



**U.S. OFFICE OF PERSONNEL MANAGEMENT
OFFICE OF THE INSPECTOR GENERAL
OFFICE OF AUDITS**

Final Audit Report

**AUDIT OF THE U.S. OFFICE OF PERSONNEL
MANAGEMENT'S RETIREMENT SERVICES
DISABILITY PROCESS**

Report Number 4A-RS-00-19-038

October 30, 2020

EXECUTIVE SUMMARY

Audit of the U.S. Office of Personnel Management's Retirement Services Disability Process

Report No. 4A-RS-00-19-038

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Why Did We Conduct The Audit?

The objectives of our audit were to (1) determine if the U.S. Office of Personnel Management's (OPM) Retirement Services and Support, Claims I, and the Appeals groups are following laws, regulations, policies, and procedures; (2) ensure management is providing oversight reviews; and (3) determine if controls are in place to ensure staff are trained to perform their duties.

What Did We Audit?

The Office of the Inspector General completed a performance audit of OPM's Retirement Services disability process. Our audit fieldwork was conducted from December 19, 2019, through April 30, 2020, at OPM's headquarters located in Washington, D.C.

What Did We Find?

We determined that OPM's Retirement Services office correctly processed Disability Claims, in accordance with *Chapter 83, Subchapter III, Civil Service Retirement System (CSRS)* and *Chapter 84, Federal Employee Retirement System (FERS)* of Title 5 United States Code and OPM's CSRS/FERS Handbook. However, we identified four areas where Retirement Services' controls over its disability process should be strengthened. Specifically:

- Retirement Services lacks the proper documentation to verify training for the Boyers Disability Section, Appeals, and Claims I staff.
- Retirement Services could not support that it met its requirement to annually reevaluate cases initially approved for disability retirement on a temporary basis until the annuitant reaches age 60, also known as the Medical Call-ups process.
- Claims I Quality Assurance Reviews were incomplete and not documented.
- We analyzed 61 out of 6,956 Retirement Disability Receipts for fiscal year 2019 and identified issues with processing timeliness and case tracking.



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Assistant Inspector General for Audits

ABBREVIATIONS

BDS	Boyers Disability Section
CSRS	Civil Service Retirement System
DCCS	Document Case Control System
FACES	Federal Annuity Claim Expert System
FERS	Federal Employee Retirement System
FY	Fiscal Year
GAO	U.S. Government Accountability Office
LAS	Legal Administrative Specialist
MSPB	Merit Systems Protection Board
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
RS	Retirement Services
SSA	U.S. Social Security Administration

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I. BACKGROUND

This final audit report details the findings, conclusions, and recommendations resulting from our performance audit of the U.S. Office of Personnel Management's (OPM) Retirement Services (RS) Disability Process. The audit was performed by OPM's Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended. This is the first audit of OPM's Retirement Services Disability Process by the OIG.

RS is responsible for the Government-wide administration of retirement benefits and services under the Civil Service Retirement System (CSRS) and the Federal Employee Retirement System (FERS) for Federal employees, retirees, and their families. Retirement Services' mission includes:

- determining Federal employees' eligibility for retirement benefits;
- processing retirement applications for Federal employees, survivors, and family members;
- issuing annuity payments to eligible retirees and surviving spouses;
- collecting premiums for health and life insurance; and
- providing customer service to annuitants.

Retirement disability is a benefit to protect employees no longer able to provide useful and efficient service due to a medical condition, defined as a disease or injury. RS is responsible for managing disability retirement benefits, including approving and disapproving disability applications for Federal government agencies and determining benefit amounts.

The Retirement Operations - Boyers, Pennsylvania office is responsible for managing the retirement disability process, through its Retirement Services and Support, Retirement Eligibility and Services, and Claims I groups.

Retirement Services and Support

Retirement Services and Support is located in Boyers, Pennsylvania. This group is comprised of three sections; however, only the following two are involved in the retirement disability process:

- The Retirement Preparation Section is responsible for assembling disability cases, which includes the disability application, medical documentation, and a statement from the applicant's employer.
- The Boyers Disability Section (BDS) is responsible for reviewing cases, retrieving additional information needed to make determinations, making initial disability medical

determinations, and rendering decisions on reconsideration cases that were initially denied.

The responsibilities of each position within Retirement Services and Support include:

- Retirement Preparation Supervisor: Oversees the work completed during the initial screening of the disability application.
- Customer Service Specialist/ Disability Development: Screens for the initial disability and develops cases prior to assignment to the Medical Specialists.
- Customer Service Representative: Assembles, logs, files, and distributes disability case files to Medical Specialists at the direction of the Supervisory Medical Specialist.
- Medical Specialist/Medical Specialist Reconsideration: Renders a medical determination by reviewing disability retirement applications and corresponding documents. Also, coordinates with internal and external customers to develop additional evidence when necessary and provides the disability applicant, agency, and attorney of record a determination letter pertaining to the application.
- Supervisory Medical Specialist: Supervises, supports, and ensures the Medical Specialists are performing all functions required to process disability applications as stated by law and within the required timeframes.

Retirement Eligibility and Services

Retirement Eligibility and Services is located in Washington, D.C. The Appeals group handles the reconsideration process when an appeal is filed as a result of a case being denied for a second time by the BDS.

The responsibilities of each position within Appeals include:

- Contact Representative: Checks the Merit Systems Protection Board (MSPB) repository for new dockets announcing new appeals and requests associated files from Boyers, Pennsylvania. Reviews MSPB *Acknowledgement Orders*, which is an acknowledgement that the appeal has been received by MSPB, to determine if the appeal was filed within 20-calendar days from the date of the acknowledgement order.

- Legal Assistant: Requests extensions from appellants and posts the request to the judge on the MSPB repository for up to 30 days, if cases are close to the 20-calendar day deadline and more time is needed.
- Paralegal Specialist: Reviews documentation in case files as well as additional evidence appellants may have submitted with the *Acknowledgement Order* to determine if OPM should defend or rescind its final decision letter. If the final decision was in error, they will request a dismissal of the appeal to the judge and remand the case back to the Medical Specialists in Boyers, Pennsylvania for further review.

