



OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

The UNJSPF Two Track System

The administration of the two track feature of the Pension Adjustment System generally complied with established policies and objectives but could be further enhanced through streamlined and automated processes, clearly documented procedures and the establishment of clear criteria and benchmarks

18 March 2009

Assignment No. AS2008/800/04

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. Bernard Cochemé, Chief Executive Officer
A: United Nations Joint Staff Pension Fund

DATE: 18 March 2009

REFERENCE: IAD: 09-02299

FROM: Fatoumata Ndiaye, Acting Director
DE: Internal Audit Division, OIOS

Fatou

SUBJECT: **Assignment No. AS2008/800/04 - Audit of the UNJSPF Two Track System**
OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendation 7 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Your response indicated that you did not accept recommendation 16. In the opinion of OIOS, however, this recommendation seeks to address a significant operational area. We are therefore reiterating it and requesting that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1, 3, 7-8, 11-13, 18-19) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Ms. Jaana Sareva, Secretary to the UNJSPB Audit Committee
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. William Petersen, Chief, New York Audit Service, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

CONTACT INFORMATION

ACTING DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

CHIEF, NEW YORK AUDIT SERVICE:

William Petersen: Tel: +1.212.963.3705, Fax: +1.212.963.3388,
e-mail: petersenw@un.org

EXECUTIVE SUMMARY

Audit of the UNJSPF Two Track System

OIOS conducted an audit of the two-track system of the United Nations Joint Staff Pension Fund (UNJSPF or the Fund). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over the administration of the two-track feature of the Pension Adjustment System for ensuring: (i) compliance with UNJSPF regulations, policies and procedures, (ii) the accuracy of the two-track calculations and payments; and (iii) the efficiency and effectiveness of the related processes. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

In general, the audit concluded that the two-track feature of the Pension Adjustment System was administered in compliance with the established policies and objectives of the system. Also, the Fund provided adequate guidance to the participants and beneficiaries on the two-track option. The audit, however, identified some areas for improvement that would require the Fund's attention. More specifically, the audit identified the need to:

- Revise the procedures for the two-track benefit calculations to include latest amendments to the Pension Adjustment System of UNJSPF.
- Establish clear criteria for determining satisfactory proof of residence, including the order of priority for documents constituting alternative proof.
- Develop and document formal guidelines for staff's reference when determining the applicability and calculation of the cost of living differential (COLD) factor in two-track cases, and the basis for calculating the threshold for the COLD application.
- Further elaborate on the criteria to provide clearer guidance on launching, suspension, or discontinuance of the two-track option.
- Establish a mechanism for continuous monitoring of the Consumer Price Index data and exchange rates to enable timely and consistent decision-making on discontinuance, suspension and launching of the two-track option.
- Automate input of monthly and quarterly UN exchange rates for the calculation of the two-track benefits in PENSYS.
- Resolve long-outstanding frozen cases.
- Establish a benchmark for processing the two-track recalculation cases and expedite processing of the case load.

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1-6
II. AUDIT OBJECTIVES	7
III. AUDIT SCOPE AND METHODOLOGY	8
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Regulations, policies and procedures	9-22
B. Two-track benefit processing	23-33
C. Efficiency and effectiveness of the related processes	34-57
V. ACKNOWLEDGEMENT	58
ANNEX 1 – Status of Audit Recommendations	

I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the two-track system of the United Nations Joint Staff Pension Fund (UNJSPF or the Fund). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and the other 21 organizations admitted to membership in the Fund. In 2007, the annual benefit payments by the Fund amounted to \$1.6 billion, with payments having been made in 15 currencies to beneficiaries in some 190 countries. As of 31 December 2007 the number of participants of the Fund reached 106,566 and the Fund was paying 58,084 periodic benefits.

3. The Pension Adjustment System of the Fund was adopted by the General Assembly by resolution 37/131 of 17 December 1982 and has been amended by the Assembly a number of times since then, following recommendations made by the United Nations Joint Staff Pension Board. The two-track system is a feature of the Pension Adjustment System whereby the pension benefit is calculated and maintained in both US dollars and in the currency of the country where the beneficiary actually resides. The two-track system, is intended to: (a) ensure that, subject to the cap provision, a periodic benefit payable by the Fund never falls below the real value of its US dollar amount; and (b) preserve the benefit's purchasing power as initially established in the currency of the recipient's country of residence.

4. The two-track feature of the Pension Adjustment System is optional, and beneficiaries who elect to receive their benefit in their local currency are required to provide proof of residence in a country other than the United States. In such cases, two pension benefit records are maintained. A US dollar base amount is determined at the time of separation, in accordance with the Regulations of the Fund, and is then adjusted according to cost-of-living changes as measured by the United States Consumer Price Index (US CPI). The other pension record is maintained in the local currency by converting the dollar amount of the periodic benefit into a local currency amount at the time of separation, using the average of the monthly UN operational rates of exchange for the 36 consecutive calendar months up to and including the month when separation takes place. For certain higher cost countries, a cost-of-living differential factor may be added to derive the local-currency base amount, which is then adjusted according to changes in the cost of living in the respective country, as measured by that country's consumer price index (CPI).

5. At the time of the audit, approximately 30 per cent of the beneficiaries of the Fund were on the two-track system. The Pension Adjustment System does not apply to withdrawal or other lump-sum payments, including those derived from the partial or total commutation of a periodic benefit, nor does it apply to any benefit arising from voluntary deposits.

6. Comments made by UNJSPF Secretariat are shown in *italics*.

II. AUDIT OBJECTIVES

7. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over the administration of the two-track feature of the Pension Adjustment System in ensuring: (i) compliance with UNJSPF regulations, policies and procedures, (ii) the accuracy of the two-track calculations and payments; and (iii) the efficiency and effectiveness of the related processes. This included the evaluation of:

- (a) The methodology used for the administration of the two-track feature to determine whether it conforms to the requirements of the Pension Adjustment System of UNJSPF;
- (b) The policies and procedures for processing and payment of pension benefits under the two-track system;
- (c) The initial establishment of the two-track benefit to determine whether it is done in accordance with the Regulations of the Fund;
- (d) The accuracy of the two-track calculations and timeliness of the payments;
- (e) The adequacy of procedures for reversing from the two-track back to the dollar track; and
- (f) The adequacy of guidance provided by the Fund to participants and beneficiaries to ensure transparency and fairness.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit methodology comprised the review of relevant documents including policies and procedures, UNJSPF Board meeting minutes and discussion papers as they pertain to the administration of the Pension Adjustment System, observation and interviewing of key staff. An auditing software tool was used to generate a sample of the two-track cases for testing of controls to verify the accuracy of the initial calculation of the US dollar base amount, and of the rate of exchange used in determining the local currency base amount, that adjustments to the local currency base amount were made in a timely manner and using the appropriate data on cost of living, and timeliness of processing pension benefits under the two-track option. Results of prior relevant audit assignments were relied upon in forming conclusions on certain objectives for this audit.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Regulations, policies and procedures

