



**EVALUATION OF PWBA'S  
"PROHIBITED TRANSACTIONS"  
EXEMPTIONS PROCESS**

**PENSION AND WELFARE BENEFITS ADMINISTRATION**

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**REPORT NO.: 2E-12-001-0003**

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**ACRONYMS AND  
GLOSSARY OF TERMS**

**ACRONYMS**

CTS	Case Tracking System
CY	Calendar Year
ERISA	Employee Retirement Income Security Act
FY	Fiscal Year
OED	Office of Exemption Determinations
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PBGC	Pension Benefit Guaranty Corporation
PWBA	Pension and Welfare Benefits Administration
SEC	Securities and Exchange Commission
SOL	Solicitor of Labor

**GLOSSARY**

Individual exemption:	An individual exemption applies only to specific individuals named or otherwise defined in the exemption.
Class exemptions:	Class exemptions are “blanket” exemptions which permit persons to engage in similar transactions with plans in accordance with conditions of the class exemption without asking for an individual exemption.
EXPRO exemption:	EXPRO, Class Exemption PTE 96-2, is a subset of class exemption which allows PWBA to bypass publication in the Federal Register, when

an applicant demonstrates that the proposed transaction is substantially similar to two other individual transactions which have been allowed within the last five years.

## EXECUTIVE SUMMARY

In response to allegations which surfaced during Congressional hearings, we evaluated the Pension and Welfare Benefits Administration's (PWBA) timeliness and efficiency in the processing of applications for exemptions from the prohibited transactions provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

PWBA is responsible for administering and enforcing the fiduciary, reporting and disclosure provisions of Title I of ERISA. PWBA's Office of Exemption Determinations (OED) administers the program for the granting of administrative exemptions from the prohibited transaction provisions of ERISA.

## RESULTS OF EVALUATION

We concluded that timeliness is determined on a case-by-case basis, and therefore, applying rigid deadlines to the exemption process would be counter-productive. Nonetheless, we identified two areas where PWBA can be more efficient in the processing of exemption applications, which will increase overall productivity.

### **FINDING A - Timeliness is Determined on a Case-by-Case Basis**

Our analysis disclosed that the amount of time OED takes to close exemption cases has increased since 1995. We believe this increase is not indicative of untimeliness because, in our view, timeliness is determined on a case-by-case basis. We found that the amount of time that would be timely for one exemption might not be timely for another. Thus, we were unable to determine a uniform standard that could be applied to all cases.

### **FINDING B - PWBA Can Improve Efficiency in Two Areas**

1. **Recruitment and Retention**. We found that OED has difficulty recruiting and retaining Pension Law Specialists. Our analysis disclosed that (a) OED has been understaffed for the past six years, and (b) there has been a high turnover rate.
2. **Information Technology**. We determined that OED's current Case Tracking System is not fully utilized as a management tool. The information collected provides minimal benefits to supervisors or analysts.

## **RECOMMENDATIONS**

The following recommendations address efficiency. We expect that any improvements in efficiency will potentially affect overall productivity.

1. PWBA should work closely with its servicing personnel office to explore recruitment and retention options for OED.
2. PWBA should further develop/improve OED's information technology capacities.

## **AGENCY RESPONSE AND OIG CONCLUSIONS**

PWBA's response to the OIG's official draft report agrees with the recommendations made. The recommendations have been resolved and will be considered closed upon OIG's receipt of the documentation detailed in the recommendations section of the report. PWBA's complete response can be found in Appendix A.

## **BACKGROUND**

The Pension and Welfare Benefits Administration (PWBA) of the Department of Labor is responsible for administering and enforcing the fiduciary, reporting and disclosure provisions of Title I of the Employee Retirement Income Security Act of 1974 (ERISA). PWBA's Office of Exemption Determinations administers the program for the granting of administrative exemptions from the prohibited transaction provisions of ERISA.