Claims I

Claims I is located in Washington, D.C. Claims I is responsible for making initial determinations for benefits including annuity, health insurance, and life insurance entitlement for recently retired Federal annuitants under the CSRS and FERS. These retirement claims include immediate and disability retirements. This group is comprised of the following four branches:

- The Technical Support Branch, Screening and Development section, receives and develops cases that include final records¹ from the annuitant's employing agency and any additional information needed to fully develop a retirement claim in order to authorize interim payments.
- The Pending Adjudication Branch (Branch 1, Branch 2, and Branch 3) receives the retirement file, confirms documents, and codes the retirement calculation. They engage the customer for any elections needed to finalize the payment and prepare the payment for trigger. In addition, the branch reaches out to the employing agency if additional information is needed that is beyond the scope of the Screening and Development section.
- The Court Ordered Benefits Branch determines if any court ordered payments, such as garnishments, child/spousal support, etc., would be withheld from the disability retirement benefit payments to be received by the annuitant.
- The Post-Retirement Branch ensures post-retirement adjustments to annuity payments, including statutorily mandated adjustments, are completed.

¹ Last date of pay from annuitant's employing agency.

The responsibilities of each position within Claims I include:

- Customer Services Specialist: Logs, files, and distributes cases to the Legal Administrative Specialists (LAS).
- Legal Administrative Specialist/Senior Legal Administrative Specialist: Follows up with agencies or applicants to develop cases that include final records from the annuitant's employing agency, missing documents and information needed to complete the adjudication of the claim. Determines if annuitants are receiving Social Security Benefits, checks election/eligibility for Federal Employees Group Life Insurance and continuance of Federal Employees Health Benefits and processes fully developed cases.
- Paralegal Specialist: Determines former spouse's entitlement to an apportionment or survivor benefit through a civil action. Authorizes former spouse's benefit and provides communication to appropriate individual.

RETIREMENT SERVICES GUIDANCE

Retirement Services' disability process responsibilities are based on various Executive Orders, Regulations, and internal processes, including the following:

- *Title 5 United States Code, Chapter 83, Subchapter III, Civil Service Retirement System*, which states that the applicant must have five years of civilian service and must be disabled while serving in a position covered by CSRS.
- *Title 5 United States Code, Chapter 84, Federal Employees' Retirement System* which states that the applicant must have 18 months of civilian service, become disabled while serving in a position covered under FERS, and must apply for social security and submit proof with the application sent to OPM.
- OPM's *CSRS/FERS Handbook*, dated April 1998, highlights seven administrative criteria that must be considered when making a disability medical determination.

DISABILITY PROCESS

The Disability process begins when an employee applies for disability retirement with their home agency. The agency or employee (if separated) submits a disability package to the Preparation Section, which should include Standard Forms 3112A - Applicant's Statement of Disability; 3112C - Physician's Statement; 3112D - Agency Certification of Reassignment and

Accommodation Efforts; 3112E - Disability Retirement Application Checklist; as well as a position description and medical documentation.

Case files are transferred to the Retirement Development Section/Disability Development Team, which is responsible for research and development of the retirement disability case. If documents are missing, the Customer Services Specialist on the Disability Development Team will send out a development letter to the agency and/or applicant requesting the necessary information. The case is held for 45 days while waiting for additional documentation. The Customer Services Specialist logs cases into the Document Case Control System (DCCS), which is the system RS uses to track and file cases numerically by the aging date². This is when processing time for a disability case begins.

The Medical Specialist in the BDS examines the application and supporting documentation to determine whether a finding of disability is warranted based on statutory regulations and administrative criteria. Once the determination is made, the Medical Specialist completes a *Decision Summary*, which outlines the specifics of the medical determination. For the calendar quarter covering July 1 through September 30, 2019, BDS Supervisory Medical Specialists began performing quarterly reviews (oversight) of each Medical Specialist's medical determinations. Each review includes two approvals and two disapprovals for each Medical Specialist per quarter.

Reconsideration Process - If a case is denied, a denial letter is sent to the applicant that provides the reason(s) for the denial of services and provides the retiree/annuitant with instructions on how to reapply. If an applicant chooses to request a reconsideration, it must be received by OPM within 30 calendar days of the date of the reconsideration letter. The Medical Specialist for the Reconsideration Group must identify the applicant's request for reconsideration in writing, review the initial denial letter and any additional documentation, and complete a reconsideration decision letter. If the denial determination is upheld, the applicant is sent a final reconsideration decision, as well as the *Merit Systems Protection Board Appeal Form* (Form 185). The applicant then has the right to request an appeal. If the denial is not upheld, the case goes to the Claims I branch for a benefit amount determination.

Appeals Process - The Appeals group is notified, via the MSPB repository, when there is a new appeal. The program manager assigns the case to a Paralegal for review and if the Paralegal agrees with the Medical Specialist's initial decision on the medical determination and can defend it, they will move forward with the appeal. The Paralegal then submits the case to a judge in the applicant's jurisdiction and awaits further instructions from the judge as to the date and time of the hearing and any other directions from the judge. If the Paralegal determines the final

² The date when the case was entered into the system and ready to be assigned to a Medical Specialist.

decision was in error, they will request a dismissal of the appeal to the judge and remand the case back to the Medical Specialist for further review.

In addition, during fiscal year (FY) 2019, the Appeals Program Manager performed an annual audit of three cases for each of the office's Paralegal Specialists. Items reviewed in the cases included such things as determining if the correct decision was made, whether a formal brief format was used, and whether any deficiencies were noted during the audits that could be used for training purposes. The Program Manager also accesses the MSPB repository to determine if the Paralegal Specialist was late on any submissions or hearings and whether they timely assigned themselves as the agency representative.

Claims I - Adjudication Process - Claims I's adjudication process begins after the Technical Support Branch has received the final agency records for the applicant and the case is forwarded to the Pending Adjudication Branch to determine the annuity payable. The Technical Support Branch's Contact Representatives receive cases and log them into the DCCS. Received cases are filed in a hold section until the final records or last day of pay for the applicant is received. Verification of application or receipt of benefits status from the U.S. Social Security Administration (SSA) and Office of Workers' Compensation Programs must be obtained before processing because benefit payments are offset by any amounts received from these programs. Once all of the information is received, the case is sent to the Pending Adjudication Branch to determine the benefit amount.

