
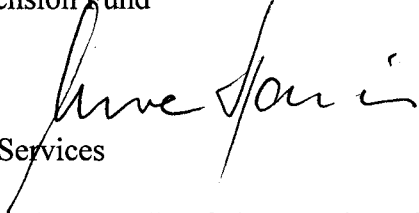




Reference: AUD- 8-10: 2 (0726 /04)

15 September 2004

To: Mr. Bernard Cochemé
Chief Executive Officer
United Nations Joint Staff Pension Fund

From:  Patricia Azarias, Director
Internal Audit Division I
Office of Internal Oversight Services 

Subject: OIOS Audit No. AS2003/800/1 – Audit of the UNJSPF Certificates of Entitlement

1. I am pleased to submit to you the final audit report on the subject audit which was conducted from January to May 2004. The audit has been conducted in accordance with the standards for the professional practice of internal auditing in the United Nations organizations.

2. The report incorporates, as appropriate and marked in italics, UNJSPF's comments of 3 August 2004 to our draft report dated 2 July 2004. We note with appreciation that the Fund has accepted all the recommendations contained in the draft report. Based on the response, we have closed recommendations 2, 6, 7 and 8. All other recommendations (1, 3, 4, 5, and 9) remain open pending receipt of additional documentation or information requested in the text following each recommendation.

I. Introduction

3. This report presents the results of an OIOS audit on Certificate of Entitlement verification and processing by the UNJSPF (the Fund). The verification process is designed to promote the Fund's monitoring of retiree and beneficiary eligibility to receive continued benefits and mitigate the risk of the occurrence of fraudulent activities and financial loss. The main objective of the process is to ensure that the retirees and beneficiaries of the Fund are eligible to continue receiving benefits.

4. The Client Servicing, Records Management & Distribution Unit (CSRMDU), which is organizationally part of the Pension Entitlements and Client Services Section (PECSS) of the Fund's Secretariat, manages the process. Overall, PECSS is entrusted with administering and managing post-retirement matters in respect of benefits and entitlements, in addition to the participation and separation processes. There are 13 staff members, including the Chief of CSRMDU, dedicated to overseeing the verification process.

5. As of 31 December 2002, there were 51,028 retirees and beneficiaries receiving periodic benefits of approximately US\$1.2 billion annually, in 15 currencies with payments to 190 countries.

II. Audit Objectives and Scope

6. The purpose of the audit was to (i) assess the appropriateness and effectiveness of internal controls applied by the UNJSPF Secretariat in verifying the continuous eligibility of the Fund's beneficiaries to their entitlements in order to prevent or recover overpayment of benefits, (ii) determine whether the established policies and procedures are adhered to, and (iii) follow-up on recommendations made in previous CE audits.

7. The audit examined the process for verifying the eligibility to continuous benefits of those retirees and beneficiaries included in the payment register as of 01 May 2003. The auditors performed tests of controls in place to determine whether they were operating effectively and sampled widow, widower and surviving spouse certificate of entitlement returns for the 2003/2004 exercise. In addition, the auditors verified the death record through the sampled test by using an independent provider.

III. Overall Assessment

8. This audit was a follow-up of OIOS' review of the certification process which was performed in 1997 and 1998. The previous audits had reviewed internal controls in the verification and follow-up system to determine continued beneficiary eligibility. The audits reviewed in detail the processing of Certificates of Entitlement, including the CEs returned undelivered, suspended benefits related to unreturned CEs, instructions issued to process CEs by the UNJSPF, signature verification of submitted CEs, and functions and responsibilities of staff assigned to manage and carry out the verification process. Based on the review, we noted that the UNJSPF has made progress in improving its internal controls in this area.

9. In general, OIOS found that the UNJSPF had carried out its Certificate of Entitlement exercises satisfactorily. However, there still was a need to improve the process of CE verification and to provide greater assurance that the status of beneficiaries remained the same or had changed in the year being verified. This included better guidance to personnel in the UNJSPF performing verification procedures and to the various United Nations Agencies acting on behalf of the UNJSPF to verify signatures or identification in local offices.