In February and March 2000, the House Committee on Education and the Workforce, Employer-Employee Relations Subcommittee held a series of hearings on ERISA. The purpose of the hearings was to re-examine ERISA on its 25<sup>th</sup> anniversary to determine what parts of the statute are effective and what areas need reform. The hearings focused on the statute's "prohibited transactions" rules. ERISA prohibits certain classes of transactions between employee benefit plans and parties defined as "parties of interest." However, the law allows a transaction to be exempted from the prohibited transaction rules if PWBA first finds that the transaction is:

- administratively feasible;
- in the interest of the plan, plan participants and plan beneficiaries; and,
- protective of the rights of participants and plan beneficiaries.

One of the issues raised by both the members of Congress and witnesses was the length of time PWBA takes to process a prohibited transaction exemption. According to statistics cited in the hearing, approximately 52 percent of "class" exemptions from the "prohibited transactions" rule take more than

18 months for the Department to resolve.<sup>1</sup> Complex class exemptions were cited as even more difficult to obtain and taking years to process. Several representatives of the private sector including mutual fund, life insurance, and allied financial services industries testified that the exemptions process is currently inefficient and overly burdensome, resulting in costs ultimately borne by plan participants and beneficiaries. Representatives of labor unions and pension rights organizations testified that existing prohibited transaction rules need to be preserved in order to minimize risks and safeguard the pensions of America's working families.

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<sup>1</sup> Subcommittee on Employer-Employee Relations, Committee on Education and the Workforce, U.S. House of Representatives, February 15, 2000.



## **PURPOSE AND METHODOLOGY**

### **PURPOSE**

This evaluation focused on PWBA's timeliness and efficiency in the processing of applications for exemptions from the prohibited transactions provisions of ERISA. Our evaluation reviewed the following three questions:

- (1) Is PWBA timely in its processing of exemption applications?
- (2) Is PWBA efficient in processing of exemption applications?
- (3) What factors affect the processing of exemption applications?

Our goal was not to evaluate the effectiveness, or quality of, the exemption determinations.

### **METHODOLOGY**

Our methodology included quantitative and qualitative methods, as well as document review.

#### Quantitative Methods

We conducted statistical analyses of information from PWBA's exemptions tracking database from Calendar Years (CY) 1995 - 2000, including length of time for processing exemptions by exemption and transaction types and by status of exemption applications. We also reviewed OED's annual FTE staffing numbers and turnover.

#### Qualitative Methods

We employed qualitative methods of interviews and case file review. We conducted interviews with eight of OED's professional staffers and managers regarding the exemption process and the resources it employs to meet its mission and objectives. We reviewed twenty specific exemption cases from the last five years as examples of cases in the exemption process. We randomly selected these cases from above- and below-average numbers of processing days in conjunction with a judgmental criteria of transaction types and closed status in the last five years

#### Document Review

We examined PWBA's annual and 5-year plans regarding Exemptions, the Exemption Office's annual and 5-year budgets, and OED job descriptions and performance standards. We also:

(1) reviewed pertinent training manuals and directives; and (2) researched relevant legislation, regulations and published studies on PWBA and prohibited transactions.

An entrance conference was held with PWBA officials on April 28, 2000. Field work was conducted at PWBA's offices at the Frances Perkins Building in Washington, D.C. A meeting was held with PWBA on July 28, 2000, to discuss our tentative findings.

We conducted our review in accordance with the *Quality Standards for Inspections* published by the President's Council on Integrity and Efficiency.

## FINDINGS AND RECOMMENDATIONS

### FINDING A - TIMELINESS IS DETERMINED ON A CASE-BY-CASE BASIS

Our analysis disclosed that the amount of time PWBA's Office of Exemption Determinations (OED) takes to close exemption cases has increased since 1995. We believe this increase is not indicative of untimeliness because, in our view, timeliness is determined on a case-by-case basis. Timeliness can be defined as "*Delivery of service to customers within a suitable time frame.*"<sup>2</sup> In our evaluation, we found that the amount of time that would be timely for one exemption might not be timely for another. Thus, we were unable to determine a uniform standard that could be applied to all cases.