Once the case is forwarded to the Pending Adjudication Branch, if any documentation is missing, the LAS follows up with the agency or applicant and requests the information, allowing receipt within 30 days. Calculation of pay is based on the average of the three highest salaries of the applicant and the calculations are done in the Federal Annuity Claim Expert System (FACES). For interim pay, the calculation is often 80 percent of the final salary.

Once the LAS makes the initial determination for the disability benefit amount, the case is sent to an Internal Auditor³ for review. The Internal Auditor reviews the case file and confirms that the LAS calculated the benefits correctly and applied the appropriate guidance. If the annuity is correct and other appropriate guidance was applied correctly, then the Internal Auditor authorizes the payment to the annuitant. This marks the end of the claims processing function.

As part of a quality control process, a second review is performed each quarter by the Senior LAS in Claims I. The Senior LAS reviews four to eight cases per Internal Auditor to ensure the benefit payment calculations are correct.

³ The Internal Auditor position description is the same as the Senior LAS.

Pending Adjudication Process - Branch 1, Branch 2, and Branch 3 - The designated LAS receives the retirement file, confirms that all of the required documents are received, and codes the retirement calculation. The LAS engages the customer for any health, life, and other benefit elections needed to finalize the application and prepares the payment for initiation. Once the LAS processes the cases they are placed in a hold section for daily pickup by a Customer Services Specialist and placed in the following three categories (1) regular review, (2) court order, and (3) escalation/congressional inquiry to determine the next phase of processing. Court ordered cases are further reviewed by Paralegals to determine if additional deductions are necessary to calculate final payment.

Lastly, Internal Auditors check the calculation for payments completed by the LAS. If a calculation error is identified the case is returned to the LAS to correct the error. Once the calculation is determined to be correct, the case is triggered for payment and once active, receives the finalized master record, which is placed in the case file to be sent to open files in Boyers, Pennsylvania.

Post-Retirement Process – One of the responsibilities of the LAS in this section includes ensuring that statutorily mandated post-retirement adjustments to annuity payments are made. Annuitants receive 60 percent of the pay for the first year and the FACES triggers a reduction in payment to 40 percent by the second year (after 12 payments). If the FACES does not reduce the disability annuity payment to the 40 percent automatically, a report is printed and the LAS manually inputs the payment reduction in the FACES. At age 62, the retirement disability payment automatically converts to a regular retirement annuity payment.

Medical Call-ups or Reviews of Allowed Claims Process - BDS - This process involves cases that have initially been approved for disability retirement on a temporary basis. OPM may request that a disability annuitant submit detailed medical evidence and/or undergo reexamination annually until the annuitant reaches age 60 to show that the annuitant's condition continues to be disabling. If the medical evidence shows the annuitant's condition has improved to the point where they can again perform the duties of their previous position, the annuitant is considered recovered, and annuity payments are discontinued.

TRAINING

According to RS, employees are required to take the following training:

Position	Group/Branch	Classroom Training	On-The-Job Training
Medical Specialist	BDS	1 week - Specialist receives internal instruction on BDS responsibilities and on completing the Disability Development Team checklist and decision summary, determining applicant eligibility, and timeliness standards.	3 weeks – Specialist works with a staff member from the Retirement Preparation Group to assemble cases and works with the Disability Development Team to review cases.
Paralegal Specialist	Appeals	6 months - Specialist receives internal claims training for six months. Effective 2018, new paralegal specialists attend the Basic Claims Adjudication Training for foundational knowledge.	90 days - Specialist receives training from a senior staff mentor and gains an understanding of medical terms in the <i>Language of Medicine Book</i> and medical assessment modules located on RS’ shared drive.
Legal Administrative Specialist	Claims I	4 to 6 months - Specialist receives internal Basic Claims Adjudication Training.	Based on amount needed - Specialist reviews cases with a mentor to become familiar with the disability process.

B. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The objectives of our audit were to;

- determine if the Retirement Services and Support, Claims I, and Appeals groups are following laws, regulations, and internal policies and procedures;
- ensure management is providing oversight of the disability process; and
- determine if controls are in place to ensure Retirement Services staff are trained to perform their duties related to processing retirement disability cases.

The recommendations included in this final report address the objectives.

SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards as established by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The scope of our audit covered:

Audit Area	Program Office(s)	Scope
Disability Application Receipts (Cases)	Retirement Services and Support, Claims I, and Appeals	10/1/2018 through 9/30/2019
Medical Call-ups	Retirement Services and Support	10/1/2018 through 9/30/2019
Oversight (quality assurance reviews) over the Disability Case Process	Retirement Services and Support and Claims I	7/1/2019 through 9/30/2019
Training (LAS)	Retirement Eligibility and Services and Retirement Services and Support	All Required Training
Training (Medical Specialists)	Retirement Services and Support	All Required Training
Training (Paralegal Specialists)	Appeals	All Required Training

We performed our audit fieldwork from December 19, 2019, through April 30, 2020, at OPM's headquarters located in Washington, D.C.

To accomplish the audit objectives noted above, we:

- Sampled and tested disability cases to determine compliance with applicable laws, regulations, and policies and procedures;
- Compared disability case timeliness goals against the internal goals of Retirement Services and Support and Retirement Eligibility and Services groups, and MSPB requirements;
- Sampled and tested reviews completed by Retirement Services' Internal Auditors on adjudicated disability cases;
- Sampled and tested quarterly reviews completed by Supervisory Medical Specialists;
- Sampled and tested reviews completed by Program Managers within the Appeals group; and
- Sampled and tested training records for staff.

In planning our work and gaining an understanding of the internal controls over RS' disability process, we considered, but did not rely on, RS' internal control structures to the extent necessary to develop our audit procedures. These procedures were analytical and substantive in nature. We gained an understanding of management procedures and controls to the extent necessary to achieve our audit objectives. The purpose of our audit was not to provide an opinion on internal controls but merely to evaluate controls over the processes included in the scope of our audit.

