



INTERNAL AUDIT DIVISION

AUDIT REPORT

UNJSPF Disability Benefits

UNJSPF's administration of disability benefits is efficient and well controlled and promotes compliance with relevant regulations and rules but can be enhanced by improving management reporting and data quality controls

26 October 2010
Assignment No. AS2010/800/03

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

DATE: 26 October 2010

A: United Nations Joint Staff Pension Fund

Mr. Brian Davey, Director
United Nations Medical Service

REFERENCE: IAD: 10-

00898

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



SUBJECT: **Assignment No. AS2010/800/03 - Audit of UNJSPF Disability Benefits**

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 recommendations seven and eight in the OIOS recommendations database as shown 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. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendation 1), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Ms. Jaana Sareva, Chief of Legal Office, UNJSPF
Mr. Rohan Wijeratne, UN Board of Auditors
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
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Mr. Gurpur Kumar, Chief, New York Audit Service, OIOS
Ms. Amy Wong, PPS-IAD, 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).

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EXECUTIVE SUMMARY

Audit of UNJSPF Disability Benefits

OIOS conducted an audit of the United Nations Joint Staff Pension Fund (UNJSPF or the Fund) disability benefits. The overall objective of the audit was to ensure that UNJSPF Regulations and Rules are complied with in awarding and administering disability benefits. The audit examined the processing of disability claims and benefits by both New York and Geneva. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS noted during the audit that the current procedures and practices in use by both New York and Geneva provide efficient and well controlled handling of disability claims and payments and promote compliance with relevant regulations and rules. However, the Fund's administration of disability benefits can be further enhanced by improving data quality and by automating the monitoring and follow-up processes. OIOS also recommends the Medical Consultant of the Fund enhance its current reporting to the Pension Board (a.k.a., Board) by providing the accumulated incidence rates of disability benefits across the member organizations. This reporting enhancement will provide the Board with an improved view on the rate of disability incident by participating organization and direct the Board and member organizations to more in-depth research into the root causes for any significant disparities across member organizations.

In addition, operational efficiencies may be realized by further extending the intervals for reviews of awarded benefits, encouraging best practices among the SPC secretaries, and consolidating existing procedural documents into a manual on disability benefits.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of United Nations Joint Staff Pension Fund (UNJSPF or the Fund) disability benefits. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. The audit was performed as an element of OIOS' overall strategic approach of reviewing the administration of all pension benefit programmes.

2. The determination of incapacity for the purpose of awarding disability benefits is made in accordance with Articles 33 (adult) or 36 (child) of the UNJSPF Regulations and Section H of the UNJSPF Administrative Rules. The authority for making this determination is delegated by Article 4 (c) to the Staff Pension Committee (SPC) of a member organization. For instance, the UN SPC determines eligibility for disability benefits for the UN family organizations, including the United Nations Headquarters, regional offices, field missions and all funds and programmes. The UNJSPF Secretariat serves as the Secretary of the UN SPC and in practice the Legal Office has been tasked with the administration of disability benefits pertaining to the UN family organizations.

3. After the initial award, a disability benefit is subject to periodic reviews by the SPC to determine continued eligibility for the benefit until the recipient reaches the age of 55. For both UN family and agencies, the decision of the SPC to award or continue a disability benefit depends on the recommendation from the member organization's medical office, which in turn is based on the medical report from the medical officer or the attending physician of the potential recipient of the requested disability benefit.

4. Upon a determination by an agency SPC, its Secretary sends relevant documentation to the UNJSPF Secretariat. The UN Medical Service, which acts as the Medical Consultant of the United Nations Joint Staff Pension Board (UNJSPB or the Pension Board), makes a recommendation to the UNJSPF Secretariat based on the medical data provided. The Chief Executive Officer of the Fund or his/her delegated officer certifies the award for payment if the medical recommendation supports the award of the agency SPC.

5. Table 1 provides a view of UNJSPF monthly disability benefits as of 31 August 2010. There were a total of 1,156 adult and 661 child disability benefits in payment. The corresponding total amounts were \$3,971,199 and \$225,897, representing 3% and 13.4% of total retirement benefits and child benefits, respectively.

Table 1: UNJSPF Disability Benefits vs. Retirement/Child Benefits

	Adult Disability Benefits		All Retirement Benefits		Child Disability Benefits		All Child Benefits	
	Count	Amount*	Count	Amount	Count	Amount	Count	Amount
UN Family	627	1,937,313	24,105	57,636,557	306	93,632	4,792	1,065,686
Agencies	529	2,033,886	27,355	75,380,954	355	132,265	2,425	623,949
Total	1,156	3,971,199	51,460	133,017,511	661	225,897	7,217	1,689,635

*Note: Monthly amounts are in USD.