10. The CE form could be enhanced to provide more information and should contain a fraud warning. The use of statistics obtained from the CE exercise and the Internet tools to research on the continuation of benefit entitlement independently from the CE exercise should be considered by the UNJSPF to mitigate the possibility of benefit fraud. Another tool is the use of the independent sources to verify the death record.

IV. Audit Findings and Recommendations

A. Policies and Procedures

Guidance to Agency personnel responsible for Pension Fund duties

11. The Pension Fund is assisted by various United Nations Offices in distributing cheques and Certificates of Entitlement in the various countries where beneficiaries reside. Although written procedures had been distributed to these offices to detail responsibility or functions performed by field offices to facilitate the UNJSPF in this work, a set of updated procedures was needed to provide guidance to United Nations Agency personnel responsible for verifying and authenticating identity and signatures of beneficiaries. This was necessary to ensure uniform compliance with respect to cheque and CE distribution. Procedures should indicate that only senior officials or persons specially delegated as focal points for this purpose are responsible for certification upon presenting a photo ID by the beneficiary.

Recommendation 1

The UNJSPF should establish formal guidelines for the use by United Nations Agencies involved in distributing cheques/ Certificates of Entitlement, in order to ensure that all offices are consistently complying with control procedures as prescribed by the Fund (AS2003/800/1/01).

12. *The UNJSPF accepted Recommendation 1 in principle. Guidelines for UN offices and agencies to assist in verifying and authenticating the identity and signatures of beneficiaries in order to ensure consistency will be drafted. The UNJSPF's Workflow Upgrade Project, which is expected to be implemented by November 2004, will call for changes in the current CE process. Thus, the guidelines will be prepared in conjunction with this project and will be distributed to the various duty stations during the following six months and certainly prior to the annual CE process for 2005. This recommendation will be closed when the guidelines have been prepared and distributed.*

Identification of the continued eligibility of recipients of disability, dependent, and surviving spouse benefits

13. As a condition to receiving continued benefits, the UNJSPF requires information such as proof of eligibility and identity to determine that the recipient and any spouse, including divorced spouses and dependents under the age of 21 years of age, are entitled to receive continued benefits. In the case of children beneficiaries, the certification is done through the legal guardian. For purposes of certification, the UNJSPF requires that the beneficiary submit a Certificate of Entitlement to verify continued benefits. The UNJSPF requires dependents to promptly advise the UNJSPF upon the death of a beneficiary. However, there were no documented procedures indicating how these issues should be processed by UNJSPF

staff.

Recommendation 2

The UNJSPF should enhance its requirements to obtain updated information on pensioners entitled to disability and dependent benefits as a matter of promoting the integrity of information received (AS2003/800/1/02).

14. *In response to the draft report, the UNJSPF stated that they do have established guidelines on the handling of such cases and referred to the Signature Verification document (WT140). All CE forms received from beneficiaries in receipt of a disability benefit, and widows/widowers are reviewed under WT 140. When a legal guardian is appointed, the UNJSPF receives a certified copy of the judicial appointment. It is only in those circumstances that the UNJSPF accepts the guardian's signature in the CE. Based on the comments provided, OIOS considers the recommendation to be implemented.*

B. Processing Controls

Signature verification training required for operational staff

15. The Chief of PECSS is responsible for developing and implementing training plans for the Section. In determining whether the Record Assistants are properly trained, the auditors reviewed training manuals and interviewed staff to assess their level of knowledge about the job. The audit team concluded that there was little training in the area of handwriting analysis and signature authentication.

16. A specimen signature of a beneficiary should be established from the date of entitlement and should be used at the time of the CE verification. However, if the signature looked different or had changed, a notarized sample of it should be obtained from the beneficiary and further considered as a specimen signature for forthcoming CE verifications.

Recommendation 3

The UNJSPF should undertake formal training on signature verification procedures for authenticating and verifying the eligibility of pension recipients to continued benefits (AS2003/800/1/03).