Our audit included such tests and analysis of RS' disability process as were necessary to include the Initial Determination, Reconsideration, Appeals, and Claims I processes. We also reviewed Medical Call-ups performed in FY 2019, timeliness goals for processing disability cases, training for staff, oversight of staff, and other applicable information, as we considered necessary under the circumstances. The results of our tests indicate that with respect to the items tested, Retirement Services correctly processed disability claims in accordance with applicable laws, regulations, and OPM's CSRS/FERS Handbook. However, RS needs to strengthen controls over its' processes in the following four areas - training of RS employees, Medical Call-ups, quality assurance reviews, and disability processing timeliness and tracking.

In conducting the audit, we relied to varying degrees on computer-generated data. We requested the audit universe of disability receipts for FY 2019. When we received the FY 2019 disability

receipts, only the claim number, type, and date received were provided. We asked RS if other dates and/or times were tracked and RS stated that they did not start tracking that information until FY 2020. As a result, we requested the FY 2020 first quarter disability receipts. We took additional steps to verify the reliability of the audit universe by requesting any system generated management report(s) to support the 6,956 disability receipts for FY 2019. RS was able to provide the requested information and nothing came to our attention, outside of the audit findings documented in this report, to cause us to doubt its reliability. We believe that the data was sufficient to achieve our audit objectives. We did not evaluate the effectiveness of the general application controls over computer-processed performance data.

Using IDEA® Data Analysis Software⁴, we selected the following samples from our audit universe:

Audit Area	Audit Universe	Sample Type	Sample Size
Disability Application Receipts (Cases)	6,956	Random	48
Medical Call-ups	1,438	Random	34

In addition, we judgmentally selected the total universe for the following:

Audit Area	Audit Universe	Sample Type	Sample Size
Disability Application Receipts (Cases)	6,956	Judgmental ⁵	13
Training (Retirement Services and Support Medical Specialists)	23	Not Applicable	23
Training (Claims I LAS)	15	Not Applicable	15
Training (Appeals Paralegal Specialists)	6	Not Applicable	6
Oversight (quality assurance reviews) over the Disability Case Process	97	Not Applicable	97

⁴ IDEA® is a comprehensive data analysis tool, from CaseWare Analytics, that analyzes data to allow auditors and other finance professionals to assess risk, gather evidence, uncover trends and provide the intelligence needed to make informed decisions.

⁵ Judgmentally selected samples from case type codes, resulting in 7 Disabled, 5 Reconsideration, and 1 Appeal Decided, totaling 13 samples from the first quarter of FY 2019.

The samples selected during our review were not statistically based. Consequently, the results from our samples were not projected to the populations.

C. AUDIT FINDINGS AND RECOMMENDATIONS

The sections below detail the results of our audit of OPM's Retirement Services Disability Process. We determined that RS correctly processed disability claims in accordance with applicable laws, regulations, and OPM's CSRS/FERS Handbook. However, we identified four areas, detailed below, in which OPM should strengthen controls over its training of RS employees, Medical Call-ups, oversight reviews, and disability processing timeliness and tracking.

A. Training

Retirement Services lacks the proper documentation, such as training certificates, sign-in sheets, or other supporting documentation, to verify that BDS, Appeals, and Claims I staff have completed the appropriate training to perform their job functions. Specifically, we were unable to verify that all:

- Twenty-three Medical Specialists in the BDS have completed the *BDS Training Outline*, which is used as a guideline for training the Medical Specialists on topics such as BDS' responsibilities and how to process the disability applications. We received a statement from BDS certifying, "that all of the Medical Specialists ... have received or are now receiving requisite classroom and on-the-job training." However, no documentation was provided to support BDS' statement.
- Six Paralegals in the Appeals group that review disability retirement claims accessed and reviewed the office's reference library, which contains information on topics such as how to process disability applications, copy appeals cases, and access scanned documents.
- Fifteen LAS completed the office's comprehensive training program, which includes in-house training and Basic Claims Adjudication Training. Claims I provided a summary listing the year(s) in which the LAS completed the Basic Claims Adjudication Training. However, no documentation was provided to support the information on the summary.

While RS does not have written policies or procedures stating that completed training be documented, the U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government, principle 10 - Design Control Activities*, advises that "Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks ... [and] clearly documents internal control ... in a

manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.”

Failing to ensure that all required training for BDS, Appeals, and Claims I staff is completed and documented increases the risk that staff responsible for processing disability cases are not properly trained to process and adjudicate retirement disability cases.

Recommendation 1

We recommend that RS implement internal controls to ensure that all staff responsible for processing disability cases, including but not limited to Medical Specialists, Paralegals, and Legal Administrative Specialists, take the required training to perform their job functions and that supporting documentation for completed training is maintained.

OPM’s Response:

OPM partially concurs with the recommendation and states that “All staff responsible for processing disability cases are already receiving the required training regularly, otherwise they would not be able to perform their job functions. Retirement Services will strengthen the tracking, including supporting documentation for all training received. Also, the training requirements for each of the positions will be documented even further.”

B. Medical Call-ups

Retirement Services could not support that it met its requirement to annually reevaluate cases initially approved for disability retirement on a temporary basis until the annuitant reaches age 60, also known as Medical Call-ups.

We randomly sampled 34 out of 1,438 cases due for Medical Call-ups in FY 2019. For the 34 sampled cases, we were unable to determine when or if the Medical Call-ups were conducted. In addition, we determined that for the 34 cases tested annuitants received a total of \$426,843 in potential improper retirement disability payments from the dates that the Medical Call-ups should have occurred through March 2020. Furthermore, 10 of the 34 Medical Call-ups tested are more than a year overdue. Details of our results were provided to RS separate from this report.

Retirement Services’ *Standard Operating Procedures Document for Initial Disability Application* includes policies and procedures for their Medical Call-ups process. The

procedures require that disability personnel follow-up on cases initially approved for disability retirement on a temporary basis. The LAS initiates the Medical Call-ups and the system generates a letter that is sent to the annuitant requesting detailed medical evidence and/or that the annuitant undergo reexamination annually until the annuitant reaches age 60 to show that the condition continues to be disabling. According to RS procedures, the LAS does not document the date the letters are sent.