#### 1. Analysis of Processing Time

OED processes three different types of exemptions – Individual, Class and EXPRO. An individual exemption applies only to specific individuals named or otherwise defined in the exemption. Class exemptions are "blanket" exemptions which permit persons to engage in similar transactions with plans in accordance with conditions of the class exemption, without asking for an individual exemption. In 1996 PWBA approved class exemption PTE 96-62, which allows the agency to bypass publication in the Federal Register, when an applicant demonstrates that their proposed transaction is substantially similar to two other individual transactions which have been allowed within the last five years. Applications that fall under Class Exemption PTE 96-62 are called EXPROs.

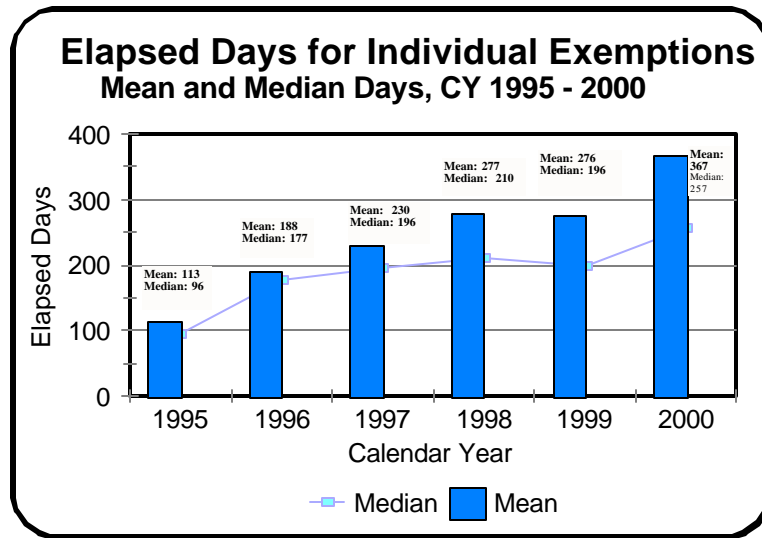
During the period CYs 1995 through 2000, OED reviewed over 1,100 individual, class and EXPRO exemption applications from the prohibited transaction rules of ERISA. OED generally has 200 applications pending at any given time. As of June 5, 2000, OED had 149 outstanding (open) cases.

##### a. Individual Exemptions

During the period CYs 1995 through 2000, OED opened and closed a total of 834 individual exemption applications. As shown by the following graph, during this time period, the average length of time to close individual exemption applications has steadily risen from approximately 4 months in 1995 to over 12 months in 2000. The median has also risen but at a lower rate.

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<sup>2</sup> Performance Measurement: Timeliness, Efficiency, Quality, United States Department of Agriculture Auditor Training Institute, Undated Manual.



The difference between the mean and the median indicates the existence of outlying cases which pull the averages up.

As

previously stated, we do not believe that this increase is indicative of untimeliness. One possible explanation for the increase is the creation of EXPRO in 1996. OED created EXPRO to expedite the processing of exemption cases similar to individual exemptions granted by OED in the last five years. Thus, individual exemption applications that would have kept the individual exemption average steady or even decreased it are now classified as EXPROs.