17. *The UNJSPF accepted recommendation 3 and responded that they are in the process of identifying the most appropriate means of enhancing the signature verification process, and continues to evaluate new handwriting analysis products. Handwriting analysis classes are expected to be conducted within the year.*

18. *Additionally, the UNJSPF is exploring the possibility of having a specimen signature of each beneficiary in his/her file at the time of separation. The UNJSPF intends to institute*

a training program for all new staff members, which would provide a broad overview of the Fund's work, enabling staff to have a better understanding of the processes in the Fund. This recommendation will be closed once training has been initiated and a specimen signature for each beneficiary is established in the files.

Enhancements to Certificate of Entitlement forms

19. The audit examined the CE form which the UNJSPF uses to verify a continuous eligibility to benefits. We found that the CE form has been updated and improved with several control features including verification by a witness for thumbprints, electronic barcodes, dates and type of benefit being verified. However, other essential information concerning continued entitlement to disability benefits such as (i) age of dependents, (ii) updates on marital status and (iii) change of address including information on nursing facility and senior citizen residences, were not incorporated in the format of the CE.

Recommendation 4

The UNJSPF should enhance the certificate of entitlement form to enable the Fund to obtain essential information used to determine the continued eligibility of beneficiaries receiving disability and dependent benefits. The form could also be used to gather other relevant information, such as change of address, change in marital status, age of dependents and their marital status, as applicable, change in medical condition, and/or change of payment instructions, as a matter of improving efficiency and client service (AS2003/800/1/04).

20. *The UNJSPF has accepted recommendation 4 and is in the process of enhancing the current CE form to be completed by October 2005. Although the suggestions made are well taken, the UNJSPF does not agree that the CE form should be utilized to update beneficiary information in the manner suggested. By including too much information the form may become too complex and may introduce certain risk factors particularly with regard to payment instructions, change of dependency data etc.*

21. *The Fund will work with the Association of Former International Civil Servants (AFICS) and the Federation of Associations of Former International Civil Servants (FAFICS) on enhancing the form but it is also considering writing to beneficiaries separately to suggest that they may wish to provide the Fund with the name of a third party who may be contacted by the UNJSPF in the event that the CE form is not returned. This recommendation will be closed pending the issuance of the enhanced CE form.*

Fraud warning statement

22. In OIOS' opinion, Certificates of Entitlement should also carry a warning statement that the falsification of information provided to the UNJSPF constitutes fraud and

jeopardizes continuation of benefits including penalty or prosecution under local laws. This would serve as a deterrent to dependents who wish to prolong benefit eligibility after entitlement changes as in the case of a beneficiary's death.

Recommendation 5

The UNJSPF should explore the possibility of including a warning statement on Certificates of Entitlement that falsification of signature or data provided should be considered as fraud (AS2003/800/1/05).

23. *Recommendation 5 was accepted in principle and will be done in conjunction with the changes referred to in paragraphs 19 and 20 by October 2005. The UNJSPF will include a warning statement that falsification of signature or data provided will be considered as fraud, however, the UNJSPF cannot elaborate further since penalties or prosecution under local law is not possible or appropriate.* This recommendation remains open and will be closed upon the issuance of the enhanced CE.

Management reports for improving the certification process

24. The Fund uses reports to monitor the certification process. One such report identifies the recipients who have not complied with the deadline and a new certificate is printed and dispatched to the recipient. However, management reports do not provide details such as the number of late responses received, and the list of countries where there is likely to be a low response rate, expressed over a reasonable period, on an annual basis, to determine areas where the Fund can gain efficiencies. Such statistics could be used in analysing trends and patterns over a number of years and indicate where cost-savings can be increased and man-hours to conduct the exercise can be reduced. In addition, information can be used to develop key indicators and benchmarks in order to measure and control the results of the CE exercise.