In addition, RS informed us that there “is no action code in either [Document Case Control System] DCCS or [Annuity Roll Processing System] ARPS that identifies when/if the Medical Call Up was completed.” If medical evidence shows that the annuitant’s condition has improved to the point where they can again perform the duties of their previous position, the annuitant is considered recovered, and annuity payments are discontinued on the first day of the month beginning one year after the date of the medical examination showing the annuitant’s recovery.

The GAO’s *Standards for Internal Control in the Federal Government, principle 10 - Design Control Activities*, advises that “Management designs control activities in response to the entity’s objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management’s directives to achieve the entity’s objectives and address related risks ... [and] clearly documents internal control ... in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.”

If Medical Call-ups are not completed, annuitants could be improperly receiving retirement disability benefits to which they are not entitled, which increases the amount of improper payments paid out by OPM and potentially reduces the funds available for current and future eligible annuitants.

Recommendation 2

We recommend that RS establish a plan to complete the Medical Call-ups that are past the annual review period and stop any payments for which annuitants are no longer eligible.

OPM’s Response:

OPM concurs with the recommendation and states, “Retirement Services management will meet to discuss plans for handling medical call-ups that are past the annual review period.”

Recommendation 3

We recommend that RS ensure that Medical Call-ups are conducted timely and that supporting documentation is maintained.

OPM's Response (to Draft Recommendation):

OPM does not concur with the recommendation and states, "The medical call up function transferred from DC (Disability Reconsiderations and Appeals Office) to Boyers in 2017. Initially, Retirement Services did not have the resources to maintain the medical call ups, but as of January 2020 the call ups started again. This information was shared with the OIG during their fieldwork. Also, Retirement Services provided a copy of ... an Excel spreadsheet, Monthly Medical Call Up List that tracks the medical call-ups."

OIG Comment:

Retirement Services states that they "did not have the resources to maintain the medical call ups, but as of January 2020 the call ups started again ... Retirement Services provided a copy of ... an Excel spreadsheet, Monthly Medical Call-up List that tracks the medical call-ups." Based on our review, the Monthly Medical Call-up List is only a listing of cases with a date identifying when the Medical Call-up was performed. The listing does not include supporting evidence, such as a copy of the letter sent to the annuitant requesting detailed medical evidence; therefore, we cannot verify if the medical Call-ups were conducted. In addition, none of the 34 samples we selected for review were included in the listing.

We have revised our recommendation based on OPM's response to our draft report.

Recommendation 4

We recommend that RS investigate the cases due for Medical Call-ups in FY 2019 to determine if improper payments were made and immediately initiate any funds recovery, if applicable.

OPM's Response:

OPM does not concur with the recommendation and states, "Medical call ups are related to whether someone is eligible to continue on-going annuity benefits. Retirement Services management will meet to discuss plans for handling medical call-ups that are past the annual review period. Making determinations of improper payments and funds recovery is outside the scope of work performed by BDS."

OIG Comment:

While OPM stated that they do not concur with the recommendation, they should ensure that plans for handling Medical Call-ups that are past the annual review period are not only discussed, but also established and implemented. In addition, if improper payments were made to annuitants due to Medical Call-ups not being conducted timely, RS has a responsibility to ensure that those improper payments are recovered and returned to the program. Our office is not recommending which branch, group, etc., within RS should make the determination and begin recovery efforts, just that it be done.

C. Quality Assurance Reviews

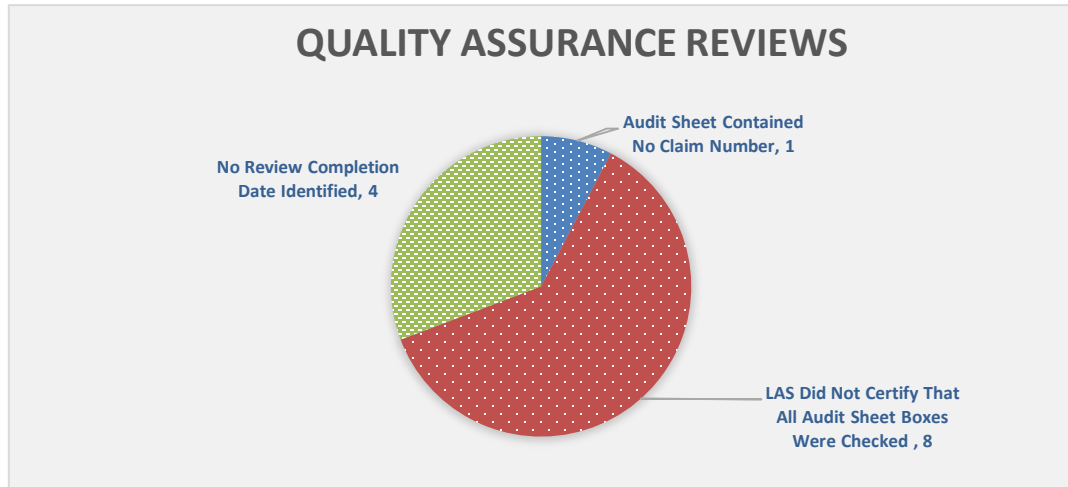
We judgmentally selected all 97 audit sheets⁶ completed by Claims I/Claims II Internal Auditors and Senior LAS for adjudicated cases received in FY 2019, to determine whether RS' quality assurance reviews were completed and properly documented. We determined that 19 Claims I Quality Assurance Reviews were incomplete and not documented, resulting in a total of 23 exceptions. Specifically:

- For 10 of the 23 reviews, which were completed by Senior LAS during the fourth quarter of FY 2019⁷, a spreadsheet listing the results of the reviews was provided; however, no audit sheets were provided to support the information in the spreadsheet.

⁶ Audit sheets are the source documents completed by RS' Internal Auditors and Senior Legal Administrative Specialists identified in the adjudicated cases.

⁷ The spreadsheet, also known as the Quarter 4 Internal Audit Data Report, included reviews from the period representing July 1, 2019, through September 30, 2019.

- Audit sheets for the remaining 13 out of 23 samples were provided. We determined that one audit sheet was complete, nine audit sheets were incomplete, and three cases were converted to regular retirement cases and therefore were not reviewed. For the nine incomplete audit sheets, we identified a total of 13 exceptions*, as shown in the chart below.