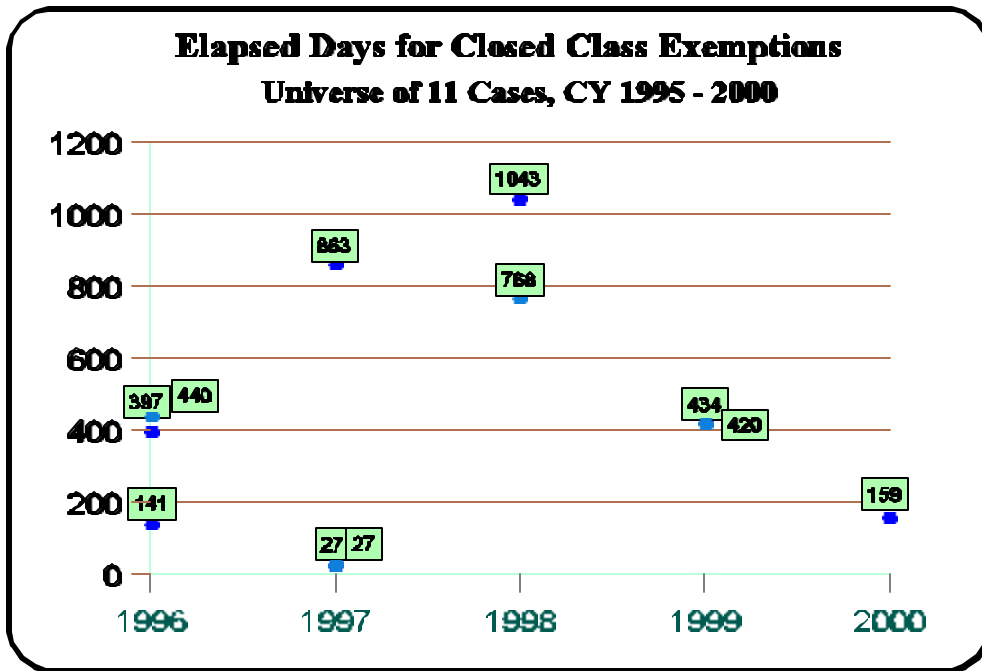
b. EXPROs

Meanwhile, of the 178 EXPRO applications closed since 1996, the average for closing has consistently remained under 70 days. The median number of days was higher in each year, between 76 - 81 days, indicating that about half of EXPROs were closed well under 78 days.

c. Class Exemptions

OED opened and closed 11 class exemption cases during the period CY 1995 through 2000. The processing times for these cases varied. While averaging the cases results in a mean of 431 days (14 months) and a median of 420 days, these numbers are misleading given the range of deviation and the small number of cases.

The following graph illustrates the variance of case processing times.



There were 3 class exemption applications in 1997 and 1998 which closed well above average at 768, 863 and 1,043 days, respectively. Our examination of two of these three applications did not identify any unreasonable delays by OED.

## 2. Factors Involved in Timeliness

The time involved in processing exemption applications varies greatly with each case. OED believes that each exemption case is unique, thereby making it impossible for OED to set arbitrary deadlines for the exemption process. Numerous factors affect the time OED needs to process an exemption and many of these factors are beyond the analyst's control.

### a. Type of exemption

The type of exemption -- Individual, Class or EXPRO -- influences the length of time involved in the exemption process, with class exemptions generally taking the longest to process and EXPRO's the shortest. *(For a definition of the three exemption types, please refer to the Acronyms and Glossary Section.)*

b. Application review

- Fact Finding

Once a case is assigned, the analyst begins conducting research and gathering additional information to clarify issues and keep the case moving forward. Original applications rarely contain all the information an analyst needs to make an exemption determination. Most of the analysts and managers we interviewed stated that the most time consuming part of the process is negotiating with the applicant for additional information.

- Tentative Denial Letters

Analysts do have the option of issuing a tentative denial letter (TD). A TD gives the applicant 20 days to give OED notice that it intends to provide additional information and then 30 days to provide it, before OED will administratively close their case. The use of the TD letters varies among analysts. The pension law specialists we interviewed believed that if OED were stricter about using TD letters, it would only result in them closing and then re-opening the same cases under different application numbers.

- Complexity of The Issue

When asked why the amount of time OED takes to process exemptions has increased, six of the eight analysts and managers we interviewed responded that proposed transactions have become more complex. In the early 1990's many pension plans moved from defined benefit to defined contribution. This opened the door for new, innovative and potentially risky transactions, ranging from de-mutualization to foreign securities lending and synthetic Guaranteed Insurance Contracts (GICs). Many of these transactions fall under ERISA's prohibited transaction rules and require an exemption to move forward.

