



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

Final Audit Report

Subject:

AUDIT OF THE COURT ORDERED BENEFITS BRANCH

Report No. 4A-RI-00-10-014

Date: October 14, 2010

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Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

AUDIT REPORT

**AUDIT OF THE COURT ORDERED BENEFITS BRANCH
WASHINGTON, D.C.**

Report No. 4A-RI-00-10-014

Date: October 14, 2010

A handwritten signature in blue ink, appearing to read "Michael R. Esser".

Michael R. Esser
Assistant Inspector General
for Audits



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

EXECUTIVE SUMMARY

**AUDIT OF THE COURT ORDERED BENEFITS BRANCH
WASHINGTON, D.C.**

Report No. 4A-RI-00-10-014

Date: October 14, 2010

The Office of the Inspector General has completed a performance audit of the Court Ordered Benefits Branch (COBB) of the Retirement and Benefits Office. Our main objective was to determine whether OPM's COBB has effective controls to process court ordered retirement benefits. In order to make this determination, our audit included the following specific objectives: (1) determine if COBB has effective controls to properly record and timely process court ordered payments for its customers; and (2) determine if COBB has an effective customer service program.

Our audit was conducted from March 11, 2010 through June 23, 2010 at the U.S. Office of Personnel Management's (OPM) headquarters in Washington, D.C. Our audit identified three areas requiring improvement.

A. Court Order Processing

1. Inaccurate Court Order Status in Court Order Recording and Tracking System (CORTS) Procedural

CORTS inaccurately reported the status of 6,841 cases as "pending."

2. Untimely Court Awarded Benefit Payment \$5,757

COBB did not timely process the court awarded benefit payment for 2 of 82 court orders sampled.

B. Customer Service

1. Inadequate Customer Service

Procedural

COBB's customer service unit is not held to the same performance standards as Retirement and Benefits, and its telephone system is not equipped to handle or adequately measure call volume and other performance measures.

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I. INTRODUCTION AND BACKGROUND

Introduction

This final audit report details the findings, conclusions, and recommendations resulting from our performance audit of OPM's Court Ordered Benefits Branch (COBB) of the Retirement and Benefits Office. The audit was performed by OPM's Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

Background

COBB is responsible for processing post-adjudication court orders and employee court orders related to retirement benefits. COBB authorizes payments in accordance with clear, specific, and express provisions of court orders acceptable for processing under the applicable provisions of law and regulation. If the order is not acceptable, the parties must return to State court to seek any necessary modifications.

A court order can apportion or divide a Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) benefit as a result of a divorce, legal separation, or annulment of marriage. The court order must expressly direct OPM to pay a portion of the monthly CSRS or FERS benefits. The spouse's share must be stated as a fixed amount, a percentage or a fraction of the annuity, or by a formula whose value is readily apparent from the face of the order and information in OPM files. 5 CFR 838.231(a) states, "A court order acceptable for processing is effective against employee annuity accruing beginning the first day of the second month after OPM receives the court order."

In order to provide good customer service concerning the processing of court orders, a tracking system called Court Order Recording and Tracking System (CORTS) was developed and implemented in 1997. The Court Order Assignment Case Type report was developed to identify all court orders entered into the CORTS database that have a status recorded as "pending." The report provides COBB management an aging of pending court orders. The default for the order status field in CORTS is "P" for pending. Once COBB paralegals review the submitted court order documentation and approve the award of benefits, the paralegals should change the court order status in CORTS from "P" to "O" for open, meaning the court order has an award that is currently in force.

The COBB customer service representatives are responsible for answering customer inquiries and questions received via the telephone, in written correspondence, and in person. Many of the phone calls and written correspondence are received from employees, retirees, former spouses, and attorneys and pertain to status of the court order processing, clarification on documentation required to complete processing, and general questions regarding court order benefits and the law. COBB's customer service representatives also are responsible for entering all court order receipts and information into the tracking system for paralegal

assignment. COBB's customer service unit has 4 phone lines with voicemail boxes that can hold approximately 55 messages each.

