performance independent assessment rating remains at "not effective" based on the OMB scoring criteria. In FY 2018, the Corporation's cybersecurity performance independent assessment ranked above average in comparison to both other small agencies and CFO Act agencies. This is an improvement in PBGC's performance relative to other agencies. To address open IT audit recommendations, management has submitted audit recommendation closure packages for 39 of the 48 IT audit recommendations. Although more work remains and continued vigilance is required, we recognize management's attention and efforts to improve the Corporation's information security program, controls, and practices.

Risk Advisory — Additional Measures to Address Fraud Vulnerabilities in Benefits Administration

(SR-2020-07, issued January 21, 2020)

https://oig.pbgc.gov/pdfs/SR_2020_07.pdf

Management is responsible for identifying internal and external risks that may prevent the Corporation from meeting its strategic goals and objectives, assessing risks to determine their potential impact, and applying the appropriate risk responses. In recent months, we have observed an increase in fraudulent activity in benefits administration. We provided management with a non-public version of this Risk Advisory with our observations regarding certain fraud vulnerabilities and suggestions for PBGC management to consider for prevention of additional losses to PBGC or participants.

On-Going Performance Audits and Related Work

PBGC's Incurred Costs for Contract No. PBGC-D-15-0001

(Project No. PA-19-138, announced May 8, 2019)

<https://oig.pbgc.gov/pdfs/Ann-PA-19-138.pdf>

We are conducting this engagement to determine whether the costs claimed for contract PBGC01-D-15-0001 from February 1, 2015 through July 31, 2018 were allowable, allocable and reasonable in accordance with the terms of the contract, applicable cost principles, laws, and regulations.

PBGC's FY 2019 Compliance with the Improper Payment Information Act

(Project No. EV-20-144, announced December 6, 2019)

https://oig.pbgc.gov/pdfs/Ann_EV-20-144.pdf

We are conducting this engagement to determine PBGC's FY 2019 compliance with the Improper Payments Information Act of 2002, as amended and expanded by the Improper Payments Elimination and Recovery Act of 2010, and the Improper Payments Elimination and Recovery Improvement Act of 2012.

Office of Benefit Administration's Actuarial Support Services Contract

(Project No. EV-20-143, announced November 21, 2019)

https://oig.pbgc.gov/pdfs/Ann_EV-20-143.pdf

We are conducting this engagement to evaluate PBGC's compliance with applicable Federal Acquisition Regulations and PBGC's policies regarding acquisition planning, awarding and oversight of OBA's actuarial support services.

PBGC's IT Modernization Projects

(Project No. SR-20-146, announced January 29, 2020)

https://oig.pbgc.gov/pdfs/Ann_SR-20-146.pdf

We are conducting this engagement to: (1) identify ongoing IT modernizations projects and their significance within PBGC's mission, (2) determine the current status of the efforts, particularly related to cost and schedules, (3) identify challenges and risks of these projects, and (4) determine how these projects address PBGC's strategic goals.

Investigative Activities

Summary of Performance

Criminal Actions	Federal	State
Indictments	1	0
Informations	1	0
Criminal Complaints	1	0
Convictions	2	0
Nolo Contendere	0	0
Sentencings	1	0

During this reporting period, we focused investigative attention on theft of pension benefits and deceased participant fraud issues.

Former PBGC Contractor Sentenced for Theft of Pension Benefits

On January 22, 2020, a former Miami PBGC contractor was sentenced in U.S. District Court, Southern District of Florida, to 32 months in prison and ordered to pay \$5,757.05 in restitution after redirecting a pension payment to a bank account she controlled. On October 30, 2019, the defendant pleaded guilty to one count of wire fraud and one count of aggravated identity theft. The investigation revealed that on November 8, 2018, the defendant called the PBGC Customer Contact Center and impersonated a pension plan participant. During the call, the defendant requested that PBGC update the participant's electronic direct deposit information and provided PBGC with a new routing number and checking account number that the defendant controlled. Subsequently, on December 3, 2018, the participant's direct deposit in the amount of \$4,763.75 was wired from State Street Bank in Quincy, Massachusetts to the defendant's bank account located in the Southern District of Florida.

Florida Man Pleads Guilty to Theft of PBGC and SSA Payments

On March 3, 2020, a man from Orlando, Florida pleaded guilty in U.S. District Court, Middle District Court of Florida, to two counts of theft of government funds. The defendant's mother received Retirement Insurance Benefits from the Social Security Administration (SSA) and a monthly pension benefit from PBGC. The defendant's mother passed away on or about June 17, 2016. The defendant admitted that, between approximately July 2016, and in or around June 2019, the money deposited by SSA and PBGC was withdrawn via ATM withdrawals, debit card transactions, and checks drawn on the account. The defendant knowingly and willfully converted approximately \$48,750 in SSA Retirement Insurance Benefits and approximately \$3,500 in PBGC benefits. This case was initiated as a result of the deceased participant data matching project of the Investigations Division.