Recommendation 6

The UNJSPF should develop management reports, which identify key statistics, including trends in compliance by beneficiaries, and the development of targets and benchmarks, and other indicators for the CE process. In addition, reports may improve management ability to identify areas for improvement and provide quick information for the decision-making process (AS2003/800/1/06).

25. *The UNJSPF has accepted and implemented recommendation 6. With the new Workflow Upgrade Project, new reports have already been requested that would identify key statistics. With the completion of that project in November 2004, the UNJSPF will be able to identify late responses, cases suspended through the years, the age of such beneficiaries, and the region of the world from where few responses are received. These reports should be*

available to assist in the gathering of information with the next CE exercise, i.e. the review undertaken of CE's not returned in Spring 2005. Based on the comments provided, OIOS considers this recommendation as implemented.

Alternative tools for CE verification

26. The UNJSPF website provides guidance to retirees and beneficiaries including deadlines for submissions of CEs and to provide awareness of the importance of notifying the UNJSPF when changes in benefit status occur. However, the UNJSPF should independently verify the CE process by using independent local consulting firms or OIOS resident auditors in the field to verify participant eligibility to continued pension benefits or follow-up on cases where the Fund can not contact a beneficiary. Annex I details the results of a survey in several countries identified by OIOS where sizable numbers of UNJSPF pensioners reside.

Recommendation 7

The UNJSPF should consider using available Internet tools and consulting services to independently verify/follow up on the status of pensioners and beneficiaries residing in locations where vital records offices/data are available (AS2003/800/1/07).

27. *The UNJSPF accepted and implemented recommendation 7. The UNJSPF currently uses Internet tools to verify/follow-up the status of pensioners. The Fund has used address and name searches as well as www.rootsweb.com for conducting various searches for beneficiaries with addresses in the United States.*

28. *The Fund diligently follows up on beneficiaries under Work types 149 (Follow-up on non-return of CE) and 609 (CE/Suspended Payments – Payroll). Although the list provided by OIOS may be useful, when the cost factor is considered, it may not be worthwhile since the number of beneficiaries that cannot be located with each CE exercise is relatively small. Based on the comments provided, OIOS considers this recommendation to be implemented.*

UNJSPF Geneva Office

29. OIOS noted that the UNJSPF Geneva Office was not actively involved in the verification certification process. Due to its strategic location, the role of the Geneva Office should be strengthened in terms of routinely following up with retirees and beneficiaries living in the European and other close regions. This could include the verification of beneficiary addresses, follow-up with the national vital records offices, UN agencies where the beneficiaries worked before the separation.

Recommendation 8

The UNJSPF should strengthen the role of the Geneva Office in conducting follow-up procedures of the verification of retirees' and beneficiaries' eligibility to receiving continuing benefits for those living in Europe (AS2003/800/1/08).

30. *The UNJSPF accepted recommendation 8, stating that the CE process will continue to be managed by the New York Office and, as is currently the case, the Geneva Office will be called on for assistance as and when required for cases requiring follow up in Europe.* Based on the comments provided, OIOS considers this recommendation to be implemented.

Verification of death records

31. The auditors conducted a sample test in obtaining the death record of the Fund's beneficiaries by using an independent source. The result of the testing indicated 29 cases for review that were forwarded to the UNJSPF for action. These cases were broken down into four groups as follows:

- *Group A: The Fund was not aware of the beneficiaries' death*
Nine cases have been identified with an estimated overpayment of \$113,904.
- *Group B: Death record was on file, however, no follow-up actions taken*
Five cases have been identified with an estimated overpayment of \$11,405.
- *Group C: Unrecoverable items*
In three cases, the overpayment of \$4,367 may not be recovered, as the beneficiaries' bank accounts have been closed.
- *Group D: The Fund initiated/followed up on recovery action.*
Twelve cases have been identified with an estimated overpayment of \$29,476.

32. The test results have been provided to PECSS for review and recovery action. OIOS, however, draws attention of the Fund's management to the cases where a possible fraud might occur. The cases also demonstrated the weakness of the CE process in verifying the signatures of the beneficiaries.

