

Review of the Accuracy and Timeliness of Social Security Benefits
Paid by the Railroad Retirement Board
Report No. 98-17, July 27, 1998

This report presents the results of the Office of Inspector General's (OIG) review of the timeliness and accuracy of Social Security (SS) Benefits paid by the Railroad Retirement Board (RRB).

Background

The RRB currently pays approximately \$1.1 billion annually in benefits on behalf of the Social Security Administration (SSA) to approximately 156,000 beneficiaries.

SSA certifies the benefits of certain individuals to the RRB for payment. (CFR 404.1413, "Certification of Payment to the Railroad Retirement Board," provides authority for this procedure.) Certification of SS benefits to the RRB typically occurs when an individual is entitled to benefits under both the Railroad Retirement Act (RRA) and the Social Security Act but may also occur when members of a railroad employee's family group become entitled to Social Security (SS) benefits whether or not they are also entitled to benefits under the RRA. This payment procedure was adopted in order to facilitate the implementation of the RRA of 1974 which provided that the Tier 1 component of Railroad Retirement (RR) annuities be reduced by any SS benefits which are also payable.

The Social Security Act provides for the advance filing of applications for benefits up to three months prior to the date of entitlement.

SSA receives and processes all applications and advises the RRB of the amount of benefits to be paid and the date entitlement will begin. The RRB makes payment to the beneficiary based on SSA's instructions. The RRB is later reimbursed by SSA for any benefit expense incurred.

SSA transmits benefit payment information to the RRB electronically. The RRB uses several automated systems to process SSA's instructions including the Post Adjudication Mechanical(PAM) system, the Social Security On-Line Automated RR-1e (SOLAR) system and the Mechanical Adjustment of Railroad and Social Security (MARS).

During calendar year 1997, approximately 36% of SS payment actions (which include initial awards to new beneficiaries and adjustments to the benefits of individuals already in pay status) were completed by an automated system. This statistic is an estimate that excludes the effect of the annual mass adjustment for post-retirement wages. This process is highly automated by design and does not reflect normal processing activity during the rest of the year. Manual intervention was required in approximately 64% of cases. Referrals for manual handling are transmitted to examiners via Worklist, an automated system.

In December of each year, the SSA authorizes payment of a cost-of-living increase to all SS beneficiaries. SSA transmits updated rate information electronically for all cases in which SSA's record indicates that an SS benefit should be in current pay status at the RRB. The RRB uses this data to perform a mass reconciliation of its records with SSA's records to ensure payment accuracy.

The RRB's 1997-2002 Strategic Plan states that the RRB's first strategic goal is to provide excellent customer service by optimizing benefit payment accuracy and assuring payment timeliness.

Objective, Scope and Methodology

The objective of this review was to assess the accuracy and timeliness of Social Security benefits paid by the RRB on behalf of SSA in current pay status at the RRB as of March 20, 1998.

In order to achieve the stated objective, we:

- assessed the internal controls over timeliness and payment accuracy;
- tested a statistically valid sample of 200 benefit payments against the SS master benefit record for accuracy of the benefit amount and entitlement dates;
- assessed the timeliness of 281 benefit payments with entitlement dates of November 1997 for the timeliness of initial award processing and financial impact of delays (See Appendix I); and,
- reviewed the claim folders of selected cases where initial award processing was delayed.

The scope of this audit did not extend to the timeliness of adjustments transmitted by SSA after the initial award. Such adjustments include changes of address, suspensions, terminations and reinstatements.

The work was performed in accordance with generally accepted government auditing standards as applicable to the audit objectives.

Fieldwork was conducted on-site at RRB headquarters during March through June 1998.

Findings and Recommendations

Our review determined that internal controls are not adequate to ensure that initial SS benefit awards are processed timely.

The automated system that performs the initial processing of SS awards schedules referrals for further manual handling too far in the future to ensure timely payment. In addition, the agency has not set a standard against which to measure timeliness, and the presently available reports do not provide management with information adequate to assess performance.

We also noted the absence of an audit trail for deletions from the SOLAR system as well as a systems defect that causes SSA to transmit payment certifications using incorrect RRB claim numbers.

Our tests of benefit payment accuracy and internal control assessment indicate that controls are adequate to ensure that the RRB is paying the benefit amount as certified by SSA. However, the annual mass reconciliation of RRB payment records with the SSA master benefit record, an important internal control, could be improved.

Details of our findings and recommendations for corrective action follow.