6. In order to strengthen the administration of disability benefits, since 2004 the Legal Office has been taking measures to overcome the system limitations and legacy data quality issues, including development of guidelines, regularization of the SPC meetings and a comprehensive study of the review status of ongoing disability benefits. The office envisions that automation of the processes, cleanup of the legacy data and resolution of overdue cases in light of the recently approved (April 2010) suspension policy will further promote efficiency and effectiveness in administering disability benefits.

7. Comments made by the Fund and the UN Medical Service are shown in *italics*.

II. AUDIT OBJECTIVES

8. The main objectives of the audit were to:

(a) Determine whether existing policies and procedures are adequate to control and guide the processing of disability benefits;

(b) Ascertain that UNJSPF Regulations and Rules are complied with in awarding, reviewing and paying disability benefits; and

(c) Determine whether disability benefits from initiation of request to awards to payments are processed efficiently, and the root cause(s) for excessive delay or backlog, if any, are resolved.

III. AUDIT SCOPE AND METHODOLOGY

9. The audit covered disability benefits processed in the period from 1 January 2008 to 31 August 2010 by both New York and Geneva offices of the Fund.

10. The audit methodology included a review of the organization's structure, roles and responsibilities, examination of policies, procedures, processes, documentation, systems and practices with respect to award, review and payment of disability benefits. The audit also included substantive testing of sample cases to assess compliance with policies and procedures and efficiency of the processes.

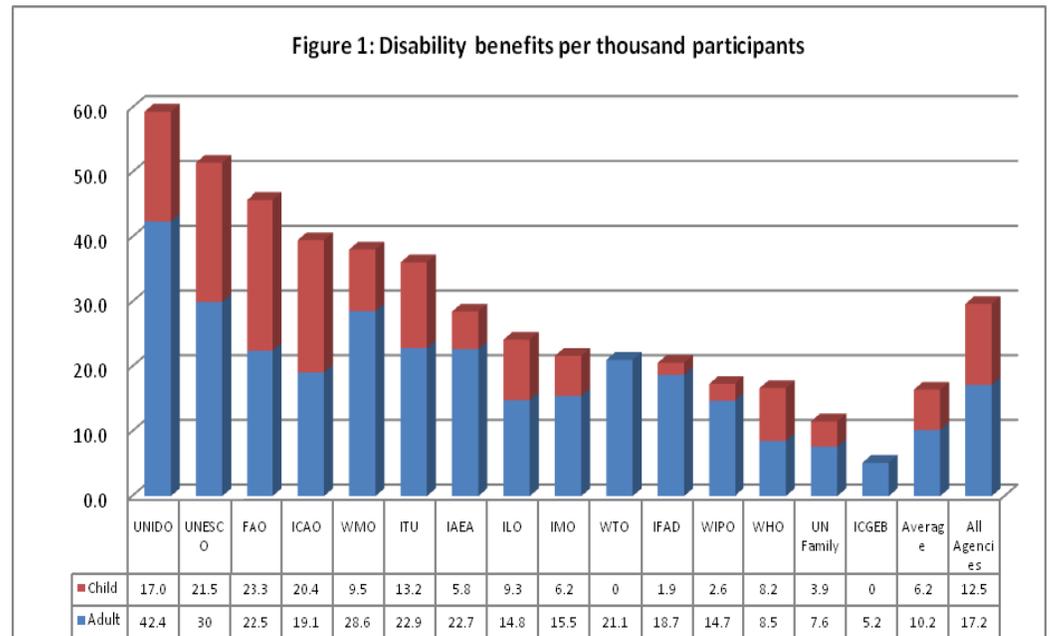
IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Distribution of Disability Benefits across Member Organizations

Disparities in member organizations' disability rates should be highlighted

11. The UN Medical Service, in its capacity as the Medical Consultant to the Fund, has been monitoring and analyzing the distribution of adult disability cases by diagnostic categories, gender, age group and number of years in service as well as the trend of such distribution. Child disability benefit cases are also being tracked and analyzed in terms of diagnostic causes. On a biennial basis the Medical Service submits a report to the Pension Board with statistics and discussion of the UNJSPF disability benefit cases.