Inadequate documentation of policies and procedures on processing two-track cases

9. OIOS observed that certain procedures and guidelines relating to the administration of the two-track system could be further improved and formalized. OIOS found some inconsistencies in terminology between the informal guidelines developed for the two-track benefit processing, and the information note to beneficiaries attached to the Declaration of Country of Residence (form PENS.E/10) on the website and the General Procedure No. 17 Rev. III and the Annex III of the Pension Adjustment System (JSPB/G.4.Rev.16), as follows:

- a. The provision on the “date of separation” as basis in the procedure was not consistent with the provision on “entitlement date” in the PAS. For submitting proof of residence in determining the effective date of the two-track, Annex III of the Pension Adjustment System (JSPB/G.4.Rev.16) refers to the “date of entitlement” whereas the General Procedure No. 17 Rev. III refers to the “date of separation”, and the internal guidelines also refer to the “date of entitlement”. In terms of policy, the date of separation is not the same as the entitlement date. For normal retirement, the entitlement date is the day after the date of separation, while for deferred retirement, the entitlement date is much later after separation. The terminology of the general procedure is inconsistent with the Annex III of the Regulations of the UNJSPF and does not provide guidance on deferred retirement cases, where the separation date is usually earlier than the entitlement date.
- b. General Procedure No. 17 Rev. III states that the issuance dates of the proof of residence should be “on or after the date of separation”; whereas the Information Note on the PENS.E/10 form states that the issuance date shown on the proof of residence should be “after the date of separation”. The procedure and the information note are inconsistent with the Annex III of the Regulations of the UNJSPF. Annex III of the Regulations addresses the case of deferred retirement benefit (because they refer to the date of entitlement) whereas the General Procedure 17 only states that proof of residence should be provided within a certain period from the date of separation. Thus, it may be confusing to staff processing two-track benefit recalculations, and could result in different interpretations and possibly incorrect application.
- c. The guidelines for processing two-track cases (WT524) developed and currently used by the New York office had not been formalized.

Also, the procedure did not cover one of the provisions included in the information note, i.e. for beneficiaries whose benefits are already in payment, the “issue date” of the proof of residence that precedes the date of separation but by not more than six months before the date of submission.

10. OIOS noted that the procedures for the two-track benefit recalculations did not include the latest amendments to the Pension Adjustment System, for example, the application of the adjustable minimum guarantee of 80 per cent of the US dollar track amount. Also, the procedures describe the roles of a Control and Clearance Unit, which no longer exists. The latest version of the General Procedure No. 17 Rev. III was approved on 20 December 1995, but the changes that took place in the Pension Adjustment System since that date had not been reflected appropriately. Section B (1) (a) of the procedure refers to the “new E/10”, which is now referred to as PENS.E/11, introduced in 2003. While the E/10 and E/11 forms had a field for the pension number, there was no field for a retirement number, although the two-track system is only applicable upon retirement. In the opinion of OIOS, the form should provide for both the retiree and pension numbers to facilitate tracking of two-track cases. The above conditions could result in inefficiency of the process and create a risk that staffs do not have updated and clear guidelines for processing two-track cases to ensure consistency and compliance with the policies.

Recommendations 1 and 2

The UNJSPF Secretariat should:

(1) Revise the procedures for the two-track benefit calculations to include the latest amendments to the Pension Adjustment System of UNJSPF, and review and update the General Procedure 17 and guidelines for processing work type 524; and

(2) Modify forms PENS.E/10 and PENS.E/11 to add a field for the retiree number.

11. *The UNJSPF Secretariat accepted recommendation 1 and stated that updating current benefit processing procedures, including General Procedure number 17 and additional guidelines for processing work type 524, are two of a number of similar issues that Management would like to include as part of its Fund-wide training initiative. Once the Fund has the resources in place to be in position to dedicate adequately qualified individuals to carefully document such procedures and then to provide the ensuing training on the basis of such documentation, this recommendation will be carried out. In fact, it is already intended to be part of the Fund-wide training initiative. This issue is therefore considered an on-going project generally constrained, however, by the limited number of experienced staff who could prepare such important and intricate procedures. Existing staff that do have the necessary experience are more urgently needed for regular processing requirements. In fact, such staff members were most recently tasked with processing the significant backlog of two track*

cases that arose over the last few years due to the depreciation of the US dollar during that time. In addition, and given: (i) the complex nature of issues such as these; (ii) the more urgent priority of processing benefits first so as to maintain a constant stream of income for our retiring participants; (iii) the overall increasing number of participants and beneficiaries being serviced by the Fund; and (iv) the recent, ongoing and notable loss of experienced staff of the Fund through retirement or transfer; the actual implementation of this recommendation poses a significant challenge at this time. It should be noted, however, that Management intends to propose in its next budget submission, specific resource requirements to directly and fully address this issue. If approved, the related recruitment would begin in the early part of the next biennium (i.e. 2010-2011) and once the appropriate staff members are on board and fully in position to focus on this matter, the documentation process would be given its due priority. Recommendation 1 remains open pending the Fund's completion and submission of updated procedures for processing two-track benefits.

12. The UNJSPF Secretariat accepted recommendation 2 and stated that this recommendation should be carried out. However, the Fund's systems are such that if its staff members are provided with an active pension number they can invariably locate the respective retiree number, if applicable. While Management agrees it would be useful to have both numbers readily accessible in hard copy, there are more pressing issues that need to be addressed first. This recommendation will be carried out as soon as practicable however it is believed that implementation may need to be deferred until more adequate resources are in place. Recommendation 2 remains open pending modification of the PENS.E/10 and PENS.E/11 forms.

Lack of clear criteria for acceptable proof of country of residence

13. There were no clear and comprehensive criteria for determining eligibility for the two-track system of pension adjustment based on the country of residence. Paragraph 31 (a) of the Annex III Pension Adjustment System of the UNJSPF states that: "A beneficiary may at any time submit proof of residence in the country of his or her choice. Such proof must be in a form acceptable to the Pension Fund." Further it states that: "A beneficiary who subsequently relocates may change his or her country of residence by submitting satisfactory proof of residence in the new country but no request for a change of the country of residence will be accepted unless it is accompanied by satisfactory proof of relocation". The information note on the PENS.E/10 form states that proof of residence is acceptable if it is issued by national or local government authorities and that it must indicate the full name and address of the beneficiary.

14. The certificate of residence was the most common acceptable proof of residence issued by respective country's national or local government authorities that UNJSPF received. It indicated the full name and complete address of the beneficiary and the document was formally sealed and signed by an authorized official. However, there were cases when a certificate of residence could not be issued by certain countries, necessitating the submission of an alternative proof of residence. OIOS noted that there was no clear documentation of what

constitutes an acceptable and sufficient proof of residence, particularly if an alternative proof is required. The provisions on acceptability criteria pertained mainly to the submission date of the proof of residence.