33. The review of case R.17115 showed that after the death of the beneficiary in November 1998, CEs were signed by his relative (apparently by his spouse). It looks like the CEs had not been verified, as they had not been randomly selected by the system since the death of the beneficiary. The estimated overpaid amount is \$43,760. If the spouse is eligible to the surviving benefit, the overpayment will be \$10,940.

34. OIOS also noted case R.18076 where CE had been signed on 1 November 2003, while, according to the obtained death record, the beneficiary died on 17 June 2003. The estimated overpayment is \$15,458. There is a need to contact the vital records office of the New York State to obtain a copy of the death certificate and investigate the case.

Recommendation 9

The UNJSPF should review and investigate the cases identified by the audit test, verify the estimated overpayment of \$159,152 and initiate the recovery action, where appropriate (AS2003/800/1/09).

35. *The UNJSPF accepted recommendation 9, noting the cases identified and will review each case. The appropriate corrective actions will be taken and the UNJSPF will examine how its procedures might be improved to reduce the chances of such overpayments . This recommendation is considered to be “in progress” and will be closed upon OIOS’ review of the results of the UNJSPF’s investigation.*

V. Acknowledgement

36. We wish to express our appreciation for the assistance and cooperation extended to the auditors by management and staff of the UNJSPF.

Encl: Annex I

Copy to:

UN Board of Auditors
Programme Officer, OIOS
Mr. W. Petersen

Annex I

Certificate of Entitlement Verification (information received from commercial audit firms and OIOS resident auditors)

<u>Country:</u>	<u>Verifying Office/Firm:</u>	<u>Remarks/Fee:</u>
Kenya	PricewaterhouseCoopers	Data are kept in Registry of Deaths and Births Department within Attorney- General's Office. Delays in retrieval expected due to manual filing. 100 cases: \$3,250 200 cases: 3,750 300 cases: 4,250
	Ernst & Young	Copy of death certificate needed for official verification from Registry of Births and Deaths Department.
Pakistan	Delloite Touche Tohmatsu	No central office of vital records. Individual cities keep records of births/deaths. National Data Base Registration Authority (NADA) keeps records of living citizens. Copy of Death certificates cannot be obtained by any person other than for heirs of the deceased. Arrangements can be made for obtaining copies of death certificates from the heirs that can be cross verified from the municipal (city) office. 100 cases: \$175/case 200 cases: 150/case 300 cases: 125/case
Philippines	PricewaterhouseCoopers	Registry records maintained in cities of residence. Cost of \$52 per case in Manila, Metro-Manila, Quezon City and Iloilo.
	SGV (E&Y Philippine Affiliate)	Registry/vital records system/office which keeps death records is the National Statistics Office – Office of the Civil Registrar Cost to be determined based on sample size.
	Deloitte Touche	Birth and death certificates kept in National Archives Office and National Statistics Office. Records may not be complete and copies of death certificates may not be available. 100 cases: \$200/case 200 cases: 190/case 300 cases: 175/case minimum plus \$60/hr plus travel expenses for cases requiring additional investigative work.
Egypt	PricewaterhouseCoopers	Same year death records kept in Health Registry Office and previous year records kept in Civil Registry Office by governorate. Death records not centralized. UNJSPF authorization needed for issuance of death records from Health Registry Office of Civil Registry Office.
Peacekeeping Missions		
Resident Auditor Locations		
	UNMEE (Eritrea/Ethiopia)	UNMEE OIOS personnel should verify local UNJSPF beneficiaries since official contacts with local authorities may be unproductive.
	UNMISET (Timor Leste)	Registration for all persons with Central Civil Registry is being formalized for births and deaths in 13 Civil Registry Office in Timor Leste.
	MONUC (Dem. Rep of the Congo)	No national registry for vital records. UN agencies currently provide UNJSPF services to beneficiaries. Death certificates can be provided from hospitals and the INSS (National Social Security Institute) if the beneficiary was entitled to a national pension at a cost of \$4/each