12. OIOS noted, however, that the detailed statistics and analyses included in the reports could be further enhanced to help the Pension Board, in its oversight responsibilities, to monitor the overall distribution of disability benefits across the member organizations. For instance, the current incidence rate of the reporting period, measured as the number of new disability benefits awarded per thousand participants, is reported for each member organization but not the accumulated incidence rate (see Figure 1). Since the current incidence rate may fluctuate significantly from one biennium to another, the accumulated incidence rate can provide a picture of the disability benefits awarded by each member organization throughout history. Calculated as the number of ongoing disability benefits per thousand participants at the beginning/end of a biennium, it can serve as an indicator to the Board and the member organizations of the disability rates of one member organization relative to others. It can also direct member organizations to more in-depth research into the root causes for any significant disparities and assist them in related decision-making process.



13. Using disability benefit data obtained from the Fund as of end of 2009 and incorporating the new disability benefits awarded by July 2010, OIOS calculated the accumulated incidence rates for the UNJSPF member organizations as of 31 July 2010.

14. Figure 1 shows the result of OIOS' calculation. Although the accumulated incidence rates for the whole UNJSPF do not appear high, as concluded by the Medical Consultant, the distribution of disability benefits across member organizations is uneven. Using the UN family as a benchmark, member organizations such as the Food and Agriculture Organization (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the United Nations Industrial Development Organization (UNIDO) appear to have four to six times the disability benefits per thousand participants. The average disability rate for the UNJSPF as a whole is close to that of the UN family due to the fact that currently 73% of the active participants are from the UN family. If not advised of such information, the Pension Board may fail to investigate and address the root causes of the disparities in member organizations' disability rates.

Recommendation 1

(1) To complement current reporting, the Medical Consultant of the Pension Board should calculate and include in its report the accumulated incidence rates of disability benefits of all the member organizations to facilitate oversight by the Pension Board. Other statistics at more granular levels such as distribution by gender, age and diagnostic categories of each member organization's disability benefits can also be reported to provide more in-depth information to the Pension Board and member organizations.

15. *The UN Medical Service accepted recommendation 1.* Recommendation 1 remains open pending receipt by OIOS of a copy of the Medical Consultant's 2010-2011 report to the UNJSPB with accumulated incidence rates of disability benefits included.

Data used in the Medical Consultant's reports to the Pension Board needs to be reconciled and updated

16. In addition to the opportunities in improving the nature and types of statistics and analyses presented in the Medical Consultant's reports, OIOS noted that some of the figures used in the reports do not reconcile with those provided by the Fund. While the total numbers of new disability benefits awarded in 2008 (68 adult cases) and 2009 (64 adult cases) by all member organizations agree with those reported by the Fund, breakdown figures for individual member organizations did not always agree. For instance, FAO awarded eight adult disability benefits in the 2008-2009 biennium according to the data provided by the Fund, while it was reported as 10 by the Medical Service.

17. Furthermore, there were larger discrepancies in the total number of ongoing disability benefits between those reported by the Medical Service and those from the Fund. According to the Medical Service, they used the totals from their previous reports and added in the new cases and subtracted deaths and termination cases that occurred in the last biennium, which are obtained from the

Pension Fund. As a result, discrepancies that existed in the historical data were carried over into the later reports.

Recommendation 2

(2) The UN Medical Service should reconcile and update the data it maintains with those obtained from the Fund to ensure the accuracy and consistency of the figures reported to the Pension Board.

18. *The UN Medical Service accepted recommendation 2.* Recommendation 2 remains open pending receipt by OIOS of a copy of the Medical Consultant's 2010-2011 report with reconciled/updated data of disability benefits.

B. Policies and Procedures

Procedural documents should be formalized and/or collated into a manual on disability benefits

19. Besides the UNJSPF Regulations and Administrative Rules, the Secretary of the UN SPC has developed, since 2004, a set of procedural documents including guidelines on submission of disability benefit requests, processing of disability benefits in Pensys and Content Manager systems and corresponding workflow charts.

20. OIOS noted that collectively the policy and procedural documents provide sufficient guidance to the administration of UNJSPF disability benefits under the current environment. However, in OIOS' opinion, there were opportunities to improve and formalize the documents:

- The updated circular letter No. 1470/Rev. 1 dated 29 January 2007 sent to the secretaries of agency SPCs and the Guidelines for Submission of Disability Cases by Agency Members of the UNJSPF can be merged because they serve similar purposes, i.e., to explain how the secretaries of the agency SPCs should process and submit disability cases to the UNJSPF Secretariat for certification;
- The note from the Legal Office to the Operations dated 19 December 2005, containing instructions on determination of effective date for newly awarded disability benefits and obtaining/entry of approval code in Pensys, can be revised and combined into the UNJSPF Step-by-Step Processing of the Disability Benefits (UNSPC): Basic Guidelines;
- The Disability E-Tracking System Guidelines (DETS) developed in 2010 should be finalized; and
- Procedural documents should follow standardized format and be systematically indexed.