15. OIOS observed that the Pension Entitlements and Client Services Section (PECSS) maintained a reference binder with examples of acceptable proof of residence by country that was accumulated over a period of time. The audit showed that in the past some alternative proofs were accepted whether or not they were government-issued. Some examples noted were sworn statements by individuals, documents with limited validity such as a temporary resident visa, unofficial English translation, incomplete documents (either without signature, government seal or address), statements from the bank and diplomatic identification cards. Also, OIOS noted that the PENS.E/10 and PENS.E/11 forms list acceptable proofs of residence for certain countries to serve as guidance to beneficiaries. In the opinion of OIOS, this list needs to be expanded in order to provide a comprehensive reference for all countries.

16. Further, the information note in the PENS.E/10 and PENS.E/11 forms indicated that acceptability of the proof is to be determined on an individual basis. According to the Fund's management, the respective mission to the United Nations is occasionally contacted for referral or confirmation of the proof of residence. In the view of OIOS, there is a risk that subjective decisions and/or inconsistent treatment of documents submitted as proof of residence may jeopardize the determination of eligibility for the two-track option or may lead to insufficient proof being accepted. The establishment of the country of residence is a paramount consideration in determining the eligibility for and the effective date of the two-track system. It is therefore essential that the supporting evidence or proof of country of residence be acceptable, sufficient and compliant with the requirements.

Recommendations 3 and 4

The UNJSPF Secretariat should:

(3) Establish clear criteria for determining satisfactory proof of residence, including the order of priority for alternative documents in cases where no government-issued certificate of residence is available; and

(4) Maintain a database of sample acceptable proofs of residence for all countries and update the reference binder of the proof of residence with the latest available forms for all countries, for which the two-track option is applicable.

17. *The UNJSPF Secretariat partially accepted recommendation 3 and stated that approximately 90 per cent of retirees who opt for the two-track feature of pension adjustment generally reside in European countries in which cases there are rarely any problems incurred in respect to providing acceptable proof of residence. Moreover, for such countries, the "Information Note on Declaration of Country of Residence" provides the criteria and an adequate*

listing with specific examples of acceptable proof. For many of the other countries where UNJSPF retirees reside and opt for the two-track feature, additional examples are provided as well. The Fund could develop more elaborate criteria for determining satisfactory proof of residence, including an order of priority for alternative documents that could be provided by national or local governmental authorities in cases where no government issued "Certificate of Residence" is available. However, since such a list would need to include most countries worldwide, it would need to be understood that the relevant requirements may and will change depending on local conditions and it would therefore not be possible to maintain that such criteria is always and fully updated. In addition, to explore possible alternative documents in certain countries will take additional time and resources and usually require assistance and guidance from the Legal Office. To carry out this recommendation in respect to all countries would be difficult in practice and thus the reason for partial acceptance. The unique cases are currently addressed more on an ad hoc and case-by-case basis and in conjunction with the Legal Office. Management should also recall that it would not be prepared to accept proof of residence that is not issued by national or local governmental authorities as this would likely result in inconsistent handling and questionable treatment in certain cases, which would thereby result in further complicating an already administratively complex process. In addition, if it were to do so, it would likely involve additional resources as it would result in the need for greater reliance on the Legal Office of the Fund. Recommendation 3 remains open pending receipt of the list of elaborating criteria for determining satisfactory proof of residence, including an order of priority for alternative documents that could be provided by national or local governmental authorities.

18. *The UNJSPF Secretariat accepted recommendation 4 and stated that the Fund already has a file that contains different samples of acceptable proofs of residence for various countries. The project began in the fall of 2006, in order to make such information available electronically by placing the documents in the respective document queues in the Fund's Content Manager (CM). However, due to staffing constraints the file does not include samples of acceptable proofs of residence for all countries. As in the case of other recommendations in this connection, implementation will need to be deferred until more adequate resources are in place. Recommendation 4 remains open pending receipt of an updated reference binder of the proof of residence with the latest available forms for all countries, for which the two-track option is applicable.*

Lack of formal procedures for calculating cost of living differential factor and cost of living adjustments

19. There were no formal guidelines for staff's reference when determining the applicability and calculation of the cost of living differential (COLD) factor for participants in the professional and higher categories. Further, there was no documented basis for calculating the 22 per cent threshold for the COLD factor application. The COLD factor is a percentage by which the initial local currency amount of the pension benefit is adjusted. The objective of this adjustment is to increase the pension so that its purchasing power, when it is converted into the currency of the country of residence, does not fall below its "real" US dollar

value. This factor is usually applied when a beneficiary is retiring in a higher cost country than the USA which is used as the base. Determination of the COLD factor involves a complex calculation and can only be performed by experienced staff. In the view OIOS, too much reliance was being placed on the institutional memory of long serving staff, and with recent high turnover and retirement of individuals in key operations areas, the lack of clearly documented procedures increases the risk of inconsistent or inaccurate calculation of the COLD factor.

20. The Payments Unit of FSS had developed a written procedure on the cost of living adjustment (COLA) to provide detailed instructions on the process. It describes the source, nature and entry of data, frequency of COLA calculations, reviews performed to ensure completeness and accuracy of data entry and calculations as well as how to derive the final benefit payment amount on the basis of relevant rules and regulations. Based on the walkthrough of the process, OIOS has obtained assurance that descriptions of the methodology and process for COLA were in line with the provisions of the Pension Adjustment System. However, the procedure had not been signed off by management as a formal document. A formalized procedure would serve as comprehensive reference for staff and facilitate knowledge transfer in cases of personnel change.

Recommendations 5 and 6

The UNJSPF Secretariat should:

(5) Develop formal procedures for determining the applicability and calculation of the cost of living differential (COLD) factor, including the basis for calculating the threshold used for application of the COLD factor; and

(6) The UNJSPF Secretariat should revise and formalize the procedure for processing cost of living adjustments.

21. *The UNJSPF Secretariat accepted recommendation 5 and stated that the Fund has already begun drafting the steps involved in respect to the cost-of-living differential factor. The threshold for applying the cold factor is straight forward and provided for in the UNJSPF Pension Adjustment System, along with clear guidelines as to its applicability. A full procedural document in this respect, however, would also need to include the applicability and determination of the special index which, depending on specific circumstances and tax rates at certain points in time, may be applicable as well. Until the Fund has an adequate staffing component with all the requisite experience, final implementation of this recommendation will need to be deferred. Having noted this, Management nevertheless believes it would be able to implement this recommendation in conjunction with recommendation 1. Recommendation 5 remains open pending submission of formal procedures for determining the applicability and calculation of the COLD factor.*

22. *The UNJSPF Secretariat accepted recommendation 6 and stated that the approach of the Payments Unit to formalize the existing procedure of COL*

calculations will have to be coordinated with the IT group of the Fund so that the Monthly Bulletin of Statistics CPI data could be downloaded with minimum manual intervention. Recommendation 6 remains open pending receipt of revised formal procedures for the processing of cost of living adjustments.