*The results for each condition are independent of each other.

Retirement Services does not have written procedures in place for conducting reviews or requiring that the results of their reviews be documented and maintained. However, Retirement Services stated that Claims I/Claims II's internal criteria for the completion of case reviews requires that after a case is completed, cases are to be reviewed within seven days by an Auditor to verify the disability annuity payment calculations are accurate. The review is to be completed using the *Claims I Audit Sheets*. In addition, Senior Specialists are expected to review four to eight cases per Auditor each quarter using the *Claims I Audit Sheets*.

OPM's CSRS/FERS Handbook, dated April 1998, highlights seven administrative criteria that must be considered when making a disability medical determination, including if;

- a medical condition exists;
- a service deficiency exists;
- there is a relationship between the medical condition and service deficiency;
- the disabling condition is expected to last at least one year from the date the application is filed;

- the employee was disabled while serving under a retirement system;
- reasonable accommodations are possible; and
- the agency can reassign the employee to a vacant position for which they are qualified.

The GAO's *Standards for Internal Control in the Federal Government, principle 10 - Design Control Activities*, advises that "Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks ... [and] clearly documents internal control ... in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."

Failing to ensure that reviews performed by RS' Internal Auditors and Senior LAS are accurately completed, properly documented, and maintained could potentially cause claims to be adjudicated and paid incorrectly and cause delays in processing annuitant payments.

Recommendation 5

We recommend that RS create and implement written procedures to ensure that quality assurance reviews are properly documented and maintained.

OPM's Response:

OPM concurs with the recommendation and states, "Written procedures will be documented for completing Credit Sheets."

Recommendation 6

We recommend that RS ensure that Claims I/Claims II Internal Auditors and Senior LAS thoroughly complete quality assurance reviews for adjudicated cases.

OPM’s Response:

OPM concurs with the recommendation and states, “Written procedures will be documented for completing Audit Sheets.”

D. Disability Case Processing Timeliness and Tracking

We judgmentally selected 61 out of 6,956 Disability Receipts received during FY 2019 to determine if RS met its disability timeliness goals and is accurately tracking disability cases received. We determined that 50 of the 61 cases selected were disability cases⁸, and for all 50 cases, it took RS an average of 77 days (almost 3 months) from when a case was received until an initial medical determination⁹ was made, which did not meet Retirement Services’ internal processing goal of 45 days¹⁰.

In addition, RS utilizes the DCCS to track the progress of disability cases. We were unable to verify relevant case information in the DCCS for all 50 disability cases.

The results for each condition below are independent of each other. Specifically, we determined:

Timeliness

Currently, there are no timeliness standards mandated by any laws and regulations to process a retirement disability case. However, during our audit, we noted that other Federal agencies have established internal timeliness processing goals, such as the United States Postal Service, which as of FY 2017 has an internal timeliness goal of 70 days for processing retirement disability applications and submitting them to OPM for United States Postal Service¹¹ employees. In addition, the SSA established internal timeliness goals of 113 days to process initial disability retirement applications¹².

⁸ Four of the 61 cases sampled were not disability cases, and while they were analyzed, they have been excluded from the timeliness results. In addition, 7 of the 61 cases sampled were disability reconsideration cases, which have also been analyzed but excluded from the timeliness results since the initial disability determination timeliness would not be considered for the reconsideration. However, the results of the seven cases are included in the tracking section of this finding.

⁹ OIG used the *DCCS Action Code List*, provided by RS, to determine which codes represented medical determinations.

¹⁰ The 45 day case processing time begins with the aging date (date when OPM receives the disability application), as input into the DCCS, and continues until an initial medical determination (approval, denial, or dismissal) is made.

¹¹ United States Postal Service OIG, *Postal Service Disability Retirement Application Process*, Report Number HR-AR-18-005, issued June 11, 2018, <https://www.uspsoig.gov/sites/default/files/document-library-files/2019/HR-AR-18-005.pdf>.

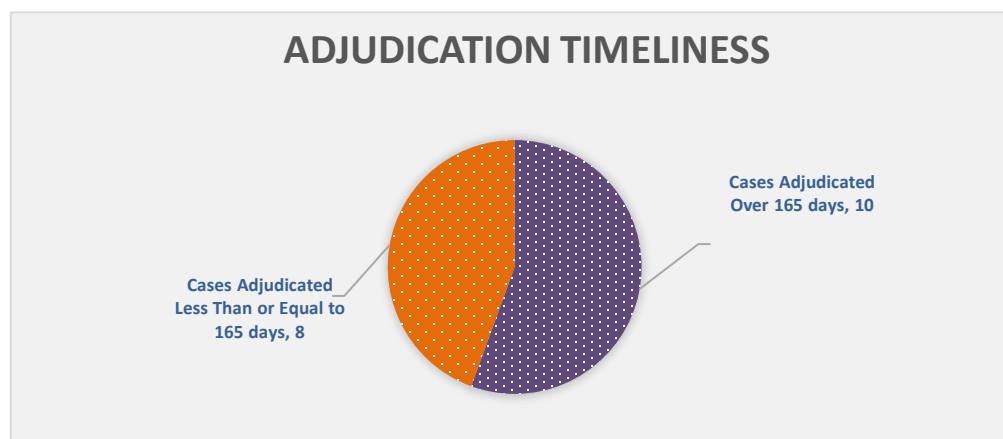
¹² Social Security Administration, *Annual Performance Report Fiscal Years 2018 -2020*, https://www.ssa.gov/agency/performance/materials/2019/SSA_FYs_2018-2020_APR_2019.03.18_FINAL_508_Certified.pdf.

In FY 2019, BDS established a processing goal of 45 days from the date a disability application is received by the Medical Specialist until the date an initial medical determination, of an approval, denial, or dismissal, is issued. The 45 days does not include an applicant's request for reconsideration. In addition, RS stated that disability applications are often incomplete when they are received which requires them to further develop the case before moving to the next phase of processing. Once a retirement disability case is approved, the BDS sends the case to Claims I to make an initial determination for benefit amount. Claims I established a goal of 120 days to process the benefit amount, which consists of:

- Sixty days in Screening and Development, after the initial medical determination is made (10 days to get the Last Day of Pay from the agency and authorize Interim Pay, and 50 days for developing any additional documents needed to process the case), and
- Sixty days to finalize the annuitants' benefit payment amounts.