Florida Man Charged with Theft of Government Funds

On January 21, 2020, a 69-year old Westville, Florida man was charged in the U.S. District Court, Northern District of Florida with two counts of theft of government funds. His mother passed away on April 2, 2012, and SSA Retirement and Survivors Insurance benefits and PBGC pension benefits continued to be deposited into her bank account. The indictment alleges that the defendant converted approximately \$126,000 in SSA and \$17,000 in PBGC benefits for his own use.

Connecticut Man Arrested for Theft of Government Funds

On February 13, 2020, a 51-year old Woodbury, Connecticut man was charged, via Criminal Complaint in the U.S. District Court of Connecticut, with violation of 18 U.S.C. Section 641. The defendant personally received and expended approximately \$37,000 in PBGC and SSA benefits after his father passed away on November 25, 2015. The defendant was arrested on March 5, 2020. This case was initiated as a result of the deceased participant data matching project of the Investigations Division.

Deceased Participants Program

We continued our efforts under the fraud detection/computer matching initiative to identify deceased participants in the single-employer and multiemployer programs. During this reporting period, we identified 18 deceased participant cases, which we referred to management for termination of benefits and recoupment. To date, we have identified 196 instances of improper payment or fraud relating to deceased participants in the single-employer and multiemployer programs and referred those cases to PBGC for coordination to terminate benefit payments and seek recoupment.

Senior Government Employee Substantiated Misconduct Investigations

During this reporting period, we did not complete any investigation involving a senior Government employee² where we substantiated an allegation of misconduct.

² “[A]n officer or employee in the executive branch (including a special Government employee as defined in section 202 of title 18, United States Code) who occupies a position classified at or above GS–15 of the General Schedule or, in the case of positions not under the General Schedule, for which the rate of basic pay is equal to or greater than 120 percent of the minimum rate of basic pay payable for GS–15 of the General Schedule[.]” 5 U.S.C. App. 3, § 5(f)(7).

Instances of Whistleblower Retaliation

We did not complete any investigations of whistleblower retaliation during this reporting period.

Congressional Requests

During this reporting period we received one congressional request. On February 10, 2020, we received a request from Senator Charles E. Schumer (NY) requesting information regarding whistleblower protections. This letter was sent to all OIGs. We replied on March 23, 2020.

Other OIG Statutory Reporting

Access to Information

Section 6(a) of the Inspector General Act grants the Inspector General access to all agency records, information, or assistance when engaged in an investigation or audit. Whenever access to requested records, information or assistance is unreasonably refused or not provided, the Inspector General must promptly report the denial to the agency head.

We have not been denied access, nor has assistance been unreasonably refused during this reporting period.

Interference with Independence

During the reporting period, PBGC did not attempt to, or actually interfere with, our independence by creating budget constraints to limit our capabilities, nor were there any incidents where PBGC resisted our oversight or delayed our access to information, including the justification of the establishment for such action.

Outstanding Management Comment and Unimplemented Recommendations

There were no audit, inspection, or evaluation reports issued (1) for which no management comment was returned within 60 days of being provided with the report and (2) for which there were outstanding unimplemented recommendations.

Management Decisions

There were no significant revised management decisions and no management decisions of a material nature with which we did not agree.

Compliance with Federal Financial Management Improvement Act

PBGC is in compliance with the Federal Financial Management Improvement Act.

Review of Proposed Statutory and Regulatory Changes

Under the IG Act, the OIG is responsible for reviewing PBGC proposed changes to laws and regulations. During this reporting period, we did not review or provide comment on any proposed changes to laws or regulatory actions.

Peer Review

Audit: *Generally Accepted Government Auditing Standards* require each audit organization to obtain an external review of its system of quality control every three years and make the results publicly available.

During this period, there were no peer reviews of our Audits, Evaluations and Inspections Division. Our most recent peer review by the Securities and Exchange Commission (SEC) OIG was completed on January 31, 2019. The SEC OIG issued a report of its External Peer Review of our audit organization and opined that our system of quality control for the year ending September 30, 2018 had been “suitably designed and complied with to provide our office with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.” Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. We received an External Peer Review rating of *pass*. There are no outstanding recommendations from this review. A copy of this peer review is on our website at <https://oig.pbgc.gov/pdfs/PeerReview.pdf>

Our audit organization completed an external audit peer review of the Tennessee Valley Authority (TVA) OIG and we issued our report on March 10, 2020. TVA OIG received a peer review rating of *pass*.