B. Two-track benefit processing

Exceptions regarding proof of residence documents

23. In examining the random sample of the two-track cases, OIOS observed eight cases handled by the New York office where the PENS.E/10 form and accompanying documentary evidence submitted by beneficiaries requesting the two-track option were not date-stamped upon receipt. In the absence of a date stamp, UNJSPF considered the scanning date of the document as the receipt date. Receipt date is an important consideration in the determination of the effective date of two-track option and, in practice the scanning date is not usually the same as the receipt date. Therefore, failure to appropriately determine the submission date of the documentation may lead to incorrect establishment of the two-track effective date.

24. OIOS reviewed 42 cases when beneficiaries opting for the two-track submitted proof of residence. In eleven of these cases (26 per cent) there was some departure from the requirements of the Pension Adjustment System for proof of residence. In one case, the PENS.E/10 was incomplete. In another case, the proof of residence document did not have an official seal of the government issuing the certificate of residence. There were seven cases where the issue date of the proof of residence preceded the date of separation and the participants did not retire in the country of residence. In two of these cases the issue date was more than 20 years prior to separation date, contrary to the rule on submission of the proof of residence that requires that issue date should not be more than one month earlier than separation date. The issue date of the proof of residence document was not indicated in one case. In another case there was no copy of the proof of residence on file. Some of these cases were received and initially reviewed by the Staff Pension Committees, which assisted UNJSPF in servicing beneficiaries on the two-track system by receiving their PENS.E/10 forms and proof of residence, and providing advice. In the view of OIOS, these conditions were mainly caused by the lack of clear and comprehensive criteria as to what constitutes satisfactory proof of residence as well as the lack of experience of staff processing the requests for the two-track option.

25. There were instances where UNJSPF accepted proof of residence in languages other than the six UN official languages that did not have certified translations. In some cases, benefit assistants who did not possess the knowledge of the foreign language used their judgment or sought assistance from colleagues or the internet to translate the document. The audit did not find any instances of doubtful translation. However, in such instances the persons responsible for translating the document and the date the document was translated were not clearly evidenced, which leads to a lack of accountability. Since proof of residence is an official document any translation thereof should also be official. Although the cost of translation service could be expensive to retirees, there is a

risk to the Fund that the proof of residence may be inadequate. According to the Fund's management, as a possible solution, a compensating control could be established by requesting the Staff Pension Committee to assist the Fund in servicing beneficiaries on the two-track system to verify the accuracy of the translation of the proof of residence by stamping the documents.

Recommendations 7 to 10

The UNJSPF Secretariat should:

(7) Ensure that all incoming Declaration of Country of Residence forms and accompanying documentary evidence submitted by beneficiaries requesting the two-track option are date-stamped upon receipt;

(8) Ensure that the staff concerned and the Staff Pension Committees of the member organizations are apprised of the current procedures and guidelines on processing proof of residence documents, and receive appropriate training;

(9) Revise the Declaration of Country of Residence form to include a requirement for an official translation of the proof residence form if in a language other than the UN official languages; and

(10) Document in the procedures for processing two-track cases that in the event the proof of residence is translated within UNJSPF, the staff member authorized to translate the document should sign and date the translation.

26. *The UNJSPF Secretariat accepted recommendation 7 and stated that since December 2008 the Fund has begun date-stamping, upon receipt, all incoming "Declaration of Country of Residence" forms and all accompanying documentary evidence submitted by the retirees and beneficiaries of the Fund who are opting to have their benefits payable under the two-track feature of the Pension Adjustment System. This is now being done in respect to all incoming PENS.E/10 and PENS.E/11 forms. A copy of the relevant instruction informing staff of this decision, along with a subsequent sample of a date-stamped "Declaration of Country of Residence" form and accompanying documentation is attached for reference. Based on the action taken by the UNJSPF Secretariat, recommendation 7 has been closed.*

27. *The UNJSPF Secretariat accepted recommendation 8 and stated that in respect to the work unit responsible for this matter (i.e. Client Services Unit in New York), there is one benefits assistant currently reviewing and processing two-track requests, submitted either through the PENS.E/10 or PENS.E/11 forms and the accompanying documentation, in order to determine eligibility. This benefits assistant works closely with and under the guidance and training received from the Chief of Client Services on all related processes. However, it is accepted that comprehensive and up to date written procedures on the process*

are needed and could be further provided Fund-wide and to the Staff Pension Committees of the member organizations as well, so as to further coordinate a more consistent and systematic approach. Recommendation 8 remains open pending receipt of formalized procedures on processing proof of residence documents and guidelines issued to the Staff Pension Committees of the member organizations.

28. *The UNJSPF Secretariat accepted recommendation 9 and stated that this would involve a re-design of the "Declaration of Country of Residence" forms in order to include the requirement for an "official" translation of the proof of residence form when it is in a language other than one of the United Nations' official languages. As it would involve a re-design of the relevant forms, this recommendation would be implemented in conjunction with the recommendation 2. Recommendation 9 remains open pending receipt of the revised "Declaration of Country of Residence" form, which includes the requirement for an official translation of the proof of residence.*

29. *The UNJSPF Secretariat accepted recommendation 10 and stated that it intends to reflect the requirement that any proof of residence documentation, translated by a UNJSPF staff member into a language other than an official language of the United Nations, be signed and dated by such staff member. As this requirement would need to be incorporated into a new updated General Procedure number 17 and under additional guidelines for processing the relevant work types, implementation will be made in conjunction with the recommendation 1. Recommendation 10 remains open pending receipt of the documented procedures for processing two-track benefits.*

Assurance on calculation of initial US dollar base amounts ascertained from prior audit

30. One of the audit's sub-objectives was to obtain assurance on the accuracy of the initial calculation of the US dollar base amount. This area had been addressed during a previous OIOS audit on the Processing of the Pension Fund Benefit Entitlements (AS1999/64/1), with an objective to determine whether the Fund's internal controls were adequate and effective in ensuring that all benefit entitlements were processed correctly and promptly. The previous audit scope comprised 40 randomly selected cases of initial benefits (work type 300 series) for detailed review from a total of 10,800 cases processed from January 1998 to June 1999. The results of the detailed review of the selected cases in 1999 showed that, with the exception of differences due to the rounding of the amounts, the benefits were determined and calculated correctly in accordance with applicable rules and regulations.

31. Based on the results of the previous audit and also referring to the changes in the regulations and rules relating to the determination of the US dollar base amount that had taken place since then, the audit procedures therefore were limited to spot checking the controls in the calculation process. No calculation errors were found during the spot checks and the assurance obtained from the audit AS1999/64/1 was considered to remain valid.