21. Furthermore, in light of the exceptions OIOS noted on calculating the newly awarded disability benefits by the Pension Entitlements Section and

suspending payment of disability benefits by the Payment Unit, which are detailed in section D of this report, there is a need to further clarify how to ensure that disability benefits are paid or suspended timely in the procedures. Finally, relevant documents are yet to be updated for the two policy changes on suspension of disability benefits and review periods approved in April 2010 by the UN SPC and later by the Pension Board.

Recommendation 3

(3) UNJSPF should review the existing procedural documents to streamline, formalize and collate them into a manual for disability benefits to facilitate reference, training and communication.

22. *The UNJSPF management accepted recommendation 3 and stated that a review will be undertaken to formalize and collate all the procedural documents on disability benefits into a manual. Recommendation 3 remains open pending completion of the comprehensive manual on disability benefits.*

C. Monitoring and Review of Awarded Disability Benefits

23. UNJSPF Administrative Rule H.6 stipulates that:

- Awarded disability benefits should be reviewed from time to time by the SPCs until the participant reaches age 55 to establish the recipient's continued eligibility for a disability benefit;
- The date for each such review shall be set by the committees, considering the medical recommendation, and that the interval between reviews does not normally exceed three years;
- The beneficiary shall be informed in writing of the date set for the review (initially in the letter to advise award or continuation of a disability benefit and later on in the reminder letter issued before the next review date) and shall submit to an updated medical report; and
- Upon review, the committees shall continue a disability benefit if it determines that the participant remains incapacitated or may suspend/discontinue a benefit if the participant has failed to submit to a medical examination when required to do so, or if the results of a medical examination are inconclusive.

24. Administrative Rule H.10 requires that a determination whether a child or secondary dependent remains incapacitated shall be conducted, *mutatis mutandis*, in accordance with the provisions applicable to adult disability benefits, save that the intervals between reviews may exceed three years.

Further extension of review periods should be considered

25. In line with the two administrative rules, it has been the norm of the UN SPC to review newly awarded adult disability benefits in two years and ongoing benefits every three years. Child disability benefits are reviewed every five years except that benefits granted on grounds of mental illness are reviewed every ten years. Considering the workload in administering the reviews and rare instances of termination of disability benefits between 2004 and 2009, the Secretary of the UN SPC proposed to change the review periods for adult disability benefits in exceptional cases from three to five years. The proposal was approved by the Pension Board in 2010 and will be submitted to the General Assembly for its consideration.

26. The UN SPC consists of 12 members and eight alternate members. Most of the members are in high positions in various organizations. The committee meets semiannually and a review of disability cases is a major item on the agenda. Agency SPCs have similar compositions and normally meet once a year. Although it is difficult to quantify the amount of the administrative resources consumed in monitoring and reviewing the awarded disability benefits, two meetings on annual basis by the UN SPC together with the resources needed by the UNJSPF Secretariat to prepare documentation for and service the two meetings can serve as an indicator. Since 2008, the UN SPC has reviewed a total of 269 ongoing disability benefits (193 adult cases and 76 child cases). The resources invested in the process by the UN Medical Service, while not measurable, should also be considered.

27. In contrast, statistics show that the UN SPC seldom decides to terminate awarded disability benefits after the reviews. In 13 meetings from January 2004 to April 2010, the UN SPC suspended 10 adult disability benefits, three of which were later re-instated and five were ultimately discontinued. In the same period, the UN SPC suspended 14 child disability benefits, one of which was re-instated and four were ultimately discontinued. In comparison, the child disability benefits are usually of much smaller amount.

28. Per UNJSPF management's assertion, the low termination rate reflects the stringent scrutiny and screening by the UN Medical Service and the UN SPC in awarding initial disability benefits. For a staff member to be entitled to a disability benefit, he/she has to have exhausted his/her annual leave and sick leaves with pay and with half pay, which would take more than a year. As the UN Medical Service certifies the sick leave request, it will have been monitoring and reviewing the medical condition of the staff member for a relatively long period before recommending a disability benefit to be awarded.

29. Furthermore, the data OIOS reviewed from 2008 to 2010 showed that the UN SPC never decided against a medical recommendation from the UN Medical Service, which showed that the decision to award, continue, suspend, discontinue or re-instate a disability benefit is heavily dependent on the medical recommendation.

30. Finally, the annual Certificate of Entitlement (CE) exercise serves as an additional control over the continued eligibility of the recipient of a disability benefit.

Recommendation 4

(4) UNJSPF should monitor the termination rates of the disability benefits subjected to reviews by the Staff Pension Committees of all member organizations and evaluate the potential for, and impact of, further extending the review intervals and simplifying the SPC review process and submit a proposal to the 2012 meeting of the Pension Board.

