

Review of the Occupational Disability Program
Report No. 07-03, March 21, 2007

INTRODUCTION

This report presents the results of the Office of Inspector General's (OIG) audit of the Railroad Retirement Board's (RRB) occupational disability program.

BACKGROUND

The Railroad Retirement Board's mission is to administer retirement-survivor and unemployment-sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These programs provide income protection during old age and in the event of disability, death or temporary unemployment and sickness. During fiscal year 2006, 619,000 retirement and survivor beneficiaries received \$9.5 billion in benefits. The RRB estimates that employees received nearly \$2 billion in disability annuities, over \$1.64 billion of which was paid in occupational disability benefits.

Disability awards are based either on total disability or on occupational disability. A total disability annuity is based on disability for all employment. An employee is considered occupationally disabled if the physical or mental condition is such that the employee is permanently disabled for work in his or her regular railroad occupation, even though the employee may be able to perform other kinds of work. An occupational disability annuity is payable to employees with a current connection with the rail industry at age 60 if the employee has 10 years of service, or at any age if the employee has at least 20 years of service.

Many employees who are disabled for all employment, but are otherwise qualified for an occupational disability annuity, are initially awarded occupational disability annuities in order to expedite payment.

The Office of Programs is responsible for administering the RRB's disability program. This office is responsible for developing, analyzing, and evaluating records of physical examinations, medical treatment, employment, vocational experience, etc., in connection with claims for disability benefits and prepares decisions on the basis of findings of fact and law. This office requests additional evidence and orders examinations through a contractor. It also reviews completed reports for adequacy.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this review was to determine if controls are in place to provide reasonable assurance that occupational disability applications are processed in compliance with applicable laws and regulations.

To accomplish the objective, we:

- reviewed pertinent Federal laws, policies and background information as they related to the objective;
- conducted meetings with RRB officials to discuss agency policies and procedures;
- reviewed the Disability Briefing Document Program (D-BRIEF);
- reviewed the 129 occupational disability cases that were the basis for the fiscal year 2005 occupational disability decision quality assurance reports prepared by Consultative Examinations, Inc, to determine:
 - if the proper applications were completed, and signed by applicants (12 cases reviewed),
 - if occupational disability decisions were properly authorized (30 cases reviewed),
 - if the occupational disability decisions were found to be correct by Consultative Examinations, Inc. (129 cases reviewed),
 - if medical opinions were ordered for any of the occupational disability decisions (129 cases reviewed), and
 - if the occupational disability decisions were processed through D-BRIEF (129 cases reviewed);
- reviewed RRB disability examiner training;
- determined if RRB staff and computer systems verified certain information provided by the annuitants;
- obtained a computer extract of all occupational disability decisions that were prepared and authorized by the same disability examiner between October 1, 2005 and August 31, 2006; and
- identified opportunities for improvement.

The RRB developed a Strategic Plan for the years 2003 through 2008 to conform to the Government Performance and Results Act. This plan provides, in part, that the RRB will provide excellent customer service through accurate benefit payments, and will serve as responsible steward for agency resources through effective, efficient, and secure operations. This audit supports this strategic objective.

This review was conducted in accordance with generally accepted government auditing standards applicable to the objective. The fieldwork was performed at the RRB headquarters in Chicago, Illinois from January through December 2006.

RESULTS OF REVIEW

The RRB has adequate controls to provide a reasonable assurance that disability applications are processed in compliance with applicable laws and regulations. There are sufficient edits and checks in RRB computer systems to provide assurance that the information on the disability application is correct and, therefore, the occupational disability decisions are based on correct information. The RRB provides initial training for new disability examiners, as well as, ongoing training for existing examiners. An outside contractor conducts quarterly quality reviews of occupational disability decisions and visits the RRB on a monthly basis to answer various disability questions posed by disability examiners. The RRB developed the Disability Briefing Document Program (D-BRIEF), which is an interactive personal computer program used by disability examiners for the completion of initial disability decisions. D-BRIEF asks the examiner all of the sequential evaluation questions involved in an initial disability annuity decision. Our review determined that the RRB can improve internal controls over the authorization of occupational disability decisions. The following section presents additional information on these internal controls and our recommendations.

AUTHORIZATION OF OCCUPATIONAL DISABILITY DECISIONS

Any disability examiner with access to the D-BRIEF can authorize any occupational disability decision. Examiners even have the ability to authorize decisions they prepared themselves (a self-authorization).

RRB policies provide that all occupational disability decisions be authorized. The policies do not state who has proper authority to do this authorization. Responsible program officials stated that it is the RRB's practice that occupational disability decisions be authorized by higher grade disability examiners or supervisory claims examiners. However, the RRB does not have a control to ensure that this practice is followed.

A General Accounting Office report issued November 1999, entitled "Standards for Internal Control in the Federal Government," states the following:

- *Segregation of Duties* – Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.
- *Proper Execution of Transactions and Events* – Transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority. This is the principal means of ensuring that only valid transactions

and other events are initiated or entered. Authorizations should be clearly communicated to managers and employees.

Between October 1, 2005 and August 31, 2006, four RRB disability examiners authorized five occupational disability decisions that they had prepared. Not having effective controls to ensure the independent and proper authorization of occupational disability decisions increase the possibility for incorrect or improper decisions.

Recommendations

The Office of Programs should:

- establish controls to ensure that all occupational disability decisions are independently authorized; (Recommendation #1) and
- establish a policy clarifying that occupational disability decisions are to be authorized by higher grade examiners or supervisory claims examiners. (Recommendation #2)

Management's Response

Management concurs with the recommendations. Policy and Systems will establish an edit in D-BRIEF to prevent self-authorization on occupational disability cases. The target date for establishing the edit will be May 2007.

Policy and Systems will also revise procedures to indicate that only higher level examiners and supervisors have the authority to authorize occupational disability cases. The target date for this revision will be May 2007.

The full text of management's response is included as an appendix to this report.



UNITED STATES GOVERNMENT

MEMORANDUM

MAR 19 2007

TO: Henrietta Shaw
Assistant Inspector General, Audit

FROM: Catherine A. Leyser *Catherine A. Leyser*
Director of Assessment and Training

THROUGH: Dorothy Isherwood *D. Isherwood*
Director of Programs

SUBJECT: **Draft Report – Review of the Occupational Disability Program**

Recommendation 1 The Office of Programs should establish controls to ensure that all occupational disability decisions are independently authorized.

OP Response We concur. Policy & Systems will establish an edit in D-Brief to prevent self-authorization on occupational disability cases by May 2007.

Recommendation 2 The Office of Programs should establish a policy clarifying that occupational disability decisions are to be authorized by higher grade examiners or supervisory claims examiners.

OP Response We concur. Policy & Systems will revise procedure to indicate that only higher level examiners and supervisors have the authority to authorize occupational disability cases by May 2007.

cc: Director of Policy and Systems
Director of Operations
Chief of Program Evaluation (Ret/Surv/Medicare/Tax)