Need to strengthen automated calculations in PENSYS

32. During the recent audit of PENSYS and document imaging system (AT2008/800/01), OIOS identified and made recommendations to remedy control weaknesses pertaining to the Two Track System that if not adequately addressed, would expose the Fund to the risk of inefficiencies and data security. In particular, the process for the calculation of benefits in PENSYS required a monthly and quarterly manual input of the United Nations exchange rates of beneficiaries' countries of residence and at minimum twice a year, the manual input of the consumer price indices (CPI) of beneficiaries' countries of residence for calculating the cost of living adjustments (COLA). Although controls were in place to review the correctness of the calculations and the data entered into PENSYS, the process was inherently inefficient and error prone.

33. Furthermore, while UNJSPF had a process owner procedure based on the General Procedure N.2001-66, dated 31 July 2001, OIOS noted that data ownership had not been defined for the cost of living differential (COLD) factors, mid-month exchange rates, or 36-month average exchange rates. Moreover, the lack of historical records documenting the requirements defined for the calculations performed in PENSYS and the absence of formal user acceptance tests, precluded OIOS from assessing the accuracy of PENSYS calculations.

C. Efficiency and effectiveness of the related processes

Lack of clear criteria, procedures and roles and responsibilities for the launching, suspension or discontinuance of the two-track option

34. Paragraph 26 of the Pension Adjustment System stipulates that the establishment of a local currency base amount may be discontinued by the Chief Executive Officer (CEO) of the Pension Fund for countries where the application of the local-currency track would lead to aberrant results due to reasons such as very high inflation with inconsistent changes in the exchange rate, or substantial depreciation of the local currency, combined with non-existent, inconsistent or outdated information of the country's CPI. Also, the application of the local currency track may be suspended for countries where up-to-date CPI data is not available, after examining possible alternative sources of COL data and taking into account the particular circumstances of the beneficiaries residing in those countries.

35. OIOS found no clear criteria as to when and how the decisions on the launching, suspension or discontinuance of the establishment of a local currency base amount for countries should be made. Furthermore, there was no formal operational procedure that elaborated the criteria set forth in the Pension Adjustment System in quantitative terms. Notwithstanding the issuance of memoranda by the CEO in 2000 to provide clarification to staff, there was little or no guidance on how to apply the criteria. As a partial mitigating measure, the General Assembly had approved in 2004 an adjustable minimum guaranteed benefit set at 80 per cent of the US dollar track amount to protect beneficiaries in case their benefit payments in local currency significantly fall due to substantial

depreciation of the local currency without consistent movement of the CPI. These factors, coupled with the fluctuations of the economic conditions of the soft-currency countries, have made it difficult for UNJSPF to administer the two-track system, frequently resulting in inaction by the Fund.

36. Through a review of internal correspondence among the officers of the Fund, OIOS noted that the Chief of Operations mainly coordinated the decision-making process on blocking and unblocking of specific countries, including China and some Eastern European countries, from the two-track option. There was no documented trail to evidence that the CEO had, in practice, been involved in the process, in keeping with the discretionary delegation granted to the CEO in paragraph 26 of Annex III to the Regulations. OIOS could not verify that this function was formally delegated to the Chief of Operations through operational procedures. Similarly, OIOS was not provided with any documented evidence that such decisions were communicated to the Board or the Standing Committee as required by paragraph 26 of the Pension Adjustment System.

37. OIOS further observed that decisions to launch the two-track option for some countries, such as China and certain Eastern European countries, were triggered by requests or complaints from beneficiaries and did not follow a formal process. The decisions were not adequately documented to show which criteria were applied. Initially, the two-track option for these countries was shown as being available on the Fund's website and in PENSYS, and some beneficiaries from those countries had requested for application of the local track.

38. In August 2007, the Fund decided to suspend the application of the two-track option for China and some Eastern European countries, including Croatia and Lithuania, due to the lack of resources to review the conditions. Later, in September 2007, the two-track system was re-launched for China on the basis that the CPI was available to calculate the COL changes and the exchange rates for China had been fairly static for some time. In the case of Croatia and Lithuania, the two-track option was launched again in November 2007 after realizing that the "Special Measure" should be applied from the date the new currency unit was introduced on 1 January 1990. OIOS observed that the decisions were made through email exchanges and did not follow a formal and consistent procedure. An unstructured decision-making process poses the risk of inappropriately qualifying or disqualifying a country and hence beneficiaries' entitlement to the two-track option.

39. In response to the audit observations, UNJSPF management informed OIOS that the intricate nature of the provisions of the two-track feature was exceedingly complex to administer in practice. Such complexity can result in increased levels of risk, not only to the Fund but to its beneficiaries as well. In fact, it is in large part for these reasons that the Fund adopted the minimum guaranteed benefit in 2004. Moreover, the CEO also intends to propose a new unit in the context of the Fund's budget proposals for the biennium 2010-2011. If approved, it would establish a high-level Technical Evaluation and Risk Management (TERM) Team, which would provide the Fund with an independent capability to focus more fully on such two-track issues, and other policy issues relating to the overall plan design of the Fund. One of the new unit's proposed

core functions and indeed one of its initial assignments would be to focus on the two-track feature of the Pension Adjustment System. It would begin by looking for ways to mitigate the risks to the Fund as well as to its beneficiaries. It would also be tasked with undertaking a comprehensive review to establish clearer guidelines and processes for administering the two-track feature. OIOS is of the view that the Fund could consider expanding the functions of this Unit to review the roles and responsibilities for administering the provisions of Paragraph 26 of the Pension Adjustment System.

Recommendations 11 to 13

The UNJSPF Secretariat should:

- (11) Develop a formal procedure to guide the decision-making process for launching, suspension or discontinuance of the establishment of a local currency base amount for countries for the two-track system purposes;**
- (12) Further elaborate on the criteria in quantitative terms for the launching of the two-track option and its suspension or discontinuance, in order to provide clearer guidance, and identify triggers for the review of the conditions of a country; and**
- (13) Clearly delineate the respective roles and responsibilities for administering the provisions of paragraph 26 of the Pension Adjustment System.**

40. *The UNJSPF Secretariat accepted recommendations 11 to 13 and stated that these recommendations are under the Governance risk category as they involve the establishment, suspension and/or discontinuance of entitlements provided for under the provisions of the Pension Adjustment System. Management is clearly in agreement on the need for a more standardized process for the suspension, discontinuance and re-establishment of entitlements under the two-track feature of the Pension Adjustment System and noted the challenges encountered in the applicability of paragraph 26 of the Pension Adjustment System in a document it presented to the Board in 2004. It was with this in mind that the Fund introduced, the Board recommended and the General Assembly approved a measure to protect the beneficiaries in specific cases where under the previous provisions they would have been adversely affected by the applicability of the "cap" provision. Management intends to further address this issue through the establishment of a new high level Technical Evaluation and Risk Management Unit that it is proposing in the context of its next budget submission. It should be noted in any case that, as promulgated in a memorandum from the CEO, the suspension of the two track option in given countries should currently emanate from the Payments Unit of FSS, as any suspension in such matters would generally be due to evolving inconsistent relativities between the consumer price index and currency exchange rate of such countries. Recommendation 11 remains open pending receipt of formal procedures for launching, suspension or discontinuance of the establishment of a*

local currency base amount for countries for the two-track system purposes. Recommendation 12 remains open pending receipt of clear quantitative criteria for the launching of the two-track option and its suspension or discontinuance. Recommendation 13 remains open pending receipt of a general procedure on the process ownership for administering the provisions of paragraph 26 of the Pension Adjustment System.