- Policy and Legal Issues

In addition to getting additional factual information from the applicant, the analyst also has to examine the policy and legal questions raised by the application. In complex cases, the analyst may need a policy decision from management or a legal decision from the Solicitor's Office. OED must carefully examine the potential impact of precedent-setting exemptions because OED policy must be uniformly applied to all exemption applications.

An analyst may also have to wait for additional information from agencies outside of DOL, such as the Securities Exchange Commission, Internal Revenue Service or the Pension Benefits Guaranty Corporation. OED believes that it is more important to plan participants, that OED make the right determination rather than a quick determination.

c. Notification and Comments from Interested Parties

Individual, Class and EXPRO exemptions each involve a written notification and comment period that informs interested parties of the exemption request and allows interested parties to submit written comments on the proposed exemption.

**Conclusion**

After examining case files and interviewing OED management and staff, we conclude that each application is unique, and applying rigid deadlines to the exemption process would be counter-productive.

## FINDING B - PWBA CAN IMPROVE EFFICIENCY IN TWO AREAS

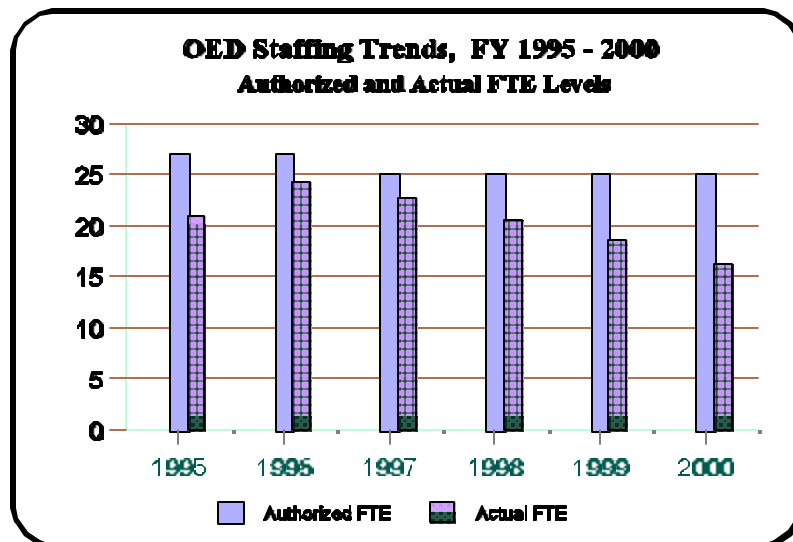
The second objective of our study was to determine whether OED was processing exemptions in an efficient manner. An efficiency measure assesses “*the production of a service or product at a specified cost, while meeting quality and timeliness goals.*”<sup>3</sup> Due to a lack of data on staff hours worked per case and on other assigned projects, we were unable to arrive at a quantitative measure of efficiency. However, after interviewing OED staff, analyzing aggregate case data and reviewing case files, we found that OED could improve efficiency in two areas:

- 1) We found that OED has difficulty recruiting and retaining Pension Law Specialists. Our analysis disclosed that (a) OED has been understaffed for the past six years, and (b) there has been a high turnover rate.
- 2) We determined that OED’s current Case Tracking System is not fully utilized as a management tool. The information collected provides minimal benefits to supervisors or analysts.

### 1. Staffing

#### a. Staff Turnover

Since FY 1994, there have been nine departures of Pension Law Specialists from OED, along with four hires. The following figure illustrates the gap between the larger number of *authorized* Full Time Equivalent (FTE) staff to the smaller number of *actual* FTEs which has existed in the past six fiscal years.



<sup>3</sup> Ibid.



Four of the managers and analysts we interviewed spoke of the challenges in retaining specialists because of the competitive salaries elsewhere. OED has frequently been in the position of training specialists, only to have them lured away by more lucrative offers from private financial and legal institutions. Some specialists must also consider their law school loans when deciding whether to leave OED.