31. *The UNJSPF management accepted recommendation 4 and stated that at the outset, the UNJSPF notes that intervals for review of adult and child disability benefits are governed by the UNJSPF Administrative Rules. Staff Pension Committees follow the guidelines in ensuring that initial reviews of adult disability benefits are undertaken within three years of award and thereafter, until age 55, eligibility is reviewed at three-year intervals. The Pension Board approved an exception to extend the interval for the review period for adult disability cases to five years in exceptional cases at its 57th Session held in July 2010. This recommendation is pending approval by the General Assembly at its 65th Session. Having said that, the Fund accepts the recommendation to monitor the termination rates and will consider whether, in addition to recent amendments, recommendations should be made to further extend review periods for the 59th Session of the UNJSPB in 2012. Furthermore, the Fund will review the possibility to simplify the SPC review process and submit proposals to that effect.* Recommendation 4 remains open pending submission of a research report by the Fund on potential for, and impact of, further extending the review intervals and simplifying the SPC review process in light of future termination rates of disability benefits.

Quality control is needed for automated tracking of disability benefits for reviews

32. Disability cases that need to be presented to a specific SPC meeting should normally include those originally scheduled to be reviewed in that meeting and other carried-over cases for which a medical recommendation is provided by the Medical Service based on a satisfactory medical report. Before each meeting, the Secretary of the UN SPC has to identify and follow up on those cases to prepare the documentation for review.

33. However, due to the lack of a customized system, Pensys has been used for administering disability benefits in spite of its limitations. As data entry in Pensys had not been standardized and well controlled, disability benefit data existing in the system is often incomplete and unreliable. Due to system limitations and data irregularities, reports of disability benefits could not be generated with ease. The UNJSPF Secretariat had to carry out manual reviews of records kept in the Content Manager and the SPC meeting minutes to supplement the data in Pensys to track the disability benefits. Due to the large number of cases accumulated, the manual workload is significant and the process prone to

errors. OIOS identified a number of disability cases that were not included for review upon their due date.

34. In order to address the data quality issue, the Secretariat has initiated, since late 2007, an effort to enter information in Pensys systematically and in a standardized manner (i.e., data guidelines) to facilitate disability case tracking as well as analysis and data mining. Detailed steps on processing disability benefits in Pensys were encapsulated in the recently developed DETS.

35. OIOS reviewed the guidelines and gained reasonable assurance that reliable reports can be generated from Pensys at a point in the future provided that the data guidelines are consistently followed for new claims and historical data are updated to the new guidelines, as envisaged by the Secretary of the UN SPC. However, OIOS' tested 50 (selected randomly) of 455 cases, including those awarded and reviewed after 2008, and noted that controls were needed to strengthen compliance with the data guidelines. Fifteen of the 50 cases, (review work types 112, 113, 122 and 123), were either not properly opened or not populated with complete/correct data, including last and next review dates, which are critical in tracking the cases for future reviews. Although such deviations show that it takes time to clean up the legacy data, they also demonstrate that there is a need for strengthened quality control of the new cases processed through reviews either on a case-by-case or periodic basis.

Recommendation 5

(5) UNJSPF should establish a quality control mechanism to review the processing of disability benefits in Pensys either on a case-by-case or periodic basis to ensure that the Disability E-Tracking System Guidelines are consistently followed and the process is automated to the extent possible under the current information technology environment.

36. *The UNJSPF management accepted recommendation 5 and stated that a system will be devised and implemented for cases being considered at the 310th UNSPC meeting to be held in November 2010. A separate exercise will be undertaken to check and update review periods for all UN SPC cases in Pensys to be completed by 31 January 2011. Recommendation 5 remains open pending 1) implementation of a system to ensure proper input of data and processing in Pensys cases due for review in November 2010 according to DETS, and 2) clean up and update review periods for all UN SPC cases.*

Reminder letters need to be consistently/timely issued to improve the rate of timely reviews

37. OIOS tested 16 (selected randomly) of 269 disability benefits from UN family organizations that were reviewed between April 2008 and April 2010 (spanning five SPC meetings) and specifically checked the timeliness of those reviews against the original due date set by the SPC. OIOS found that review of eight cases was delayed for a period ranging from six months to four years, with an average of 1.5 years. One of eight agency cases tested was delayed for a

period of 15 months. OIOS also reviewed the submission of disability benefits due to be reviewed in the 309th SPC meeting that took place in April 2010. Twelve of 32 adult disability benefits and 12 of 21 child disability benefits due for review were not submitted because no sufficient medical report was received.