Absence of systematic monitoring of countries for the two-track option

41. OIOS observed that there was no systematic monitoring of the changing economic conditions, such as the availability and reliability of CPI data and exchange rates, of the countries where currently no local track benefits are paid. OIOS noted a non-alignment between the conditions of the countries on the basis of the Monthly Bulletin of Statistics (MBS) for February and May 2008 and their status per the latest list of countries blocked from the two-track feature generated from PENSYS on 9 October 2008, if judged only on the availability of CPI data. For instance, some blocked countries such as Iran and Estonia appeared to report more regular and stable CPI data. On the other hand, CPI data was largely unavailable or highly unstable for some other countries such as Belize and Sierra Leone, for which the two-track option was available. Therefore, there is a possibility that a country potentially meeting the criteria for the two-track system may be blocked, whereas a country which does not meet the criteria remains unblocked.

Recommendation 14

(14) The UNJSPF Secretariat should establish a mechanism for continuous monitoring of the Consumer Price Index (CPI) data and exchange rates, and in this context perform a comprehensive review of the availability and quality of the CPI data and exchange rates required under the two-track system, to align the current status of countries with existing conditions.

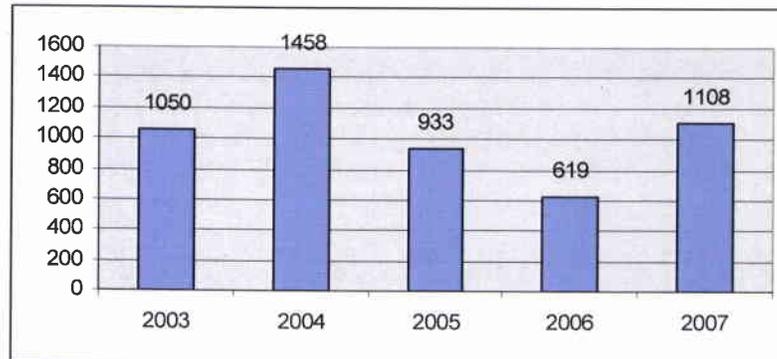
42. *The UNJSPF Secretariat accepted recommendation 14 and stated that its implementation is pending creation of a new group which will provide a comprehensive analysis of CPI and exchange rates required for calculating adjustments and benefits under the two track Pension Adjustment System. In the meantime, the Payments Unit will continue to prospectively apply paragraph 26 (b) and (c) of the Pension Adjustment System in monitoring CPI data as well as existing exchange rates conversion procedure pertaining to payroll processing. Recommendation 14 remains open pending receipt of formalized procedures for continuous monitoring of the CPI data and exchange rates.*

Backlog of two-track recalculation cases and lack of benchmarks

43. During the audit, OIOS reviewed processing times for the two-track recalculation cases. According to information from PENSYS, over the period from 2003 to 2007, the Fund received a total of 5,168 requests for two-track recalculation, for which WT524 was opened. Figure 1 below shows distribution

of these cases over the five year period. The Operations Information System report from September 2008 showed that, overall, the processing time for approximately 77 per cent of the requests for two-track option took more than 15 calendar days, taking at least 20 days, and there were some cases outstanding for more than 210 days.

Figure 1: Two-track recalculation cases opened in 2003-2007



44. There was no benchmark for processing the two-track recalculation cases (WT 524) where the beneficiary (a) initially declares a country of residence by completing the PENS.E/10 form and providing proof of residence, or (b) changes from one country to another country of residence by completing the PENS.E/11 form and providing proof of residence and also proof of arrival date in the new country. The Fund sends a letter to the beneficiaries advising them of the effective date of the two-track option and indicating that the implementation of the two-track will take approximately three months from the date of the letter. However, this timeframe was not stipulated in the procedure as a benchmark. OIOS acknowledges the constraints in establishing a benchmark for the two-track recalculation cases due to different parameters applied in each case in determining the effective date of the two-track benefit entitlement. Nevertheless, this could be achieved by measuring, for example, time lapsed from: (a) the benefit pay date and the date UNJSPF sent the letter advising the beneficiaries of the effective date of the two-track Pension Adjustment System, or (b) the benefit pay date and the effective date of the two-track option.

45. OIOS reviewed a sample of 20 WT524 cases to determine the average processing time. The statistics of these cases showed that, on average, it took around three months between the pay date and the date UNJSPF sent the letter advising the beneficiaries of the effective date of the two-track option, with the longest period of 27 months and shortest of seven days. The statistics also showed that, on average, there was approximately six months time lag between the pay date and the effective date of the two-track, with the longest being 14 months.

46. If the beneficiary elects the two-track option at the time of separation, a work type 300 series is opened. The case is processed as an initial retirement case, for which the benchmark is 15 working days according to the Quality Management Policy. In this regard, OIOS observed an inconsistency in that the

New York office used 15 working days as the performance measurement indicator, whereas the Geneva office used 15 calendar days. This inconsistency could lead to distorted performance statistics and analyses and should be regularized.

Recommendations 15 and 16

The UNJSPF Secretariat should:

(15) Align the performance measurement benchmark used by the Geneva office for processing initial retirement cases in line with the Quality Management Policy; and

(16) Establish a benchmark for processing two-track recalculation cases and ensure adherence to the benchmark.

47. *The UNJSPF Secretariat accepted recommendation 15 and stated that the Fund will review to align its practice with the Quality Management Policy. Recommendation 15 remains open pending receipt of the updated performance measurement indicators for the Geneva office.*