The salary gap between OED and the private sector can be illustrated by the following. A GS-9 pension law specialist who has recently graduated from law school, earns a starting salary of \$35,000 with PWBA, whereas the median for new, private-sector attorneys in the Washington DC area was \$82,000 in 1999.<sup>4</sup> After entry level OED analysts are trained for two years, they are typically promoted to GS-12, with salaries beginning at \$52,000. At this juncture, however, they become even more valuable in the private sector, where departing OED specialists with two years' experience can earn upwards of \$80,000 to \$100,000.

b. Staff Knowledge and Expertise

Staff turnover affects the pool of OED's knowledge and expertise. OED recently lost a Pension Law Specialist with over a decade of expertise. It is unlikely that an individual replacing the specialist will be able to work at the same level of independence, proficiency, and efficiency.

OED staffers must evaluate a wide range of proposed transactions. The applicant may be the person who developed the new product; therefore except for the applicant, no one else is familiar with it. A team of lawyers and financial experts may have developed and drafted the proposal; however, a single OED analyst is responsible for analyzing the proposal, identifying issues, and conducting all the research involved, before issuing a determination.

c. Case Management

Pension law specialists assigned to class exemptions generally work on two or three cases concurrently, while those assigned to individual exemptions average twenty cases. The demands of competing workloads affect the processing of a case. Analysts' work responsibilities often cross-cut sections within OED.

Supervisors stated that they currently monitor case activity by conferring with analysts on a regular basis. One case management issue that arose was about how information could flow easier between different levels within OED and the feedback that analysts can elicit from supervisors. One analyst suggested that supervisors set aside a specified time each week for analysts to make an appointment to brief them. The

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<sup>4</sup> "Starting Salary for Associates is Up," The National Law Journal, Volume 21, No. 51, August 16, 1999.

analyst suggested that it would be even more helpful if analysts could brief supervisor/section chief/director simultaneously.

## **2. Information Technology**

### **a. Data Tracking System**

OED's electronic Case Tracking System (CTS) is currently a DOS-based database which records 30 fields of data. Our evaluation determined that OED's current CTS is not fully utilized as a management or analyst tool. While analysts may view the case tracking system on their desktops, they do not input any data of their own. Written and phone correspondence between PWBA and the applicant appears in the case log file, but is not logged into the database. Short of reviewing documents in exemption case files, it is difficult to gauge many facets of case activity, such as the dates an application is in OED's hands and the dates it is out of OED's control.

Staff held differing viewpoints on the utility of the current Case Tracking System in their work. There were both managers and analysts who regarded the current system as adequate and who saw no benefit to its enhancement. On the other hand, there were also those who felt that the Case Tracking System could be further developed as a tool for analysts and for management.

Currently, analysts keep a handwritten contact log in each case file. This could be eliminated by allowing analysts to enter the information into a Management Information System. The system could also allow analysts to enter case status notes. Between the contact log and the case notes a manager could check the status of a case without locating an analyst or manually reviewing a case file. We also noticed in several of the cases we reviewed, that when a case was "high profile" or was taking a long time to complete, an analyst might create a memo or document that contained a chronology of events. Through simple data tracking enhancements, this type of information could simply be printed when needed instead of reconstructed by the analysts.

One analyst broached the possibility of a "tickler" system for reminding analysts of impending dates, and for documenting in brief summary form the various meetings held or pieces of correspondence received. The analyst suggested that an integrated system might be helpful, but should not be mandated, for analysts and managers to organize and stay current on the details and dates of a case. Currently, individual pension law specialists may utilize their own paper or electronic calendars and reminders, but an integrated system would provide more uniformity and consistency across the office. Because of the intensity of work involved in data input, the Case Tracking System should be enhanced to allow specialists to input information into a discrete section of their own, without being able to alter the remainder of the existing tracking system. The analyst we interviewed noted that training for such an enhancement would be important.

