



Pension Benefit Guaranty Corporation
Office of Inspector General
Management Advisory Letter

**PBGC's Controls Over Handling
and Processing the Original
Proof Documents Required For
Benefit Eligibility**

September 20, 2001

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Pension Benefit Guaranty Corporation

Re: Management Advisory Letter -
PBGC's Controls over Handling and Processing the Original Proof Documents
required for Benefit Eligibility

The Office of Inspector General (OIG) was requested by PBGC management to conduct an evaluation of PBGC's controls regarding handling and processing the original proof documents required for benefit eligibility. PBGC had received complaints from participants regarding the return of their original proof documents.

The Insurance Operations Department (IOD) within PBGC is responsible to continue benefit payments to participants when their pension plan terminates. IOD administers more than 2,800 pension plans that PBGC has trusteeed. These plans represent more than 541,000 participants. PBGC reports that administration of these plans requires IOD to manage and maintain more than 8,000,000 pages of pension plan and participant information and to answer over 190,000 inquiries per year. IOD has been converting paper documents to optical images through the use of its Image Processing System (IPS). The Document Management Center (DMC) was established to systematically handle information requiring graphic imaging. Before storing paper documents, the DMC scans paper documents into the IPS. The result is that authorized users may retrieve scanned images at their workstations rather than referring to paper documentation.

Documents received and processed by the DMC fall in the following categories:

- (1) mail and correspondence received from participants and plans;
- (2) participant information pertaining to eligibility for and payment of benefits; and
- (3) plan information pertaining to the provisions of the pension plan.

OBJECTIVES, SCOPE AND METHODOLOGY

The objective of this evaluation was to review the effectiveness of PBGC's controls over handling and processing of the original proof documents¹ required for benefit eligibility.

We reviewed and analyzed written guidance in the *DMC Workflow and Control Manual* and the *IPS User's Guide*. We focused primarily on the new Mail Procedures section, "Processing of Proof Documents (Passport and INS Certificate of Naturalization)" of the *DMC Manual*. This section provides step-by-step guidance on handling passports and INS Certificates of Naturalization, the daily log sheet for recording chain of custody, and a workflow chart.

We also interviewed key personnel to confirm our understanding of the process. Our scope was limited to gaining an understanding of the current process and related

¹ Original proof documents are used to verify age, date of birth, or proof of relationship, and may include birth or marriage certificates, and passports.

controls as they apply to proof documents. We performed a walk-through of the DMC's mail processing to observe the flow of transactions and specific control points in the process. Our review was limited to observing the process and noting whether the controls appeared to be operational. We did not select transactions for detailed control testing.

OVERVIEW

On July 2, 2001, PBGC implemented new procedures that incorporated controls to safeguard original proof documents. Specific control changes were as follows:

- ◆ Designated primary project personnel and backups for various tasks;
- ◆ Implemented control checks to ensure the chain of custody;
- ◆ Implemented safeguarding procedures over original proof documents; and
- ◆ Implemented procedures to control the return of original proof documents and to follow-up on undelivered items. This involved changing the primary carrier from the United States Postal Service (USPS) to Federal Express (Fed Ex).

On July 19, 2001, we performed a walk-through of the DMC's mail handling process to observe the controls in operation. The following summarizes PBGC's mail handling process and our observations:

- The original proof documents are entered into ScoRe². A photocopy of the original proof document is used for scanning into IPS. The Mail Clerk places the original proof documents into a separate batch and enters the participant's full name, SSN, Plan Number and ScoRe Control Number on the original proof document's daily log sheet (log sheet). The original proof documents and log sheets are delivered directly to the Lead Mail Clerk.
- The Lead Mail Clerk verifies the original proof documents against the list of participants on the log sheet. After it has been verified, the Mail Clerk and Lead Mail Clerk sign off on the log sheet.
- The Lead Mail Clerk delivers all original proof documents along with the log sheet to the DMC Help Desk Specialist. The Help Desk Specialist accounts for all original proof documents and signs off on the log sheet. The original proof documents are immediately secured until processing for return to the participant or beneficiary. The original proof documents that are held overnight are placed in a locked file cabinet.
- By the next business day, the DMC Help Desk Specialist types an address listing for each participant and forwards this listing to the Task Leader, Data Records Management Group (DRM) via email.
- The DRM Task Leader is responsible for creating Fed Ex labels for each participant. After all the Fed Ex labels have been generated, the DRM Task Leader checks the Fed Ex address labels for accuracy and delivers them to the DMC Help Desk Specialist between 2:30 p.m. and 3:30 p.m. each day. The Fed Ex machine generates a tracking number for each label printed. In addition, a receipt of all Fed Ex labels is generated. The DRM Task Leader makes a copy of the address list and attaches the Fed Ex receipt to the address list. The DRM Task Leader maintains copies of the Fed Ex receipts for ninety days. Upon receipt of the Fed Ex labels, the Help Desk Specialist double checks the address for accuracy. The Help Desk Specialist notifies the DRM Task Leader of any errors and requests new Fed Ex labels. The Help Desk Specialist inserts the appropriate original proof documents into a Fed Ex letter package, attaches the appropriate Fed Ex label, and places the packages in the Fed Ex drop-box located in the lobby of 1200 K Street by 6:00 p.m. each business day.

² The Standard Tracing and Retrieval System (ScoRe) codes incoming mail by writing participant index information and a ScoRe control number on each mail document.

- For those participants or beneficiaries using a Post Office Box, a U.S. Postal Service certified receipt request with proof of delivery request is used to track the return of the original proof documents (Fed Ex does not deliver to a Post Office Box).
- After three business days, the DMC Help Desk Specialist verifies delivery of the Fed Ex package by checking Fed Ex on-line, and notes the tracking number and address of any undelivered Fed Ex package. If a package is listed as undelivered after four business days, the DMC Project Manager will follow-up with Fed Ex to trace the package.

OIG FINDINGS

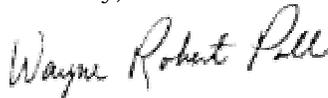
We noted that prior procedures failed to establish controls to adequately segregate duties, safeguard original proof documents, and return original proof documents to participants. For example, the same mail clerk that received the documents would process them. Original documents were not secured. Chain of custody was not maintained and the return of documents was not controlled. Envelopes containing the original proof documents were delivered to Facilities and Services Department (FASD) for mailing without a control in place to track the mail through FASD to the participant.

PBGC's new procedures implement key controls throughout the process which enhanced the security of original documents from their receipt, through processing and finally to their return to participants. We found that the controls incorporated in the new procedures appeared to be operational.

SUGGESTIONS FOR IMPROVEMENT

The newly implemented mail handling procedures, *Processing of Proof Documents (Passport and INS Certificate of Naturalization)*, by its title, states that the procedures are to be used in processing passports and INS Certificates of Naturalization proof documents. However, PBGC may receive other types of original documents, such as birth certificates or marriage certificates. Because the new procedures are limited to passports and INS Certificates of Naturalization, other original proof documents would not be covered. Therefore, we suggest that the guidelines be changed to cover processing all original proof documents that are received in the DMC.

Sincerely,



Wayne Robert Poll
Inspector General