48. *The UNJSPF Secretariat did not accept recommendation 16, stating that the effective date of the two-track implementation varies widely, depending on the date of receipt of the PENS.E/10 or E/11 form along with the required supporting documentation. If the declaration form and supporting documents are received along with an individual's regular separation documentation, or within six months of separation, the effective date in respect to the two track feature is the date of entitlement. Otherwise, the effective date is the first day of the quarter following receipt and acceptance of the declaration form and supporting documentation. Moreover, the volume of two-track cases is difficult to predict as it depends in large part on exchange rates and consumer price index relativities. From around 2003-2007, there was a significant increase in two-track cases due the declining value of the US dollar and the workloads consequently increased significantly. Many of such cases were in respect to beneficiaries who were already receiving a monthly pension benefit and therefore receiving a regular income. Given constraints in resources and adequate numbers of sufficiently qualified staff to process these more complex cases, processing preference was given to new and recent retirees, as the priority for the Fund is to maintain a constant stream of income for those who move from active status into retirement. Under the circumstances, it would be difficult to establish a benchmark that would be met, or not met, in large part due to events not under the control of the Fund. Moreover, given the impending project to move the Fund to an Integrated Pension Administration System, the Fund anticipates that a good part of the time and efforts of its most experienced staff (i.e. those that are also qualified to process two-track cases) would need to be dedicated to the ensuing transition requirements of the new project. Having said this, however, the Fund is proposing in the context of its next budget submission, specific resources that would provide for substantial support and focus on the processing of two track cases which would result in a much faster turnaround in respect to such cases. OIOS acknowledges that establishing a benchmark for the two-track*

recalculation cases would be challenging due to varying effective date of the two-track based on the submission date of the proof of residence. Nevertheless, OIOS is of the opinion that establishing a benchmark and monitoring adherence to the benchmark enables management to communicate the expected timeframes and is important for measuring efficiency. OIOS reiterates recommendation 16 and will keep it open pending receipt of documentation showing the establishment of the benchmark for processing two-track cases.

Adequate guidance provided by the Fund to participants and beneficiaries

49. The Fund's Regulations and Rules, Pension Adjustment System and the various booklets on specific two-track related topics, including online estimates for converting to the two-track pension benefit, and other pension information and forms are available to all beneficiaries on the website of the Fund. Additionally, an information note on the declaration of the country of residence is provided with the E/10 form when opting for the two-track system.

50. The Client Services, Records Management and Distribution Unit within PECSS is the primary contact point for the beneficiaries seeking more detailed information or wishing to elect the two-track system of adjustment for their pensions. The Fund is not in a position to recommend to beneficiaries whether they should elect the two-track option for benefit payments. However, CSRMU provides guidance to the participants and beneficiaries by way of giving estimates of the two options upon request so that the beneficiary may choose the optimal benefit. Also, if the elected option appears disadvantageous to the beneficiary, a benefit assistant contacts the beneficiary to communicate over the telephone the possible effect of converting to the two-track and to confirm whether the beneficiary still would like to request for the two-track option. Once the beneficiary submits the E/10 and acceptable proof of residence, UNJSPF sends a letter to the beneficiary advising the acceptance of the E/10 and proof documentation and the effective date of two-track and recalculation of benefit. The beneficiary is also informed of the consequences when the E/10 and proof of residence are not received on time. In the view of OIOS, guidance provided by the Fund to the beneficiaries on the two-track over the period under review was adequate.

Separate work type needed for reversion from the two-track

51. In accordance with article 31 (b) of the Pension Adjustment System, reversion to the US dollar entitlement may be permitted on a case-by-case basis for beneficiaries who, for compelling reasons, move from a high-cost to a low-cost country after having provided proof of residence. During the fieldwork, OIOS observed that when a beneficiary requested reversion from the two-track, WT524 was opened in the system, similarly as for requests for the two-track recalculation cases. Therefore, the system could not distinguish between the two. Manual verification and sorting is required in order to establish the number of cases where beneficiaries have opted to revert to the US dollar track. Since cases that differ in nature are recorded under the same work type, it is difficult to monitor them, and management does not have timely and complete information on reversion from the two-track, which should be on exceptional basis only.

Recommendation 17

(17) The UNJSPF Secretariat should create a separate work type for recording cases of reversion to the US dollar entitlement.

52. *The UNJSPF Secretariat accepted recommendation 17 and stated that cases of reversion solely to the US dollar track under paragraph 31 (b) of the Pension Adjustment System, for individuals who were previously receiving their benefits in accordance with the two track feature, are very rare. As the number is extremely limited, the Fund sees no pressing need to implement this recommendation at this time. However, in order to distinguish between such cases for statistical purposes and in order to develop a data base of similar cases and to monitor future trends, Management agrees that it would be useful to have such a distinction. Once adequate resources are available, the Fund will follow up in this connection. Recommendation 17 remains open pending receipt of documentation showing that a new work type has been established dedicated to cases of reversion to the US dollar entitlement.*

Monitoring of change of address notification and two-track status could be improved

53. When a beneficiary notifies UNJSPF of a change of address, PECSS opens the work type 144 (WT144). OIOS noted that there was no trigger or documented procedures to prompt the staff responsible for processing change of address instructions to determine if the beneficiary was on the two-track system. Hence, no action was initiated to ensure that the beneficiary completed the form PENS.E/11 on change to new country of residence and provided new proof of residence. There is a potential risk that the new address does not correspond to the address declared for the two-track purposes, which may lead to possible overpayments if the beneficiary relocates from a high cost to a low cost country, in which case the Fund may be unnecessarily faced with the additional task of recovering any excess payments.

Recommendation 18

(18) The UNJSPF Secretariat should implement a procedure for tracking work type 144 to work type 524 in PENSYS by creating a link between the two work types that will prompt the staff to determine if the beneficiary is already on the two-track and whether the declared country of residence matches the new address.

54. *The UNJSPF Secretariat accepted recommendation 18 and stated that Management recognizes this to be a high-risk area. The Fund has been relying on the diligence of the benefits assistants processing such cases. Such staff are reminded of the importance of the issue and, in fact, with this in mind written procedures were recently disseminated to all Client Services and Pension*

Entitlement staff involved in changing mailing address records and processing two-track cases, in order to remind them of the processes involved. While additional training in this regard is being arranged, the Fund will also explore the best means of tracking work type 144 to work type 524, so as to no longer be in the position where it must rely solely on the diligence of the staff involved. Recommendation 18 remains open pending receipt of the formalized procedure for tracking work type 144 to work type 524.

Long outstanding "frozen" cases

55. In accordance with the Pension Adjustment System, if the Fund is notified or becomes aware of a change in country of residence of a beneficiary but PENS.E/10 and documentary evidence have not been submitted at that time, the pension would not be adjusted until the beneficiary provides satisfactory proof of residence in the new country. The benefit is then frozen on the US dollar track and the beneficiary is notified accordingly. General Procedure 17 Rev. III Section B (2) (e) states that: "If no proof of residence is received within one year of the Fund's letter requesting such proof then the frozen amount should be changed as from the first day of the thirteenth month after the date of the letter to the initial dollar entitlement under the Regulations or the guaranteed amount as of 31 December 1984, if applicable."

56. OIOS observed that PENSYS statistics on work type 999 showed 20 "frozen cases" that were outstanding as of 12 November 2008. Nineteen of these cases were started in 2003 and one in 2002. There is a risk that delays in follow up and establishment of the beneficiary's new country of residence for the two-track purposes could pose additional administrative burden and may expose the Fund to possible overpayments. Similarly, there is a possibility that the beneficiary may be subjected to precipitous drops in the value of their pension while the proof of residence is sought.

Recommendation 19

(19) The UNJSPF Secretariat should take immediate action to review and resolve all outstanding "frozen cases".