When customers cannot get their inquiries resolved through COBB's customer service unit, they normally send written inquiries to their Congressmen and/or the OPM Director. In fiscal year 2009, the Retirement and Benefits Special Inquiries Branch received approximately 532 Congressional Inquiries and 60 Director Inquiries pertaining to COBB customer service.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary objective of our audit was to determine whether OPM's COBB has effective controls to process court ordered benefits.

In order to achieve our primary objective, our audit included the following specific objectives:

1. Determine if COBB has effective controls to properly record and timely process court ordered payments for its customers; and
2. Determine if COBB has an effective customer service program.

The recommendations included in this final report address these 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 required 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our audit covered the Court Order Recording and Tracking System (CORTS) universe of court orders as of February 4, 2010. We also considered COBB's and the Retirement Operations' current customer service practices and performance standards.

We performed this audit from March 11, 2010 through June 23, 2010 at OPM headquarters in Washington, D.C.

To accomplish the audit objectives noted above, we:

- Sampled completed court orders from CORTS and tested the timeliness of court order processing from the initial date of receipt of the court order by COBB to initial payment;
- Determined the reliability and completeness of data as recorded in CORTS;
- Performed a match between the annuity roll data file of court orders as the key identifier to identify court orders incorrectly identified as pending in CORTS; and
- Interviewed COBB and Retirement Operations Customer Service Unit Managers.

In planning our work and gaining an understanding of the internal controls over court ordered benefits, we considered the internal control structure to the extent necessary to develop our audit procedures. These procedures were mainly substantive in nature, although we did gain an understanding of management procedures and controls to the extent necessary to achieve

our audit objectives. The purpose of our audit is not to provide an opinion on internal controls but merely to evaluate controls over the processes that were included in the scope of our audit. Our audit included such tests of COBB's records and the Retirement Operation's customer service performance management, the Annuity Roll Processing System, retirement case files, and other procedures as we considered necessary under the circumstances. The results of our tests indicate that with respect to the items tested COBB has effective controls to ensure the processing of court ordered benefits and effective customer service, except for the areas set forth in the details of this audit report.

In conducting our audit, we performed a computer match which identified 6,481 pending CORTS records with award payments to validate the match results between the CORTS data and the annuity roll. In addition, we randomly selected a sample of 82 out of 75,198 CORTS pending and closed cases to assess the completeness and reliability of CORTS data and timeliness of processing. The results from our sample were not projected to the population.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. Court Order Processing

1. Inaccurate Status of Pending Court Orders in CORTS

As of February 4, 2010, the Court Ordered Benefits Branch's (COBB) Court Order Recording and Tracking System (CORTS) was inaccurately reporting the status of 6,481 records with court awarded benefits in force as pending.

The default for the order status field in CORTS is "P" for pending. Once COBB paralegals review the submitted court order documentation and approve the award of benefits, the paralegals should change the court order status in CORTS from "P" to "O" for open, meaning the court order has an award that is currently in force. COBB uses a management report to identify an aging of court orders with a pending status. This management report identifies the workload of court orders with processing decisions that need to be made.

We obtained two data files from the Benefits Systems Group (BSG) to assist with our testing of the reliability of court order status as recorded in CORTS. One file identified all records from the annuity roll with payment actions that pertain to an award of court ordered benefits. The data for this file was run by BSG on January 29, 2010. The other file identified all records from the CORTS database with a "pending" status as of February 4, 2010. Using our data analysis software, we performed a match between the two data files to identify the CORTS records with a "pending" status that have benefits payments made. The computer match revealed 6,481 pending CORTS records with court ordered benefits payments. We tested seven cases to validate the results from the computer match. Our testing revealed that all seven cases were inaccurately recorded in CORTS as "pending."

The General Accountability Office's (GAO) *Standard for Internal Control in the Federal Government*, dated November 1999 states, "Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records."

COBB does not have a policy for the timely updating of court order status in CORTS. As a result, the management reports produced from CORTS are unreliable for COBB management to make effective workload decisions.

Recommendation 1

We recommend that COBB management review all 6,481 "pending" CORTS records with court ordered benefits identified in our computer match to ensure the reliability of the status in CORTS.