The peer review of our evaluations and inspections work is scheduled to begin in July 2020. The next peer review of our audit work is scheduled for Fall 2021.

Investigations: During this period, there were no peer reviews of our Investigations Division. Further, the Investigations Division did not conduct an external peer review or issue a report on an external peer review.

Restricted Access Audit, Inspection or Evaluation Reports

With limited exceptions, we post all audit, inspection and evaluation reports on our website within three days of issuing the final report to PBGC. We generally do not provide or post on our website the full text of reports that would disclose specific vulnerabilities that could be exploited; typically, such reports are IT-related.

We use restricted disclosure and other non-public audit, inspection or evaluation reports to disclose that we have conducted work on sensitive subject matters. However, in lieu of posting full text reports, we post a high-level summary or redacted version, and summarize sensitive matters in our Semiannual Reports to Congress.

The table below contains information on reports that we did not fully disclose to the public.

Report Number	Report Title	Issue Date	Summary
EVAL-2020-04	Vulnerability Assessment and Penetration Testing Report Fiscal Year 2019	November 25, 2019	We tested PBGC's information security infrastructure for technical weaknesses. PBGC has made some improvements. Current year testing noted improvements in the effectiveness of the vulnerability management program but identified weaknesses in several other areas.
SR-2020-07	Risk Advisory — Additional Measures to Address Fraud Vulnerabilities in Benefits Administration	January 21, 2020	We have observed an increase in fraudulent activity in benefits administration over a few months. We provided management with a non-public version of this Risk Advisory with our observations regarding certain fraud vulnerabilities and suggestions for PBGC management to consider for prevention of additional losses to PBGC or participants.

APPENDICES

Cross-Reference to Reporting Requirements of the Inspector General Act

Inspector General Act Reference	Reporting Requirements	Page(s)
Section 4(a)(2)	Review of legislation and regulations.	27
Section 5(a)(1)	Significant problems, abuses, and deficiencies.	11-23
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	11-23
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed.	33-34
Section 5(a)(4)	Matters referred to prosecutorial authorities.	24-25, 31-32
Section 5(a)(5)	Summary of instances in which information was refused.	26
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs and recommendations that funds be put to better use.	34-35
Section 5(a)(7)	Summary of each particularly significant report.	7-8,11- 12, 18- 23, 28
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs.	34-35
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	34-35
Section 5(a)(10)	Summaries of each audit, inspection, and evaluation report issued (1) for which no management comment was returned within 60 days of being provided with the report, and (2) for which there are outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.	26
Section 5(a)(11)	Significant revised management decisions.	26
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees.	26
Section 5(a)(13)	Compliance with Federal Financial Management Improvement Act.	27
Section 5(a)(14)	Results of peer review.	27
Section 5(a)(15)	Outstanding recommendations from any peer review conducted by another OIG.	27
Section 5(a)(16)	Any peer reviews performed of another OIG.	27
Section 5(a)(17)	Statistical table showing, during that reporting period, the: <ul style="list-style-type: none"> • Number of investigative reports issued, • Number of persons referred to DOJ for criminal prosecution, • Number of persons referred to state and local authorities for criminal prosecution, and • Number of criminal indictments and criminal informations resulting from any prior referrals to prosecutive authorities. 	24, 31-32
Section 5(a)(18)	A description of the metrics used to develop the data for the statistical tables in (a)(17).	32

Section 5(a)(19)	<p>A detailed description of each investigation involving a senior Government employee where allegations of misconduct were substantiated, including:</p> <ul style="list-style-type: none"> • A detailed description of the facts and circumstances of the investigation; and • A detailed description of the status and disposition of the matter, including, if referred to DOJ, the date of referral and, if declined by DOJ, the date of declination. 	25
Section 5(a)(20)	<p>A detailed description of any instance of whistleblower retaliation, including:</p> <ul style="list-style-type: none"> • information about the official found to have engaged in retaliation, and • the consequences the agency imposed to hold the official accountable. 	26
Section 5(a)(21)	<p>A detailed description of any attempt by the establishment to interfere with the independence of the OIG, including:</p> <ul style="list-style-type: none"> • with budget constraints designed to limit OIG capabilities; and • incidents where the establishment has resisted OIG oversight or delayed OIG access to information, including the justification of the establishment for such action. 	26
Section 5(a)(22)	<p>A detailed description of the particular circumstances of each:</p> <ul style="list-style-type: none"> • inspection, evaluation, and audit conducted by the OIG that is closed and was not publicly disclosed, and • investigation conducted by the OIG involving a senior Government employee that is closed and was not disclosed to the public. 	28