38. The results of the above-mentioned comprehensive study of the review status of all disability benefits from UN family organizations also indicate that a significant number of cases were not timely reviewed. For instance, according to the study report of the Secretary, only about 26% of the 364 adult disability cases analyzed (with beneficiaries aged 60 or under at the time of the study) had been reviewed within the initial two-year period after award, while review of 11% of the cases were delayed for more than a year. Twenty-six of 294 child cases were reviewed one to five years beyond the original due date and reviews of four other cases were delayed for more than five years.

39. These delays in performing case reviews may lead to delays in suspending disability benefits when the beneficiary is no longer alive or incapacitated and hence not entitled to the disability benefit. The delays may also contribute to backlog of cases and thus increase the workload of later reviews.

40. Three major reasons were identified by the Legal Office for the delays: failure by the beneficiary to submit the medical report required; need to further follow up with the beneficiary because the submitted medical report provides insufficient details for the Medical Service to make a recommendation; or a delay in transmittal of the reminder letter issued by the Fund to the beneficiary.

41. As implied in the third factor identified above, timely and consistent issuance of a reminder letter, which is the only factor under the control of the Fund Secretariat, should help to some extent prompt the beneficiaries in submitting an updated and sufficiently detailed medical report because a few years will have elapsed since the beneficiary was previously advised of the next review date and the obligation to submit the medical report. Ability to demonstrate that reminder letters are consistently sent also makes a stronger case for suspending a disability benefit.

42. The Secretary also acknowledged in its report to the committee the importance of timely issuance of reminder letters and subsequent follow-up where medical reports are not received. The report further mentioned that a reminder letter should normally be sent approximately three months before the meeting at which a case is due to be reviewed to allow sufficient time for obtaining the medical report, review by the member organization's Medical Service and by the Fund's Medical Consultant.

43. However, based on the results of sample testing, OIOS noted that reminder letters were not issued consistently either before the original due date or subsequently before each following SPC meeting for the afore-mentioned eight cases for which the review was delayed. In other cases the reminder letters were not sent three months before the next SPC meeting. For instance, by 31 August 2010, reminder letters were yet to be sent for seven of the 11 adult cases and for

four of the 12 child cases that were carried over from April 2010 and should be re-scheduled for review in the coming SPC meeting in November 2010.

44. Furthermore, the New York office added in the reminder letters issued in 2010 a list of the medical information expected to be included in the medical report and stressed the potential consequence of failing to submit a medical report timely, but those sent out by the Geneva office in 2010 continued using a different template and did not mention the list of medical information. The Medical Service has expressed to OIOS its wish to see such a list to be consistently included in the reminder letters.

Recommendation 6

(6) UNJSPF should institute controls to ensure that reminder letters are consistently issued three months before each Staff Pension Committee meeting for cases due to be reviewed in that meeting and any overdue cases as well by using an automated tool. The reminder letters from both New York and Geneva offices should use the same template with a list of medical information expected by the Medical Service to increase the chance of receiving a sufficient medical report after the first reminder letter.

45. *The UNJSPF management accepted recommendation 6 but stated that experience has shown that even if the reminder letters are consistently issued, well in advance, it does not guarantee the receipt of medical reports. The Fund will also standardize the template of letters sent out by Geneva and New York offices, to the extent feasible (language etc.). The recommendation has already been partially implemented as preparations for the 310th UN SPC meeting to be held on 30 November 2010 are on-going. Reminder letters have gone out for all cases due for review at the 310th UNSPC meeting in November 2010 together with reminder letters for cases due for review in past meetings where medical reports have not been received. As per existing practice, the transmittal of reminder letters for meetings in April of each year starts in January and for meetings in November of each year in August. The current constraints to issue reminder letters more timely and consistently are limited resources and lack of automation. The preparation of letters is undertaken manually, and therefore the Fund welcomes the recommendation to develop an automated tracking and correspondence tool. Requirements are being included into Integrated Pension Administration System (IPAS) for an automated system that will allow letters to be generated and sent more quickly. Recommendation 6 remains open pending receipt by OIOS of documentation evidencing timely and consistent issuance of standardized reminder letters by both New York and Geneva offices through automation.*

Valid period of medical reports

46. Through file reviews, OIOS identified two cases (A/161623 and A/061126) for which the medical report was dated approximately 14 months before the date of the SPC meeting during which the cases were considered.

Upon inquiry, the Medical Service stated that the interval between the medical report and the respective SPC meeting normally should not exceed 6 months.