Retirement and Benefits' Response:

“Concur. COBB management submitted a ‘Team Track’ to Benefits Systems on August 18, 2010 to automate this process. Benefits Systems will enhance the Court Ordered Records and Tracking Sub-System in ARPS so that only actual pending court orders appear on the Court Order Assignment Case Type Report. This improvement will prevent court orders that have been completed from appearing on the report.”

Recommendation 2

We recommend that COBB management develop and implement a policy to ensure that the court order status is updated timely to ensure accurate reporting in CORTS.

Retirement and Benefits' Response:

“Concur. See response to Recommendation 1.”

2. Untimely Court Awarded Benefit Payment

COBB reviews the court order documentation submitted by retirees, and determines if the court order can be approved for payment. If payment is approved, COBB will calculate the amount of the benefit payment based on the court order benefits requirements and will establish the initial payment to the benefit recipient. 5 CFR 838.231(a) states, “A court order acceptable for processing is effective against employee annuity accruing beginning the first day of the second month after OPM receives the court order.”

We judgmentally selected 82 out of 75,198 CORTS pending and closed cases to assess the completeness and reliability of CORTS data and timeliness of processing. From our review of the sample of pending and closed court ordered benefits cases, we identified one instance where COBB did not timely process the court awarded benefit payment and no retroactive benefit payment was made.

The court order was approved by COBB on May 3, 1994 as indicated by the CORTS record detail. The first payment should have been made on July 1, 1994. However, the initial payment was made on November 1, 1994. We were unable to identify whether a retroactive payment was made to bring the benefit payment into compliance with regulations. The total underpayment of court ordered benefits to the award recipient is \$3,621.20 (\$905.30 for four months, July 1, 1994 through October 31, 1994).

In addition, through our case review, we identified a matter worthy of attention that was not part of our audit objectives. For one of the court order cases in our sample, a stop order was received on June 21, 2005 to terminate the court ordered benefit in July 2005. However, annuity deductions continued from the annuitant's monthly annuity payment for a period of three months (July, August, and September 2005) in the amount of \$712 per month. The resulting excess annuity deduction totaled \$2,136.

Recommendation 3

We recommend that COBB process and timely pay all court ordered benefits in accordance with 5 CFR 838.231(a).

Retirement and Benefits' Response:

"Concur. And we note that the audit showed that 97.6% of the court orders in the sample were processed timely."

Recommendation 4

We recommend that COBB review the facts of the case in question and determine if a retroactive payment of \$3,621.20 is due to the former spouse. If an additional payment is due, we recommend that the additional payment be made as soon as possible.

Retirement and Benefits' Response:

"Concur. COBB has taken corrective action on the case in question." COBB's review of the facts of the case indicate that no retroactive payment is due because the annuitant has been paying the former spouse independently from an annuity deduction.

Recommendation 5

We recommend that COBB review the facts of the case in question to determine if a refund of \$2,136 in excess deductions is due to the annuitant.

Retirement and Benefits' Response:

"Concur. COBB has taken corrective action on the case in question." COBB's review of the facts of the case concludes that a reimbursement of \$2,136 is due to the annuitant.

B. Customer Service

1. Inadequate Customer Service

COBB's customer service is inadequate to meet customer needs, and their customer service unit is not held to the same customer service performance standards as the Retirement Information Office (RIO), the Retirement Operations main customer service unit. In addition, COBB's customer service unit does not have the necessary tools to handle the call volume received or to adequately measure customer service performance.

RIO customer service specialists are held to a standard of production to ensure good customer service is provided and agency goals are met. The performance standards have four elements of evaluation: quantity, quality, time management, and professional/teamwork.

The GAO's Standards for Internal Control in the Federal Government, dated November 1999 states, "Managers also need to compare actual performance to planned or expected results throughout the organization and analyze significant differences.... Activities need to be established to monitor performance measures and indicators. These controls could call for comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made and appropriate actions taken."

Without tools and measures to effectively monitor customer service performance, customer service suffers, resulting in a high number of Congressional and Director Inquiries, thereby negatively impacting OPM's image and relationship with Congress and the general public.