Statistical Summary of Audit and Investigative Activities

For the Six-Month Period Ending March 31, 2020

Audits/Inspections/Evaluations Issued	
Number of Reports	7
Number of Recommendations	26

Special Reports Issued	
Number of Reports	2
Number of Recommendations	0

Investigative Reports Issued	
Number of Reports	2
Number of Recommendations	0

Management Decisions	
Open Recommendations Beginning of Period	84
Opened This Period	26
Closed This Period	37
Open Recommendations End of Period	73
Reports with Open Recommendations End of Period	27

Investigative Workload	
Investigations Opened	66
Investigations Closed	64

Persons Referred for Prosecution	Federal Prosecutions	State or Local Prosecutions
Presented	5	0
Accepted	4	0
Declined	4	0

Criminal Actions	Federal Prosecutions	State or Local Prosecutions
Indictments	1	0
Informations	1	0
Criminal Complaints	1	0
Convictions	2	0
Nolo Contendere	0	0
Sentencings	1	0

Financial Recoveries	Federal Prosecutions	State or Local Prosecutions
Court Ordered Fines, Penalties, and Restitution	\$5,757.05	\$0
Administrative Recoveries	\$510.00	\$0
Administrative Actions		
Action Referrals	4	

We used the following metrics to develop the data for the statistical tables above:

- The number of investigative reports issued is based on those reports sent to management for action. This number does not include any investigations closed without a referral to management for action.
- The number of persons referred for prosecution includes any person or corporation that was referred to the U.S. Department of Justice, state, or local authorities for consideration of criminal prosecution.
- The number of criminal actions includes indictments, informations, criminal complaints, convictions, nolo contendere, and sentencings brought against a person or corporation based on prior referrals to prosecution authorities.

Previously Reported Significant Recommendations for which Corrective Action Has Not Been Taken

For the Six-Month Period Ending March 31, 2020

Report Number, Report Title, and Date Issued	Number of Significant Recommendations	Significant Problems and Deficiencies	Summary of Significant Recommendations
2008-02/FA-0034-2 Limited Disclosure Report on Internal Controls- PBGC's Fiscal Year 2007 and 2006 Financial Statements 11/15/2007	2	Access controls and configuration management.	Mitigate weaknesses related to configuration, access and systems monitoring.
2016-7/FA-15-108-07 Fiscal Year 2015 Federal Information Security Modernization Act Final Report 02/19/2016	1	Access controls and configuration management.	Implement recommendations related to solutions for continuous monitoring.
2017-03/FA-16-110-2 Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2016 and 2015 Financial Statements 11/15/2016	2	Access controls and configuration management.	PBGC needs to mitigate the systemic issues related to information access controls.
2018-06/FA-17-119-3 Report on the Internal Controls Related to the Pension Benefit Guaranty Corporation's Fiscal Year 2017 and 2016 Financial Statements 11/17/2017	1	Access controls and configuration management.	PBGC needs to mitigate the systemic issues related to information access controls.

2019-01/FA-18-127-1 Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2018 and 2017 Financial Statements 11/15/2018	2	Access controls and configuration management.	PBGC needs to update plans and processes for completing system upgrades and satisfying recommendations identified in its encryption risk assessment.
2019-01/FA-18-127-1 Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2018 and 2017 Financial Statements 11/15/2018	2	Access controls and configuration management.	PBGC needs to implement improved processes and training procedures to ensure separation requests are timely submitted and physical access removed.

Results of Reports Issued

For the Six-Month Period Ending March 31, 2020

Results	Number of Reports	Questioned Costs	Unsupported Costs	Funds Put to Better Use (FPBU)
A. For which no management decision had been made by the commencement of the reporting period.	0	\$0	\$0	\$0
B. Which were issued during the reporting period.	9			
Summary and Analysis of the Corporation's FY 2018 Federal Information Security Modernization Act (FISMA) Performance and Update on IT Remediation Efforts		\$0	\$0	\$0
Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements		\$0	\$0	\$0
Audit of the Pension Benefit Guaranty Corporation's Reclassified Financial Schedules for 2019		\$0	\$0	\$0
Vulnerability Assessment and Penetration Testing Report Fiscal Year 2019		\$0	\$0	\$0