47. OIOS also noted that the date of the medical report was not included on the medical recommendation form for 11 out of the 33 tested disability cases from the UN family organizations. The Medical Service agreed that the medical report date needs to be consistently captured on the medical recommendation from the Medical Service to the SPC to demonstrate that the recommendation is based on a current report. The Medical Service will also revise the template of the recommendation accordingly. The medical report is always attached to the Medical Recommendation for the agency disability cases.

Recommendation 7

(7) The UN Medical Service should ensure that the medical report supporting its recommendation is current and the date of the medical report is consistently captured on its recommendation.

48. *The UN Medical Service accepted recommendation 7.* OIOS is closing this recommendation as the medical office has revised its practices.

D. Calculation and Payment of Disability Benefits

Open disability-related calculation work types need to monitored

49. OIOS sampled 25 newly awarded disability benefits and verified the calculation of 16 completed cases. No significant errors were detected. Calculation of adult disability benefits under work type 330 is subject to a performance target of 15 working days from receipt of all required documents until release of calculation. OIOS noted that in general the calculation lead-time was within the limit. There was one exceptional case, however, for which the calculation work type 550 was opened on 18 November 2009 by Geneva office but it was mistakenly queued to a wrong staff in the New York office. The error was only discovered and rectified in August 2010 after the main beneficiary contacted the Fund for the child disability benefit.

50. OIOS noted another child disability case among the 25 review samples for which the calculation work type 550 was opened on 1 May 2009 but not closed until August 2010. Upon notification by OIOS, Pension Entitlements Section has promptly investigated and processed the case. According to the team, it was because the calculator did not follow up on the case after it was pended and the Client Service Unit did not bring the query from the main beneficiary to the attention of Pension Entitlements Section.

Recommendation 8

(8) UNJSPF should establish a control process to monitor the outstanding disability-related calculation work type 550

and take prompt actions on overdue cases to ensure that the awarded disability benefit will be paid in a timely manner.

51. *The UNJSPF management accepted recommendation 8 and stated that the recommendation has been partially implemented with ongoing effort. After investigating the exceptional cases mentioned in the audit report, it was decided that the minutes of the SPC, where the new cases have been awarded, should be sent to all Unit Chiefs, so they can follow-up and monitor the prompt processing of disabled child's benefits. This will be done after the next UN SPC meeting in November 2010. In addition, the Geneva office has been informed to queue the cases to the Unit Chiefs (in accordance with the current division of work) in New York, rather than send cases to the Chief of Pension Entitlements and Client Service Section. Furthermore, the Fund is in the process of delegating work type 550 (child benefit) cases to Geneva office (in respect of the participants they cover) after a proper transfer of policies, procedures and training of staff. This will completely eliminate possibility of similar oversights mentioned in paragraph 49 of the audit report. OIOS will close this recommendation based on assurances of management's commitment in this regard.*

Suspension of payment of disability benefit should be performed in line with the Administrative Rule H.7

52. OIOS reviewed 12 suspended disability cases for adult and child beneficiaries to determine, inter alia, whether the suspension date of disability payments is being applied in accordance with Section H .7 (a) of the Pension Fund Administrative Rule, which provides that a suspended or discontinued disability benefit shall cease to be paid at the end of the third complete month after the month in which the decision was taken.

53. The benefit payments were effected either in advance (i.e., paid at the beginning of the month) or in arrears (i.e., paid at the end of the month). Simply following the above administrative rule, the suspension date for paid-in-advance cases should be effective on the first day of the fourth month after the SPC decision whereas the suspension date for paid-in-arrears cases should be on the first day of the fifth month after the SPC decision.

54. OIOS found that the Fund had correctly executed the payment suspension in seven of the sampled cases. However, for the other cases the suspension date of disability benefits was mistakenly effected one month earlier because they are paid in arrears (R/80032, A/51475 R/62120 and R/44643). In response to OIOS observation, the SPC Secretary indicated that it would try to better coordinate with the Payment Unit on the timing of suspensions.

Recommendation 9

(9) UNJSPF should implement a control to ensure that suspension of payment of disability benefits is executed in the right month.

55. *The UNJSPF management accepted recommendation 9 and stated that it should be noted that the process of suspending disability benefit payments is manual, and no systems enhancement can therefore be made to eliminate errors. The Fund will issue internal guidance for proper opening and queuing of relevant work types after the next UN SPC meeting in November 2010. This would also include guidance on the correct effective date of suspension and the guidance will be incorporated in the comprehensive manual, mentioned in paragraph 22. Recommendation 9 remains open pending development and implementation of guidance on the correct effective date of suspension of disability benefits.*

E. Administration of Agency Disability Benefits

56. As mentioned above, the UNJSPF Secretariat has developed guidelines for the secretaries of the agency SPCs to administer the disability benefits from their organizations. Also, the UNJSPF Secretariat captures information of the agency disability cases in Pensys and Content Manager systems upon receipt of documentation from the agency SPC secretaries. Considering that the lessons learned and experiences acquired by the Secretariat in the past few years in attempting to strengthen the monitoring of the disability benefits, there is an opportunity for the UNJSPF Secretariat to share the best practices with the agency SPC secretaries and promote benchmarking, without necessarily compromising as defined the roles and responses of those secretaries.

