

Total and Permanent Disability Processing Efficiency
Report No. 98-08, March 6, 1998

The RRB'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. The RRB also administers aspects of the Medicare program and has administrative responsibilities under the Social Security Act and the Internal Revenue Code.

The Railroad Retirement Act provides for two types of disability benefits: total and permanent, and occupational disabilities. A total and permanent disability annuity is payable to individuals with at least 10 years of railroad service who have been determined to be totally and permanently disabled from all work. Survivors of deceased railroad workers are also eligible for total and permanent disability annuities. An occupational disability annuity is payable to railroad employees with at least 20 years of service or 10 years of service and who are over 60 years of age who have been determined to be unable to work in their regular railroad occupation because of a disability.

The RRB calculates monthly benefits for a total and permanent disability and an occupational disability in the same manner. There is no difference in the amount of monthly benefits. The primary difference is the qualifying criteria.

The Office of Programs administers the RRB's disability program. This office is responsible for evaluating evidence submitted in support of disability applications, obtaining additional evidence, and awarding or denying disability benefits.

During fiscal year 1996, the RRB made 2,160 total and permanent disability decisions resulting in 1,494 awards and 666 denials.

The RRB's Mission Statement is: "The RRB will pay benefits to the right people, in the right amounts, in a timely manner, and safeguard our customers' trust funds. The RRB will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly."

The RRB developed a Strategic Plan for 1997 through 2002 and an Annual Performance Plan for fiscal year 1999 to conform with the Government Performance and Results Act. These plans provide, in part, that:

- C The RRB will ensure efficient operations through effective management control and quality assurance programs.
- C The RRB will implement a methodology to determine unit cost of key workloads.
- C Timeliness of payments is an essential ingredient in providing quality service and

the timeliness of key payment workloads will be monitored.

Scope and Methodology

The audit objective was to compare RRB and SSA efficiency in processing total and permanent disability applications. To accomplish this objective, the OIG:

- 1) reviewed applicable portions of the Railroad Retirement Act of 1974, and the RRB's disability claims manual;
- 2) reviewed applicable portions of the Social Security Accountability Report for Fiscal Year 1996 and 1997;
- 3) reviewed the total and permanent disability decision process relating to disability determinations made by RRB and reviewed by SSA; and
- 4) contacted RRB and SSA officials to obtain relevant statistical information associated with RRB and SSA processing of total and permanent disability applications.

The OIG conducted the audit in accordance with generally accepted government auditing standards. Auditors performed the field work at the RRB headquarters office in Chicago, Illinois from August 1997 through January 1998.

Results of Review

RRB records are not adequate to efficiently measure total and permanent disability processing costs and processing time. Data on costs and processing time was incomplete and was not comparable to SSA data. As a result, it was not practical to evaluate the efficiency of the RRB's processing of total and permanent disability applications.

RRB and SSA Statistical Information

The RRB does not maintain data on the unit cost of processing initial disability claims. The SSA, on the other hand, reported a fiscal year 1997 disability unit processing cost of \$544.24. This figure is computed based on several costs, such as the cost of processing initial disability cases, reconsiderations, and disability reviews.

The RRB computer systems are not programmed to produce the unit cost of processing initial disability claims. The RRB cost accounting system produced a cost accounting report showing the unit cost of a category labeled "Disability Applications." However, this category did not contain all the activity codes related to initial disability processing. RRB personnel stated that, if all the activity codes that pertain to initial disability processing were identified, a special report could be produced; however, identifying these codes

would take a great amount of time. In addition, disability officials stated that the cost accounting data obtained would be unreliable and could misrepresent the actual costs. For example, total and permanent disability processing cannot be separated from occupational disability processing.

The unit cost of processing initial disability claims (comprised of both direct and indirect costs) is information that management should have for decision making. The Office of Management and Budget Circular A-123 defines management controls as the organization, policies, and procedures used to reasonably ensure that reliable and timely information is obtained, maintained, reported, and used for decision making. Unit costs, when compared to prior years' unit costs or to SSA's unit costs could provide management with necessary information to measure the efficiency of RRB processing of disability claims.

The RRB and the SSA both report an average unit processing time for total and permanent disability decisions; however, due to differences in RRB and SSA methods of recording processing dates, these figures are not comparable. In some circumstances, the RRB cannot start processing an individual's application until months after an official filing date which is used to compute processing time. If an individual expresses an intent to file for disability benefits and the individual meets certain criteria, the RRB will use the expressed intent to file date as the official filing date for the disability application. In these circumstances, the RRB has not yet received a completed disability application and cannot start processing the disability claim until a completed application is filed.

Once the RRB obtains statistics on disability processing timeliness that are comparable with SSA figures, RRB management will be able to effectively and efficiently evaluate disability processing performance and identify areas in which performance levels can be improved. This information will also assist management in meeting the objectives of the agency's strategic plan.

Recommendations

The Office of Programs should establish procedures and records that will result in the reporting of disability processing time (Recommendation No. 1) and disability processing costs (Recommendation No. 2).

Management's Response

Management agreed that procedures and records should be developed which would result in the reporting of disability processing time and costs. For recommendation No. 1, the Office of Programs is currently pursuing development of the necessary systems and reports to determine performance in providing disability decisions in a timely manner. This effort should be completed by September 30, 1998. For recommendation No. 2, the Office of Programs has asked the Bureau of Fiscal Operations to use the total and permanent disability process as one of the first ones they develop using the new activity-

based-cost accounting software recently purchased for this purpose. If the Bureau of Fiscal Operations concurs, this effort should be completed by September 30, 1999.