Results	Number of Reports	Questioned Costs	Unsupported Costs	Funds Put to Better Use (FPBU)
Pension Benefit Guaranty Corporation's Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014		\$0	\$0	\$0
Fiscal Year 2019 Financial Statement Audit Management Letter Report		\$0	\$0	\$0
Additional Measures to Address Fraud Vulnerabilities in Benefits Administration		\$0	\$0	\$0
PBGC's Agreed Upon Procedures for Contract Closeouts		\$173,000		\$293,000
PBGC's FY 2018 Annual Performance Report		\$0	\$0	\$0
Total (Add A. & B.)	9			
C. For which a management decision was made during the reporting period.	9			
(i) dollar value of disallowed costs		\$173,000	\$0	\$0
(ii) dollar value of costs not disallowed		\$0	\$0	\$0
(iii) dollar value FPBU agreed to		\$0	\$0	\$293,000
(iv) dollar value FPBU not agreed to		\$0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period.	0	\$0	\$0	\$0
E. For which no management decision was made within six months of issuance.	0	\$0	\$0	\$0

Summary of PBGC Open Recommendations

As of March 31, 2020

	Recommendation Number	Date Issued	Report Title and Recommendation
1	2008-02-14 (prior FS-07-14)	11/15/2007	Limited Disclosure Report on Internal Controls-PBGC's FY 2007 and 2006 Financial Statements Audit. Implement controls to remedy vulnerabilities noted in key databases and applications, including weaknesses in configuration, roles, privileges, auditing, file permissions, and operating systems access.
2	2008-02-17 (prior FS-07-17)	11/15/2007	Limited Disclosure Report on Internal Controls-PBGC's FY 2007 and 2006 Financial Statements Audit. System owners should develop and implement plans to fully implement Splunk Enterprise for their major applications.
3	2013-07-05 (prior OIT-121R)	5/16/2013	Fiscal Year 2012 Vulnerability Assessment and Penetration Testing Report. (RESTRICTED DISCLOSURE) Recommendation text omitted to protect against exploitation of vulnerability; report is restricted disclosure.
4	2014-06-07 (prior OIT-128R)	1/9/2014	Fiscal Year 2013 Vulnerability Assessment and Penetration Testing Report. (RESTRICTED DISCLOSURE) Recommendation text omitted to protect against exploitation of vulnerability; report is restricted disclosure.
5	2015-09-15 (prior FISMA-14-15)	5/6/2015	Fiscal Year 2014 Federal Information Security Management Act Final Report. Develop, document, and implement a process for the timely assessment of employees and contractors transferred or promoted to a new position or role to determine whether the risk-level has changed.
6	2016-01-04 (prior OIT-154R)	12/11/2015	Fiscal Year 2015 Vulnerability Assessment and Penetration Testing Report. (RESTRICTED DISCLOSURE) Recommendation text omitted to protect against exploitation of vulnerability; report is restricted disclosure.
7	2016-01-05 (prior OIT-155R)	12/11/2015	Fiscal Year 2015 Vulnerability Assessment and Penetration Testing Report. (RESTRICTED DISCLOSURE) Recommendation text omitted to protect against exploitation of vulnerability; report is restricted disclosure.
8	2016-03-04 (prior FS-15-04)	11/13/2015	Report on Internal Controls Related to the Pension Benefit Guaranty Corporation's Fiscal Year 2015 and 2014 Financial Statements Audit. Complete the implementation of NIST SP 800-53, Revision 4 controls for common controls, remediation of common controls weaknesses, and make available to system owners in Cyber Security Assessment and Management for appropriate inclusion in their system security plans.

9	2016-07-02 (prior FISMA-15-02)	2/19/2016	Fiscal Year 2015 Federal Information Security Modernization Act Final Report. System owners should conduct and document an analysis of major applications' critical auditable events and business transactions to identify audit logging needs and requirements.
10	2017-03-07 (prior FS-16-07)	11/15/2016	Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2016 and 2015 Financial Statements. Fully implement controls to plan, remove and decommission unsupported systems and databases.
11	2017-03-08 (prior FS-16-08)	11/15/2016	Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2016 and 2015 Financial Statements. Develop and implement plan of action for addressing known security weaknesses.
12	2017-06-03 (prior BD-04)	2/2/2017	Fiscal Year 2016 Financial Statement Audit Management Letter Report. Draft and submit for OMB approval funds control regulations that incorporate the required elements as described in OMB A-11, Appendix H.
13	2017-06-04 (prior BD-05)	2/2/2017	Fiscal Year 2016 Financial Statement Audit Management Letter Report. Develop and maintain a log to record and monitor all realignment of funds requests entered into the Consolidated Financial System (CFS) by other departments. The log should be reviewed and reconciled to the realignment of funds requests entered into CFS.
14	2017-06-05 (prior BD-06)	2/2/2017	Fiscal Year 2016 Financial Statement Audit Management Letter Report. Develop a procedures manual detailing the process for authorizing realignment of funds requests. The procedures manual should be reviewed and approved by the Budget Director.
15	2017-08-02 (prior OIT-158R)	2/22/2017	Fiscal Year 2016 Vulnerability Assessment and Penetration Testing Report. (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
16	2017-08-03 (prior OIT-159R)	2/22/2017	Fiscal Year 2016 Vulnerability Assessment and Penetration Testing Report. (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
17	2017-09-14 (prior FISMA-16-14)	3/22/2017	Fiscal Year 2016 Federal Information Security Modernization Act Independent Evaluation Report. PBGC should assign a senior organizational official and develop and implement an insider threat detection and prevention program.