Recommendation 10

(10) UNJSPF should share its best practices with regard to administration of disability benefits with the Staff Pension Committee secretaries of the agency member organizations, e.g., through training programmes.

57. *The UNJSPF management accepted recommendation 10 and stated that the Fund will prepare briefing for SPC Secretaries for the next meeting with them. Recommendation 10 remains open pending receipt by OIOS documentation evidencing development of materials for briefing SPC Secretaries on disability benefits.*

V. ACKNOWLEDGEMENT

58. We wish to express our appreciation to the Management and staff of UNJSPF Secretariat and the UN Medical Service 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	To complement current reporting, the Medical Consultant of the Pension Board should calculate and include in its report the accumulated incidence rates of disability benefits of all the member organizations to facilitate oversight by the Pension Board. Other statistics at more granular levels such as distribution by gender, age and diagnostic categories of each member organization's disability benefits can also be reported to provide more in-depth information to the Pension Board and member organizations.	Governance	High	O	Receipt by OIOS of a copy of the Medical Consultant's 2010-2011 report to the UNJSPB with accumulated incidence rates of disability benefits included.	30 June 2012
2	The UN Medical Service should reconcile and update the data it maintains with those obtained from the Fund to ensure the accuracy and consistency of the figures reported to the Pension Board.	Operational	Medium	O	Receipt by OIOS of a copy of the Medical Consultant's 2010-2011 report with reconciled/updated data of disability benefits.	30 June 2012
3	UNJSPF should review the existing procedural documents to streamline, formalize and collate them into a manual for disability benefits to facilitate reference, training and communication.	Governance	Medium	O	Completion of the comprehensive manual on disability benefits.	31 January 2011
4	UNJSPF should monitor the termination rates of the disability benefits subjected to reviews by the	Operational	Medium	O	Submission of a research report by the Fund to the UNJSPB on potential for, and impact of, further extending the	31 July 2012

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	Staff Pension Committees of all member organizations and evaluate the potential for, and impact of, further extending the review intervals and simplifying the SPC review process and submit a proposal to the 2012 meeting of the Pension Board.				review intervals and simplifying the SPC review process in light of future termination rates of disability benefits.	
5	UNJSPF should establish a quality control mechanism to review the processing of disability benefits in Pensys either on a case-by-case or periodic basis to ensure that the Disability E-Tracking System Guidelines are consistently followed and the process is automated to the extent possible under the current information technology environment.	Operational	Medium	O	1) implementation of a system to ensure proper input of data and processing in Pensys cases due for review in November 2010 according to DETS, and 2) clean up and update review periods for all UN SPC cases.	31 January 2011
6	UNJSPF should institute controls to ensure that reminder letters are consistently issued three months before each Staff Pension Committee meeting for cases due to be reviewed in that meeting and any overdue cases as well by using an automated tool. The reminder letters from both New York and Geneva offices should use the same template with a list of medical information expected by the Medical Service to increase the chance of receiving a sufficient medical report after the first reminder letter.	Operational	Medium	O	Receipt by OIOS of documentation evidencing timely and consistent issuance of standardized reminder letters by both New York and Geneva offices through automation.	31 December 2010
7	The UN Medical Service should ensure that the medical report supporting its recommendation is current and the date	Operational	Medium	C		Immediate

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	of the medical report is consistently captured on its recommendation.					
8	UNJSPF should establish a control process to monitor the outstanding disability-related calculation work type 550 and take prompt actions on overdue cases to ensure that the awarded disability benefit will be paid in a timely manner.	Operational	Medium	C		30 November 2010
9	UNJSPF should implement a control to ensure that suspension of payment of disability benefits is executed in the right month.	Financial	Medium	O	Development and implementation of guidance on the correct effective date of suspension of disability benefits.	31 December 2010
10	UNJSPF should share its best practices with regard to administration of disability benefits with the Staff Pension Committee secretaries of the agency member organizations, e.g., through training programmes.	Operational	Medium	O	Receipt by OIOS documentation evidencing development of materials for briefing SPC Secretaries on disability benefits.	31 March 2011

1. C = closed, O = open

2. Date provided by the UN Medical Service and the Fund in response to recommendations.