For the 50 disability cases analyzed, we identified the following issues:

- Thirty-two had not been adjudicated¹³ and 5 of the 32 cases were more than a year old as of January 2020.
- The remaining 18 out of 50 cases were adjudicated in an average of 220 days. Retirement Services' overall internal case processing goal is 165 days (45 days for initial medical determination and 120 days for full adjudication), which was met for 8 of the 18 adjudicated cases and not met for 10, as shown in the chart below.



In addition, 5 of the 18 adjudicated cases took an average of 106 days for Claims I to place into an interim pay status, which did not meet their internal goal of 10 days.

¹³ The term adjudicated refers to a fully processed case with completed retirement annuity calculations.

By not adjudicating disability cases timely, RS is causing applicants to incur a loss of income and other benefits until cases are fully adjudicated.

Tracking

Retirement Services utilizes the DCCS to track the progress of disability cases. We were unable to verify relevant case information in the DCCS for 57¹⁴ of the 61 cases selected. The results for each condition described below are independent of each other. Specifically for:

- all 57 disability cases, the original aging date is not retained in the DCCS, which would specify the timeframe from Retirement Services' initial receipt of a case until the case was ready for review by the Medical Specialist;
- 5 cases, there was no medical determination action code, although an interim pay code was present on the cases action logs. However, an initial medical determination must be made in order for interim payments to begin;
- 25 cases, there were 37 instances where a log-in date was not present on the location logs; and
- 55 cases, there were 150 instances where a log-out date was not present on the location logs.

Details of our results were provided to RS separately from this report.

Retirement Services is unable to distinguish when cases change from one status to another, because the DCCS is a legacy system and RS employees must manually input case management information, such as original age date, action and location codes. For example, the disability sample included some cases that were initially coded as disability retirement and should have been coded as regular retirement cases. This type of coding error can lead to processing delays and inaccuracies, such as the ones identified above in our results.

Retirement Services is working to improve its technological capabilities and stated, "In FY [2020] a reporting system was developed to track the timeliness of medical determinations. Thorough testing and data validation was conducted on both reporting systems to ensure the age of the cases in the inventory and time to process actions was accurate. ... For FY [2021] a new reporting system is being developed to track timeliness of actions for screening and development, following the model set in the medical determinations timeliness report."

¹⁴ Four of the 61 cases sampled were not disability cases and have been excluded from the results.

In addition, “RS will continue to work with [the Office of the Chief Information Officer] to investigate technological capabilities to continue to improve processing time and reduce wait times. RS will collaborate with [the Chief Information Officer] to develop a prototype for the Online Retirement Application. RS continues to make progress on the online retirement application. [The Chief Information Officer] and RS have completed the final development Sprint 20 of the Minimal Viable Product (MVP) release: The system was built for Retirement to receive an Immediate Voluntary Retirement as a dataset, this is a step forward for RS as a means to modernize systems and data.”

The *Standard Operating Procedures Document of Initial Disability Application, Revised September 10, 2018*, states that if documents are missing, the Disability Development Team will work to ensure that the cases are complete by sending out a development letter to the agency and/or applicant requesting the necessary information. The case is held for 45 days and if no response is received, as requested, the cases are assigned to a Medical Specialist to make a determination.

The GAO’s *Standards for Internal Control in the Federal Government, principle 10 - Design Control Activities*, advises that management “design control activities in response to the entity’s objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management’s directives to achieve the entity’s objectives and address related risks ... [and] clearly documents internal control ... in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.”

In addition, *principle 15- Communicate Externally*, states that “Management communicates quality information externally through reporting lines so that external parties can help the entity achieve its objectives and address related risks. Management includes in these communications information relating to the entity’s events and activities that impact the internal control system.”

Recommendation 7

We recommend that RS monitor internal timeliness goals to determine if they are practical and align with the updated disability process and new performance tracking systems, and modify the timeliness goals as appropriate.

OPM’s Response (to Draft Recommendation):

OPM does not concur with the [draft] recommendation and states, “we have already completely updated the disability process. As part of the continuous improvement process, Retirement Services continues to develop and update standard operating procedures across retirement operations. In FY 19, a reporting system was developed to track the balance of initial disability cases. In FY20 a reporting system was developed to track the timeliness of medical determinations. Thorough testing and data validation were conducted on both reporting systems to ensure the age of the cases in the inventory and time to process actions was accurate. Also, data is tracked from the perspective of the customer (aging date) and the branch (login date), giving management the tools to better manage the disability process and adjust as necessary as part of continuous process improvement. As a result, Boyers has eliminated the Disability Development Team (DDT) section from the process. So now the cases will go directly from assembly to the medical specialists. This process enhancement will improve the timeliness for processing the medical determination.”

OIG Comment:

We have reported that RS is working to improve its technological capabilities and acknowledge that “Boyers has eliminated the Disability Development Team (DDT) section from the process. So now the cases will go directly from assembly to the medical specialists. This process enhancement will improve the timeliness for processing the medical determination.” However, our audit identified issues with RS meeting its timeliness goals in FY19. In addition, the office is still in the process of developing a new reporting system “to track timeliness of actions for screening and development, following the model set in the medical determinations timeliness report.” While we have slightly modified our recommendation from the draft report, we stand by it until RS can determine if the enhancements have improved the timeliness for processing the medical determinations or if the goals should be reevaluated. This can be determined during the audit resolution process.

Recommendation 8

We recommend that Retirement Services continue to work with OPM’s Office of the Chief Information Officer to establish a modernized Information Technology system that has capabilities to ensure the proper tracking of cases throughout the disability process.

OPM's Response:

OPM concurs with the recommendation and states, "Retirement Services will continue to work with OCIO [the Office of the Chief Information Officer] to investigate technological capabilities to continue to improve processing time and reduce wait times. Retirement Services is collaborating with [the] CIO [Chief Information Officer] to develop a prototype for the Online Retirement Application. Retirement Services has completed the development of a Minimal Viable Product (MVP) version of an On-line Retirement Application (ORA) to support the electronic submission of immediate retirement applications. The ORA allows federal employees to work collaboratively with their Agency human resource and payroll providers to prepare and submit a complete retirement package electronically to OPM Retirement Services. The system was built for Retirement to receive an Immediate Voluntary Retirement as a dataset, this is a step forward for Retirement Services as a means to modernize systems and data."