18	2018-02-01 (prior OIT-160R)	11/13/2017	Fiscal Year 2017 Vulnerability Assessment and Penetration Test Report. (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
19	2018-02-02 (prior OIT-161R)	11/13/2017	Fiscal Year 2017 Vulnerability Assessment and Penetration Test Report. (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
20	2018-02-04 (prior OIT-164R)	11/13/2017	Fiscal Year 2017 Vulnerability Assessment and Penetration Test Report. (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
21	2018-06-05 (prior FS-17-05)	11/17/2017	Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2017 and 2016 Financial Statements. OBA should document enhanced account management procedures to ensure a thorough review of accounts is performed during the annual account recertification and that necessary accounts are recertified and implement compensating controls to verify inactive accounts are deactivated in accordance with PBGC policy.
22	2018-07-01 (prior FISMA-17-01)	12/20/2017	Fiscal Year 2017 Federal Information Security Modernization Act Independent Evaluation Report. Revise the processes and procedures of the continuous monitoring program to consistently enforce the review, update, and uploading of all required security assessment and authorization documentation for each system before the documentation expires.
23	2018-07-02 (prior FISMA-17-02)	12/20/2017	Fiscal Year 2017 Federal Information Security Modernization Act Independent Evaluation Report. Complete the update of control implementation statements to reflect NIST SP 800-53, Revision 4; revise the inheritance of common controls; and conduct an assessment of all controls in accordance with assessment schedules using NIST SP 800-53, Revision 4.
24	2018-07-03 (prior FISMA-17-03)	12/20/2017	Fiscal Year 2017 Federal Information Security Modernization Act Independent Evaluation Report. Document and implement enhanced process and procedures to effectively track and remediate known vulnerabilities in a timely manner.
25	2018-07-04 (prior FISMA-17-04)	12/20/2017	Fiscal Year 2017 Federal Information Security Modernization Act Independent Evaluation Report. PBGC should implement effective process and procedures to ensure the secure configuration of web servers in accordance with the established configuration baselines and document deviations to the established baselines on an as needed basis.

26	2019-01-09 (prior FS-18-09)	11/15/2018	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2018 and 2017 Financial Statements. Develop and implement plans for completing system technology upgrades or replacements to be compliant with FIPS 140-2 and OMB A-130.
27	2019-01-10 (prior FS-18-10)	11/15/2018	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2018 and 2017 Financial Statements. Develop and implement project plans for satisfying the recommendations that were made in the PBGC IT Infrastructure Operations Department Risk Based Encryption Assessment, dated June 29, 2018, version 1.0.
28	2019-01-12 (prior FS-18-12)	11/15/2018	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2018 and 2017 Financial Statements. Implement improved processes and provide training to ensure PBGC Federal Managers/CORs submit and approve separation requests prior (when applicable) to the effective separation date, as well as the collection of IT Assets by the effective separation date.
29	2019-01-13 (prior FS-18-13)	11/15/2018	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2018 and 2017 Financial Statements. Implement improved processes and provide training to ensure PBGC Workplace Solutions Department removes physical access by the effective separation date.
30	2019-03-01 (prior OIT-167R)	11/29/18	Fiscal Year 2018 Vulnerability Assessment and Penetration Test Report. (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
31	2019-04-02 (prior FISMA-18-02)	12/20/2018	Fiscal Year 2018 Compliance with the Federal Information Security Modernization Act of 2014. PBGC OIT should develop and implement procedures for the documentation of corrective actions within risk assessments.
32	2019-04-03 (prior FISMA-18-03)	12/20/2018	Fiscal Year 2018 Compliance with the Federal Information Security Modernization Act of 2014. PBGC OIT should update the Information Technology Infrastructure Services General Support System Risk Assessment to document corrective action plans.
33	2019-04-04 (prior FISMA-18-04)	12/20/2018	Fiscal Year 2018 Compliance with the Federal Information Security Modernization Act of 2014. Control owners should ensure the creation of plans of action and milestones, and risks within the Risk Assessment for all controls not fully implemented to mitigate risks. The appropriate control provider should be identified to correct/mitigate the identified weakness.
34	2019-05-03 (prior ONR-14)	1/17/2019	Evaluation of the Early Warning Program. Ensure TeamConnect business rules are corrected to accurately report Early Warning Program case inventory.