Recommendation 6

We recommend that Retirement Operations management develop and implement methods for evaluating COBB's customer service performance.

Retirement and Benefits' Response:

"Concur. COBB management will evaluate the current performance standards for their Customer Service Specialists to determine appropriate and value-added measurements."

Recommendation 7

We recommend that Retirement Operations management ensure that COBB's customer service representatives have tools and resources to effectively respond to inquiries.

Retirement and Benefits' Response:

"Concur. We note that OPM is scheduled to receive a new phone system in the fall of 2010, and we will maximize the use of new features in order to garner the greatest impact for responding to inquiries."

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Internal Audits Group

██████████ Auditor

██████████ Auditor-in-Charge

██████████ Senior Team Leader

██████████ Jr., Chief



Retirement and
Benefits

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

August 19, 2010

MEMORANDUM FOR [REDACTED]
Chief, Internal Audits Group

FROM: [REDACTED] Chief
Quality Assurance
Retirement and Benefits

SUBJECT: Draft Report on the Audit of the Court Ordered Benefits Branch
Report No. 4A-RI-00-10-014

The following is our confirmation of concurrence with both the findings and recommendations previously provided by the management of Court Ordered Benefits Branch (COBB), updated with the current status of any corrective actions. If you need any further information, please let us know.

Response to Findings and Recommendations

A. Court Order Processing

1. Inaccurate Court Order Status in Court Order Recording and Tracking System (CORTS)

CORTS inaccurately reported the status of 6,481 cases as "pending."

Recommendation 1:

We recommend that COBB management review all 6,481 "pending" CORTS records with court ordered benefits identified in our computer match to ensure the reliability of the status of CORTS.

R&B RESPONSE: Concur. COBB management submitted a "Team Track" to Benefits Systems on August 18, 2010 to automate this process. Benefits Systems will enhance the Court Ordered Records and Tracking Sub-System in ARPS so that only actual pending court orders appear on the Court Order Assignment Case Type Report. This improvement will prevent court orders that have been completed from appearing on the report.

Recommendation 2:

We recommend that COBB management develop and implement a policy to ensure that the court order status is updated timely to ensure accurate reporting in CORTS.

R&B RESPONSE: Concur. See response to Recommendation 1.

2. **Untimely Court Awarded Benefit Payment**

COBB did not timely process the court awarded benefit payment for 2 of 82 court orders sampled.

Recommendation 3:

We recommend that COBB process and timely pay all court ordered benefits in accordance with 5 CFR 838.231(a).

R&B RESPONSE: Concur. And we note that the audit showed that 97.6% of the court orders in the sample were processed timely.

Recommendation 4:

We recommend that COBB review the facts of the case in question and determine if a retroactive payment is due to the former spouse. If an additional payment is due, we recommend that the additional payment be made as soon as possible.

R&B RESPONSE: Concur. COBB has taken corrective action on the case in question.

Recommendation 5:

We recommend that COBB review the facts of the case in question to determine if a refund of excess deductions is due to the annuitant.

R&B RESPONSE: Concur. COBB has taken corrective action on the case in question.

B. Customer Service

1. Inadequate Customer Service

COBB's customer service unit is not held to the same performance standards as RIO, RO's main customer service unit, and the telephone system is not equipped to track call volume, and other performance measures.

Recommendation 6:

We recommend that Retirement Operations management develop and implement methods for evaluating COBB's customer service performance.

R&B RESPONSE: Concur. COBB management will evaluate the current performance standards for their Customer Service Specialists to determine appropriate and value-added measurements.

Recommendation 7:

We recommend that Retirement Operations management ensure that COBB's customer service representatives have tools and resources to effectively respond to inquiries.

R&B RESPONSE: Concur. We note that OPM is scheduled to receive a new phone system in the fall of 2010, and we will maximize the use of new features in order to garner the greatest impact for responding to inquiries.

An additional note: the last paragraph on page 2 refers to the number of Congressional and Director inquiries received by the Special Inquiries Branch, and the percentage attributable to COBB customer service deficiencies. Please clarify the universe is inquiries re: court ordered benefits in general vs. all Congressional and Director inquiries received.