PWBA plans to modernize the OED tracking system in the third quarter of Fiscal Year 2001. The already scheduled modernization affords OED the opportunity to upgrade to a Management Information System. While the universe of exemption cases is relatively small and has declined in recent years, current MIS systems can provide management with needed state-of-the-art tools to

maximize timeliness and efficiency.

b. Electronic Submission of Information

Four of the eight staff and managers we interviewed believe that use of electronic submission of information and applications would be helpful. Electronic submissions allow analysts to easily transfer text without having to re-type, as well as quickly search lengthy documents. Two of the pension law specialists we spoke with have begun to ask for electronic copies of documents, particularly in complex cases. One of OED's primary concerns about electronic submission of information is that of viruses entering the OED/PWBA system.

c. Website Information

An analyst and a manager commented that the PWBA website is useful but does not include additional information that may be helpful. A master list of all but the most recent EXPRO authorizations is on the website, as are virtually all the advisory opinions. One manager we interviewed felt that the archival of all individual exemptions on the site, searchable by name and number, would be helpful for potential or current applicants looking for guidance on crafting an exemption application.

**RECOMMENDATION #1:**

**We recommend that:**

**PWBA work closely with its servicing personnel office to explore recruitment and retention options for OED (i.e., recruitment bonuses, retention allowances, special salary rates and repayment of student loans).**

**PWBA Response**

*“With respect to recruiting and retaining Pension Law Specialists, we agree that becoming fully staffed would have a positive effect on the overall productivity of OED. We note, however, that for many qualified candidates, none of the hiring/retention incentives currently available through the Department of Labor are rewarding enough to compete with the financial incentives offered by law firms and other private sector employers. Nevertheless, we will continue to use the available options and will work with our servicing personnel office to try to attract more candidates who are qualified to fill the positions.”*

## **OIG Conclusion**

We consider this recommendation to be resolved. The recommendation will be closed pending our receipt of documentation that PWBA has thoroughly assessed the feasibility of recruitment and retention options, including as appropriate, any actions PWBA will take.

The following are some recruitment and retention options that the Office of Personnel Management (OPM) offers. Additional information regarding incentives is available on OPM's website.

1. Recruitment Bonus. A recruitment bonus is a lump sum payment of up to 25 percent of basic pay that an agency may pay to an employee newly appointed to a position that might otherwise be difficult to fill. In return the employee must sign an agreement to fulfill a specified period of service with the agency.
2. Retention Allowance. Retention allowances are continuing (i.e. biweekly) payments of up to 25 percent of basic pay that an agency may pay to help retain an employee. The agency must determine that a) the unusually high or unique qualifications of the employee or a special need of the agency for the employee's services makes it essential to retain the employee, and b) the employee would likely leave the Federal Government (including retirement) in the absence of a retention bonus.
3. Special Salary Rates. Special Salary Rates may be authorized when OPM finds that the government's retention or recruitment efforts are, or are likely to become, significantly handicapped due to rates of pay offered by non-federal employers being significantly higher than those payable by the government. To qualify for a Special Salary Rate an agency must complete a Form 13-97. Normally a requestor would need to coordinate with other agencies who employ the same Occupational Series.
4. Repayment of Student Loans. Public Law 106-180 allows agencies to help repay student loans to recruit and/or retain highly qualified professional, technical or administrative personnel. In exchange, an employee must agree in writing to remain in the service of the agency for at least three years. OPM has published proposed regulations for the loan repayment program. The Department of Labor is currently drafting an implementation plan.