35	2019-08-01 (prior OMA-02)	1/31/2019	PBGC's Data Protection at Contractor-Operated Facilities. Evaluate the effectiveness of the current Personnel Security Investigation Solution system and enhance the system functionality as necessary to ensure compliance with the PBGC policies.
36	2019-08-03 (prior OMA-04)	1/31/2019	PBGC's Data Protection at Contractor-Operated Facilities. Develop and deliver training for personnel using Personnel Security Investigation Solution application to enhance understanding of the existing policy and requirements.
37	2019-08-04 (prior OMA-05)	1/31/2019	PBGC's Data Protection at Contractor-Operated Facilities. Develop a control to ensure Personnel Security Investigation Solution information is complete, accurate, and timely.
38	2019-11-01 (prior OMA-09)	7/2/2019	PBGC's Use of the Women-Owned Small Business Federal Contracting Program. Assess the organizational alignment of the OSDBU Director within the Corporation, taking into consideration the importance of the Federal Government's philosophy of small business contract programs and the requirements of the Small Business Act.
39	2019-11-02 (prior OMA-10)	7/2/2019	PBGC's Use of the Women-Owned Small Business (WOSB) Federal Contracting Program. Provide updated training to the Procurement Department that reflects the current WOSB Federal Contracting Program.
40	2019-12-03 (prior OMA-13)	7/30/2019	PBGC's Telework Program. Ensure the Agency Telework Coordinator performs all duties as required by PBGC's Telework Program Directive, including assessing the effectiveness of the telework program.
41	2019-12-04 (prior OMA-14)	7/30/2019	PBGC's Telework Program. Update the PBGC's Telework Program policies and procedures, and telework agreements, as required by 5 Code of Federal Regulations Part 630, Subpart P § 630.1605, and detailed in Office of Personnel Management's Government-wide Dismissal and Closure Procedures guide.
42	2019-13-01 (prior OBA-06)	9/25/2019	PBGC's Efforts to Reduce the Collection, Maintenance, and Use of Social Security Numbers. Develop a plan that ensures Office of Benefits Administration systems comply with the principle of least privilege and minimize Social Security Number usage.
43	2019-13-02 (prior OIT-172)	9/25/2019	PBGC's Efforts to Reduce the Collection, Maintenance, and Use of Social Security Numbers. Develop a plan, in conjunction with the Privacy Office, to periodically assess data protection risks within information systems across the Corporation to assist in modernization planning.

44	2019-13-03 (prior OGC-43)	9/25/2019	PBGC's Efforts to Reduce the Collection, Maintenance, and Use of Social Security Numbers. Develop and maintain a Corporate-wide plan to eliminate unnecessary collection, maintenance, and use of SSNs.
45	2019-13-04 (prior OGC-44)	9/25/2019	PBGC's Efforts to Reduce the Collection, Maintenance, and Use of Social Security Numbers. Finalize a policy regarding the Privacy Office's review of the new collection and use of SSNs.
46	2019-14-01 (prior OIT-173)	9/27/2019	PBGC's Property Management Program. Update procedures to require new property bar coding within a specified timeframe.
47	2019-14-02 (prior OIT-174)	9/27/2019	PBGC's Property Management Program. Perform a risk assessment on assets not located during the annual inventory and follow-up on assets that are deemed high risk.
48	2020-02-01 (prior FS-19-01)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. Conduct the appropriate analyses (such as sensitivity analysis, lookback analysis, benchmarking to other relevant actuary report or studies, as applicable) to ensure the reasonableness of assumptions used and document the rationale behind these assumptions. Enhance reasonability checks over actuarial assumptions to include specific metrics, such as percentage and dollar amount thresholds. Additionally, management should consider changes in conditions or programs that require further research and analysis and develop a schedule to update actuarial assumptions when necessary.
49	2020-02-02 (prior FS-19-02)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. Document management's assessment of the liability estimates and assumptions in management's actuarial assumptions documents and memos, including consideration of alternative assumptions or outcomes, why management has rejected them or how management has otherwise addressed estimation uncertainty in making the accounting estimate (e.g., a sensitivity study, etc.), sources of data used by management in its calculation, and any data limitations, which could impact the PBGC's actuarial liability.
50	2020-02-03 (prior FS-19-03)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. Perform an experience study to assess the reasonableness of the multiemployer contingent liability for on-going and terminated plans.