57. *The UNJSPF Secretariat accepted recommendation 19 and stated that Management fully acknowledges the need to review and resolve all outstanding "frozen" cases under work type 999. It should be noted that there are currently 32 such cases. Although the number is small, it requires analysis, monitoring and follow-up actions that can only be performed by the most experienced Benefits Assistants at either the GS-6 or GS-7 level. At the moment, PECSS does not have the experienced resources to spare for this project especially given the recent retirement of such staff at these levels. The Fund intends to use GTA resources with this specifically in mind and hopes to address the issue before the end of 2009. In the meantime, it should be further noted that the reason for freezing a benefit is to minimize the risk to the Fund as it limits the Fund's exposure to possible overpayments. Moreover, the beneficiaries concerned continue to be paid their benefits albeit at the US Dollar equivalent of the lower of the entitlement payable in the prior country of residence or the new country of*

residence, had the proof been received thereof. Recommendation 19 remains open pending receipt of documentation showing that all long outstanding frozen cases have been closed.

V. ACKNOWLEDGEMENT

58. We wish to express our appreciation to the Management and staff of UNJSPF for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	Revise the procedures for the two-track benefit calculations to include the latest amendments to the Pension Adjustment System of UNJSPF, and review and update the General Procedure 17 and guidelines for processing work type 524.	Operational	High	0	Documented procedures for processing two-track benefits.	31 Dec 2010
2	Modify forms PENS.E/10 and PENS.E/11 to add a field for the retiree number.	Operational	Low	0	Revised PENS.E/10 and PENS.E/11 forms.	31 Dec 2010
3	Establish clear criteria for determining satisfactory proof of residence, including the order of priority for alternative documents in cases where no government issued certificate of residence is available.	Operational	High	0	The list of elaborating criteria for determining satisfactory proof of residence, including an order of priority for alternative documents that could be provided by national or local governmental authorities.	31 Dec 2010
4	Maintain a database of sample acceptable proofs of residence for all countries and update the reference binder of the proof of residence with the latest available forms for all countries, for which the two-track option is applicable.	Operational	Medium	0	Updating the reference binder of the proof of residence with the latest available forms for all countries, for which the two-track option is applicable.	31 Dec 2010
5	Develop formal procedures for determining the applicability and calculation of the cost of living differential (COLD) factor, including the basis for calculating the threshold used for application of the COLD	Operational	Medium	0	Formalized procedures for determining the applicability and calculation of the cost of living differential (COLD) factor.	31 Dec 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date ²
	factor.					
6	The UNJSPF Secretariat should revise and formalize the procedure for processing cost of living adjustments.	Operational	Medium	O	Revised formalized procedures for processing cost of living adjustments.	31 Dec 2010
7	Ensure that all incoming Declaration of Country of Residence forms and accompanying documentary evidence submitted by beneficiaries requesting the two-track option are date-stamped upon receipt.	Operational	High	C	Recommendation closed based on action taken by UNJSPF Secretariat.	December 2008
8	Ensure that the staff concerned and the Staff Pension Committees of the member organizations are apprised of the current procedures and guidelines on processing proof of residence documents, and receive appropriate training.	Operational	High	O	Formalized procedures on processing proof of residence documents and guidelines issued to the Staff Pension Committees of the member organizations.	31 Dec 2010
9	Revise the Declaration of Country of Residence form to include a requirement for an official translation of the proof residence form if in a language other than the UN official languages.	Operational	Medium	O	Revised "Declaration of Country of Residence" forms in order to include the requirement for an official translation of the proof of residence.	31 Dec 2010
10	Document in the procedures for processing two-track cases that in the event the proof of residence is translated within UNJSPF, the staff member authorized to translate the document should sign and date the translation.	Operational	Medium	O	Documented procedures for processing two-track benefits.	31 Dec 2010
11	Develop a formal procedure to guide the decision-making process for launching, suspension or discontinuance of the establishment of	Governance	High	O	(i) Formalized procedures for launching, suspension or discontinuance of the establishment of a local currency base amount for	30 June 2011

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	a local currency base amount for countries for the two-track system purposes.				countries for the two-track system purposes, including clear quantitative criteria for the launching of the two-track option and its suspension or discontinuance; (ii) general procedure on the process ownership for administering the provisions of paragraph 26 of the Pension Adjustment System.	
12	Further elaborate on the criteria in quantitative terms for the launching of the two-track option and its suspension or discontinuance, in order to provide clearer guidance, and identify triggers for the review of the conditions of a country.	Governance	High	O	(i) Formalized procedures for launching, suspension or discontinuance of the establishment of a local currency base amount for countries for the two-track system purposes, including clear quantitative criteria for the launching of the two-track option and its suspension or discontinuance; (ii) general procedure on the process ownership for administering the provisions of paragraph 26 of the Pension Adjustment System.	30 June 2011
13	Clearly delineate the respective roles and responsibilities for administering the provisions of paragraph 26 of the Pension Adjustment System.	Governance	High	O	(i) Formalized procedures for launching, suspension or discontinuance of the establishment of a local currency base amount for countries for the two-track system purposes, including clear quantitative criteria for the launching of the two-track option and its suspension or discontinuance; (ii) general procedure on the process ownership for administering the provisions of paragraph 26 of the Pension Adjustment System.	30 June 2011

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
14	The UNJSPF Secretariat should establish a mechanism for continuous monitoring of the CPI data and exchange rates, and in this context perform a comprehensive review of the availability and quality of the CPI data and exchange rates required under the two-track system, to align the current status of countries with existing conditions.	Operational	Medium	O	Adjustment System. Formalized procedure for continuous monitoring of the CPI data and exchange rates.	Not provided
15	Align the performance measurement benchmark used by the Geneva office for processing initial retirement cases in line with the Quality Management Policy.	Operational	Medium	O	Updated performance measurement indicators for the Geneva office.	Not provided
16	Establish a benchmark for processing two-track recalculation cases and ensure adherence to the benchmark.	Governance	Medium	O	Documented evidence on the establishment of the benchmark for processing two-track cases.	Not provided
17	The UNJSPF Secretariat should create a separate work type for recording cases of reversion to the US dollar entitlement.	Operational	Medium	O	A new work type dedicated to cases of reversion to the US dollar entitlement.	31 Dec 2010
18	The UNJSPF Secretariat should implement a procedure for tracking work type 144 to work type 524 in PENSYS by creating a link between the two work types that will prompt the staff to determine if the beneficiary is already on the two-track and whether the declared country of residence matches the new address.	Operational	High	O	The formalized procedure for tracking work type 144 to work type 524.	31 Dec 2010
19	UNJSPF Secretariat should take immediate action to review and resolve	Operational	High	O	Report from PENSYS showing that all long outstanding frozen cases have	31 Dec 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	all outstanding "frozen cases"				been closed.	

1. C = closed, O = open
2. Date provided by UNJSPF in response to recommendations.