

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

March 31, 2010

Via Electronic Transmission

The Honorable Vincent K. Snowbarger
Acting Director
Pension Benefit Guaranty Corporation
1200 K Street, NW
Washington, DC 20005

Dear Acting Director Snowbarger:

Throughout my career, I have been an advocate for inspectors general and the important role they play in protecting the American taxpayer from fraud, waste, and abuse. I have also sought to strengthen the oversight function of Congress. Today, I write in light of new information that Pension Benefit Guaranty Corporation (PBGC or Corporation) officials have provided false and/or misleading information to both the PBGC Office of Inspector General (OIG) and Congress. This letter outlines three examples of this apparent dishonesty and I invite your response.

A. Failure to Protect Personally Identifiable Information, Despite Telling the OIG and Congress Otherwise

An employee of the Transportation Security Agency contacted PBGC after finding a flash drive containing Personally Identifiable Information (PII) regarding PBCG participants in a train station parking lot. After tracing the documents back to a company under contract with PBGC, the OIG determined that a company employee and supervisor downloaded the information without authorization and stored it on the unencrypted, non-password protected flash drive before losing it. PBGC then reported to its Board of Directors (Board/Directors) that “as a result of this incident, PBGC sent PBGC IT security personnel to the contractor’s facility to: provide additional IT security training to contractor personnel, and re-emphasize the importance of following proper security and sensitive information handling procedures.” In addition to the information that the PBGC provided to its Board, the Corporation also advised Congress that the issue had been resolved.

Unfortunately, the OIG advises us that the information provided to the Board and to Congress was less than truthful. Upon further review, the OIG determined that PBGC fabricated this follow-up action. Other than providing routine annual security training, PBGC took no trips to the contractor’s facility, provided no additional IT security training, and to date has not ensured that the contractor is adequately securing PII within its control. These fabrications were also contained in PBGC’s Semiannual Report to the Congress for October 1, 2008-March 31, 2009, signed by you, as Acting Director.

B. Providing Inaccurate Responses to OIG Regarding Recommendation Implementation

After they were awarded two contracts that grew to \$15 million dollars, the OIG conducted an audit of Morneau Sobeco, a Canadian company. Morneau Sobeco was under contract with PBGC to provide its Ariel actuarial valuation system. The OIG recommended that PBGC needed to better document contract deliverables to ensure it received what it paid for. PBGC officials responded in writing that they agreed with this recommendation and would create new requirements, and over two years later provided certification that the corrective actions were **“approved... in place and... effective.”** (emphasis added)

Further follow-up by the OIG determined that this information was false. In fact, PBGC provided the OIG a copy of the Standard Operation Procedures (SOPs) for the Procurement Department with the appropriate corrective language, while the SOPs in use in the field lacked such language. Disturbingly, this is not the only example where PBGC provided the OIG documents claiming to demonstrate its implementation of new procedures or controls when none actually existed. In fact it was reported that this occurred on a total of 17 recommendations and 4 audits. Such misinformation given to the OIG only raises additional questions about the degree to which the Corporation’s information can be trusted.

C. Providing False Progress Reports Regarding Information Technology Operations

In 2009, the OIG reported that the PBGC suffered from entity-wide material weaknesses in security management. As a Clifton Gunderson report later stated, “an entity-wide information security management program is the foundation of a security control structure and a reflection of senior management’s commitment to addressing security risks” (emphasis added.) These programs are also required by the Federal Information Security Management Act of 2002. Failure to maintain strong security management puts data in the Corporation’s system at risk for theft or wrongful dissemination, which could jeopardize the private information of millions of pensioners.

However, rather than adequately secure this information, PBGC officials appear to have simply fabricated progress, reporting to the OIG that it was taking steps to adequately strengthen its information technology structure and environment. Information reported to auditing firm Clifton Gunderson failed to confirm this report by PBGC, leading the firm to conclude that the Corporation had failed to either maintain effective controls or comply with the law.

In light of these disturbing revelations, please provide answers to the following questions:

- 1) Please explain why PBGC provided what appears to be false statements to the OIG and to Congress.
- 2) As you know, providing false information to OIG or Congress can be a criminal violation. Please detail any efforts to investigate these findings and set forth what, if anything has been done to determine those responsible and what action will be taken against them.

In cooperating with the Committee's review, no documents, records, data or information related to these matters shall be destroyed, modified, removed or otherwise made inaccessible to the Committee.

Thank you for your prompt attention to this matter, and we would appreciate an initial response by no later than April 14, 2010. Should you have any questions regarding this matter, please contact Christopher Armstrong of Senator Grassley's staff at (202) 224-4515. All formal correspondence should be sent electronically in PDF format to Brian_Downey@finance-rep.senate.gov.

Sincerely,



Charles E. Grassley
Ranking Member

cc: Secretary of Labor Hilda L. Solis

Secretary of Commerce Gary Locke

Secretary of the Treasury Timothy F. Geithner

Senator Tom Harkin, Chairman, Senate Committee on Health, Education, Labor & Pensions

Senator Michael B. Enzi, Ranking Member, Senate Committee on Health, Education, Labor & Pensions