51	2020-02-04 (prior FS-19-04)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. Perform an analysis of all multiemployer plans on the contingency list that have exceeded the 10 year Date of Insolvency for both terminated and on-going plans and document management's position or rationale for recording as a probable. A similar analysis should be performed for the reasonably possible classified plans.
52	2020-02-05 (prior FS-19-05)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. Develop and/or update management's documentation for current practices followed for review and monitoring of the multiemployer Date of Insolvency criteria.
53	2020-02-06 (prior FS-19-06)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. Promptly correct the errors in management's calculations identified by the auditors during the FY 2019 audit.
54	2020-02-07 (prior FS-19-07)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. Review the LTV Steel Hourly plan to determine the impact of the cash balance add-back threshold for those participants affected.
55	2020-02-08 (prior FS-19-08)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. Review other similarly situated participants in the Johnson Memorial Hospital plan to determine the impact of the incorrect lump sum factor and make necessary benefit corrections.
56	2020-02-09 (prior FS-19-09)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. Review the other three participants in the Seymour Specialty Wire Company – Salary plan and make necessary benefit corrections.
57	2020-02-10 (prior FS-19-10)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. OBA should obtain confirmation of access to server or in the event the access list cannot be shared, PBGC will pursue viable alternatives to include moving PBGC data to a separate server within the paying agent's data center.
58	2020-02-11 (prior FS-19-11)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. Conduct an account recertification of Linux users and groups with access to PBGC PLUS data to verify that only authorized users have access and the privileges are appropriate.

59	2020-05-01 (prior FISMA-19-01)	12/20/2019	Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014. Maintain a valid agreement for all interconnections, and ensure that agreements are updated as necessary, reviewed annually, and re-issued prior to or upon expiration or upon a major change to ensure appropriate security and privacy controls are implemented.
60	2020-05-02 (prior FISMA-19-02)	12/20/2019	Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014. Improve processes and implement oversight to ensure timeliness of background investigations to be completed for federal employees and contractors.
61	2020-05-03 (prior FISMA-19-03)	12/20/2019	Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014. Update directives, policies, and procedures to reflect current personnel security processes for the timely processing of background investigations.
62	2020-05-04 (prior FISMA-19-04)	12/20/2019	Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014. Enhance and improve PBGC's Data Loss Prevention policies and procedures for PBGC personnel and Data Loss Prevention toolset as identified in the Data Loss Prevention Controls Adequacy Assessment, version 1.0, dated June 29, 2017.
63	2020-05-05 (prior FISMA-19-05)	12/20/2019	Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014. Complete the identification and documentation of the location of sensitive data in all environments (at the host-level) and attendant data flows.
64	2020-05-06 (prior FISMA-19-06)	12/20/2019	Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014. Enhance and improve PBGC's technological capability to detect and block personally identifiable information (PII) transferred using encrypted protocols (e.g. SFTP or HTTPS).
65	2020-08-01	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. Review the status of the 30 contracts included in the Agreed Upon Procedures and determine if any can be closed and what closeout work remains. Close contracts that meet the requirements and develop a closure plan for the remaining contracts.
66	2020-08-02	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. Update procurement guidance to include provisions in accordance with Federal Acquisition Regulations 42.1303(a), when work stoppage may be required.

67	2020-08-03	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. Provide training to Contracting Officers and Contracting Officer Representatives on proper acceptance of contract deliverables and closeout procedures for cost reimbursable contracts.
68	2020-08-04	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. Establish monitoring controls when a Contracting Officer is also functioning as the Contracting Officer Representative.
69	2020-08-05	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. Improve controls and oversight processes to ensure only qualified contracts have closeout audits initiated, including contractor status of final vouchers.
70	2020-08-06	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. Develop and implement a follow-up process to ensure prompt handling of audit findings prior to contract closeout, including tracking of findings from internal audit reports.
71	2020-08-07	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. For questioned costs (over- and under-billing) identified in the Agreed Upon Procedure report, COs should take required action.
72	2020-09-01	3/30/2020	Inspection of FY 2018 Annual Performance Report. Develop corporate-wide guidance that implements OMB Circular A-11, Part 6 to ensure completeness and reliability of performance data and to disclose validation and verification techniques.
73	2020-09-02	3/30/2020	Inspection of FY 2018 Annual Performance Report. Develop a process to ensure that the Enterprise Evaluation Division can reasonably determine whether the information being published in the APR is reliable and accurate.

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If you want to confidentially report or discuss any instance of misconduct, fraud, waste, abuse, or mismanagement involving PBGC programs and operations, please contact the PBGC Office of Inspector General.

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