APPENDIX



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT


Retirement Services

July 28, 2020

MEMORANDUM FOR:

[REDACTED]
Chief, Internal Audits Group

FROM:

KENNETH J. ZAWODNY, JR. 
Associate Director, Retirement Services

SUBJECT:

Audit of the U.S. Office of Personnel Management's
Retirement Services Disability Process
Report Number 4A-RS-00-19-038

Thank you for providing OPM the opportunity to respond to the Office of the Inspector General (OIG) draft report, Audit of the U.S. Office of Personnel Management's Retirement Services Disability Process, 4A-RS-00-19-038. Responses to the recommendations are addressed subsequently.

Recommendation #1:

We recommend that Retirement Services implement internal controls to ensure that all staff responsible for processing disability cases, including but not limited to Medical Specialists, Paralegals, and Legal Administrative Specialists, take the required training to perform their job functions and that supporting documentation for completed training is maintained.

Management Response:

Retirement Services **partially concurs with this recommendation.** All staff responsible for processing disability cases are already receiving the required training regularly, otherwise they would not be able to perform their job functions. Retirement Services will strengthen the tracking, including supporting documentation for all training received. Also, the training requirements for each of the positions will be documented even further.

Recommendation #2:

We recommend that Retirement Service establish a plan to complete the Medical Call-ups that are past the annual review period and stop any payments for which annuitants are no longer eligible.

Management Response:

Retirement Services **concurs with this recommendation.** Retirement Services management will meet to discuss plans for handling medical call-ups that are past the

annual review period. In the medical call up process, OPM sends the disability annuitant a letter requesting them to provide current medical documentation to determine if there is recovery from the disabling condition present at the time of retirement. Based on the submitted documentation, if the determination is made that the disability annuitant is recovered medically, then OPM will stop the benefits payments. If the disability annuitant does not respond to the initial letter, another follow-up letter is sent with a 30-day time limit granted to the annuitant. If still no response, then the annuitant's benefits will be stopped.

Recommendation #3:

We recommend that Retirement Service establish and document procedures to ensure that the Medical Call-ups are conducted timely and that supporting documentation for completed Medical call-ups is maintained.

Management Response:

Retirement Services does not concur with this recommendation. Retirement Services already has documented procedures and tracking in place to ensure that the Medical Call-ups are conducted timely. The medical call up function transferred from DC (Disability Reconsiderations and Appeals Office) to Boyers in 2017. Initially, Retirement Services did not have the resources to maintain the medical call ups, but as of January 2020 the call ups started again. This information was shared with the OIG during their fieldwork. Also, Retirement Services provided a copy of the Medical Call Up Standard Operating Procedures and an Excel spreadsheet, Monthly Medical Call Up List that tracks the medical call-ups.

Recommendation #4:

We recommend that Retirement Service investigate the cases due for Medical Call-ups in FY 2019 to determine if improper payments were made and immediately initiate any funds recovery, if applicable.

Management Response:

Retirement Services does not concur with this recommendation. Medical call ups are related to whether someone is eligible to continue on-going annuity benefits. Retirement Services management will meet to discuss plans for handling medical call-ups that are past the annual review period. Making determinations of improper payments and funds recovery is outside the scope of work performed by BDS.

Recommendation #5:

We recommend that Retirement Services create and implement written procedures to ensure that quality assurance reviews are properly documented and maintained.

Management Response:

Retirement Services concurs. Written procedures will be documented for completing Credit Sheets.

Recommendation #6:

We recommend that Retirement Services ensure that Claims I/Claims II Internal Auditors and Senior LAS thoroughly complete quality assurance reviews for adjudicated cases.

Management Response:

Retirement Services concurs. Written procedures will be documented for completing Audit Sheets.

Recommendation #7:

We recommend that Retirement Services reevaluate internal timeliness goals to determine if they are practical and align with the disability process, and update processes based on their determination.

Management Response:

Retirement Services does not concur with this recommendation because we have already completely updated the disability process. As part of the continuous improvement process, Retirement Services continues to develop and update standard operating procedures across retirement operations. In FY 19, a reporting system was developed to track the balance of initial disability cases. In FY20 a reporting system was developed to track the timeliness of medical determinations. Thorough testing and data validation were conducted on both reporting systems to ensure the age of the cases in the inventory and time to process actions was accurate. Also, data is tracked from the perspective of the customer (aging date) and the branch (login date), giving management the tools to better manage the disability process and adjust as necessary as part of continuous process improvement. As a result, Boyers has eliminated the Disability Development Team (DDT) section from the process. So now the cases will go directly from assembly to the medical specialists. This process enhancement will improve the timeliness for processing the medical determination.

Recommendation #8:

We recommend that Retirement Services continue to work with OPM's Office of the Chief Information Officer to establish a modernized Information Technology system that has capabilities to ensure the proper tracking of cases throughout the disability process.

Management Response:

Retirement Services concurs with this recommendation. As was stated in NFR #4 (Retirement Services Disability Process Timeliness and Tracking Issues), Retirement Services will continue to work with OCIO to investigate technological capabilities to continue to improve processing time and reduce wait times. Retirement Services is collaborating with CIO to develop a prototype for the Online Retirement Application. Retirement Services has completed the development of a Minimal Viable Product (MVP) version of an On-line Retirement Application (ORA) to support the electronic submission of immediate retirement applications. The ORA allows federal employees to work

collaboratively with their Agency human resource and payroll providers to prepare and submit a complete retirement package electronically to OPM Retirement Services. The system was built for Retirement to receive an Immediate Voluntary Retirement as a dataset, this is a step forward for Retirement Services as a means to modernize systems and data.

<Deleted by OIG, not relevant to the final report>

I appreciate the opportunity to respond to this draft report. If you have any questions regarding our response, please contact [REDACTED], [REDACTED], and [REDACTED][@opm.gov](mailto:[REDACTED]@opm.gov).



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