**Please provide the requested written documentation to this office by February 15, 2001.**

**RECOMMENDATION #2:**

**We recommend that:**

**PWBA develop/improve OED's information technology capacities.**

**PWBA Response**

*“The OIG’s second recommendation concerned further developments/ improvements to OED’s information technology capacities. As noted in the draft report, PWBA had already determined to modernize and upgrade the Case Tracking System beginning in the third quarter of FY 2001. As part of PWBA’s response to the Government Paperwork Elimination Act, we are exploring greater use of electronic submission of information and enhancements to PWBA’s website. Additional funding to support these information technology initiatives will be requested as part of the agency’s FY 2002 budget package.”*

**OIG Conclusion**

We consider this recommendation to be resolved. The recommendation will be closed pending our receipt of PWBA’s modernization plan for the OED Case Tracking System.

Our evaluation identified the need for a well-designed upgrade/enhancement of OED’s current tracking system to improve efficiency and productivity. While we would like to see the modernization occur sooner, we understand that PWBA plans to begin working on the OED Case Tracking System upgrade beginning in the third quarter of FY 2001.

As PWBA has indicated, OED staff and managers have periodically worked with PWBA’s information technology division on developing technology enhancements. OED should assess the feasibility of developing substantive changes to the current design of the Case Tracking System, as the system undergoes modernization by: 1) assessing the feasibility of upgrading the system to allow analysts to enter information directly into a section of the Management Information System (e.g., for documenting summaries of case status notes, the various meetings held or pieces of correspondence received); and 2) assessing the possibility of a “tickler” system for reminding analysts of impending dates.

**Please provide written documentation to this office regarding PWBA’s modernization plan for OED’s Case Tracking System by July 16, 2001.**

**Contributors to this report:**

Lifang Chiang, Project Leader

Beth McNeill

Barbara Farrell

Constance Crosby

Dennis Raymond

Gregory D. Simmons, Director, Division of Evaluations and Inspections



**APPENDIX**  
**Agency Response**



SEP 14 2000

**MEMORANDUM FOR:** JOSE M. RALLS  
Acting Assistant Inspector General  
Office of Analysis, Complaints  
And Evaluations

**FROM:** ALAN D. LEBOWITZ *ALD*  
Deputy Assistant Secretary  
For Program Operations

**SUBJECT:** Draft Report on PWBA's Prohibited Transaction  
Exemption Process

We have reviewed Inspector General Draft Report No. 2E-12-001-0003 dated August 16, 2000 and offer the following comments. The OIG evaluation of PWBA's prohibited transaction exemption process was precipitated by comments made during Congressional hearings regarding the length of time it takes to process an exemption application. The evaluation focused on three areas: (1) PWBA's timeliness in processing exemption applications; (2) PWBA's efficiency in processing exemption applications; and (3) factors which affect the processing of exemption applications.

Based on an analysis of OED's Case Tracking System, staff interviews and document reviews, the OIG concluded that each exemption application is unique and applying rigid deadlines to the process would be counter-productive. The OIG also concluded that there were two areas in which OED could be more efficient. In this regard, the OIG found that OED has difficulty recruiting and retaining Pension Law Specialists and that the OED Case Tracking System is not fully utilized as a management tool. In order to increase productivity, the OIG recommends that: (1) PWBA work closely with its servicing personnel office to explore recruitment and retention options; and (2) PWBA further develop/improve OED's information technology capacities.

#### **RESPONSE TO REPORT RECOMMENDATIONS**

With respect to recruiting and retaining Pension Law Specialists, we agree that becoming fully staffed would have a positive effect on the overall productivity of OED. We note, however, that for many qualified candidates, none of the hiring/retention incentives currently available through the Department of Labor are rewarding enough to compete with the financial incentives offered by law firms and other private sector employers. Nevertheless, we will continue to use the

available options and will work with our servicing personnel office to try to attract more candidates who are qualified to fill the positions.

The OIG's second recommendation concerned further developments/improvements to OED's information technology capacities. As noted in the draft report, PWBA had already determined to modernize and upgrade the Case Tracking System beginning in the third quarter of FY 2001. As part of PWBA's response to the Government Paperwork Elimination Act, we are exploring greater use of electronic submission of information and enhancements to PWBA's website. Additional funding to support these information technology initiatives will be requested as part of the agency's FY 2002 budget package.