Automated Actions are not Scheduled Timely

Initial payment of the SS award was delayed in 57 (20%) of the 281 cases reviewed. (The criteria used in evaluating cases for timeliness are presented in detail in Appendix I to this report. Detailed analysis of the results of our assessment are presented in Appendix II.) Each of the 57 delayed cases required some manual intervention prior to payment. In 52 (91%) delayed cases the SS benefit was larger than the RR Tier 1 benefit resulting in a benefit underpayment during the period of the delay.

Seventy percent of the delays were in cases in which the PAM System, which had been unable to process the case mechanically, had sent the case to the SOLAR system for further processing but had done so too late to ensure a timely outcome.

PAM's timing of the referral to SOLAR, apparently sufficient when SOLAR is able to complete processing mechanically, is not sufficient when manual handling is required. As a result, these beneficiaries waited an average of 45 extra days for their first benefit payment. The average total processing time for delayed cases was 145 days. For 95 days, these cases were not in any active workload pending PAM's referral to SOLAR.

In the remaining 30% of cases reviewed, the PAM system had made a prompt referral to SOLAR which then referred the case to an examiner for manual handling. In most of these cases, the SS benefit was certified to the RRB during July - September 1997 but the first payment, due at the beginning of December, was not vouchered until January 1998. This type of delay is related to workload management, timeliness standards and performance reporting which are discussed in the next section of this report.

Recommendation

We recommend that the Office of Programs review the criteria used by the PAM system in timing referrals to the SOLAR system and establish new criteria that will ensure an adequate window of opportunity for prompt handling (Recommendation 1).

Management's Response

Management agrees with the recommendation and will perform a review of the cases in which the OIG found delays in order to determine if PAM criteria for referral to the SOLAR system need to be changed.

Management Cannot Adequately Assess Timeliness

The RRB has not established a timeliness standard for initial SS award processing. Existing reports do not provide management with information adequate to assess performance in this area.

Reports presently available to management measure the time elapsed from the date the payment is certified by SSA to the RRB for payment or the date a case is posted to Worklist for handling. Since an individual may file for SS benefits up to three months prior to their date of entitlement and anytime thereafter, cases may appear on a delayed case list before any payment is due. Similarly, no case is identified as delayed until 60 days have passed from the date of SSA's transmission, regardless of when benefits became payable.

Reports prepared under the current system do not consider entitlement date and do not evaluate performance against a predetermined standard. As a result, they do not serve as effective management tools for performance assessment or the prioritization of the workload.

Recommendations

We recommend that the Office of Programs:

- establish a standard against which to measure processing timeliness for initial awards(Recommendation 2); and
- develop reports designed to provide management with meaningful information that can be used in the prioritization and tracking of workloads as well as performance evaluation (Recommendation 3).

Management's Response

Management agrees with the recommendations. The Office of Programs will establish a processing standard for this workload and will modify existing management reports to

track performance against the standard.

Mass Reconciliation Could Be Improved

The annual mass reconciliation of RRB and SSA payment data functions as a major internal control which ensures that no error will go undetected for more than 12 months. Although this control is very effective, it could be improved.

During the mass reconciliation, the RRB compares its payment record against SSA's master benefit record and identifies any discrepancies in payment status or benefit amount. Any differences are then referred by the system for resolution.

The Office of Programs has not fully exploited the internal control potential of the mass reconciliation because it does not regularly collect and analyze information concerning the disposition of referrals from this process. Analysis of referral dispositions would help identify internal control weaknesses in the payment process and would help management quantify the magnitude of their impact.

In addition, the Office of Programs has advised us that situations may exist in which the reconciliation methodology produces unnecessary referrals; i.e., error referrals when no SS payment discrepancy actually exists. These referrals create unnecessary work because each one must be reviewed by an examiner. Unnecessary referrals may occur because of limitations or inaccuracies in the underlying data used to perform the reconciliation.

Recommendations

We recommend that the Office of Programs:

- review the reconciliation process and make changes as necessary to eliminate the identification of erroneous discrepancies (Recommendation 4); and
- collect and analyze data concerning the disposition of referrals from the mass reconciliation in order to identify any systemic problem or internal control weaknesses that may underlie the discrepancies (Recommendation 5).

Management's Response

Management agrees with the recommendations and will review the reconciliation process and explore means of streamlining that process.

No Audit Trail for SOLAR Deletions

The SOLAR system does not capture the identity of individuals who delete unpaid cases from that system. In addition, no report details the deletions for management review.

The SOLAR system processes cases that cannot be paid mechanically by the PAM system. Unpaid cases remain on the system (and in examiner workloads) until paid, deleted or purged. If SOLAR is unable to process a case to payment without manual intervention, the case remains on SOLAR until an examiner takes whatever action is needed to complete processing or until the case is manually deleted from the system.

When a case has been processed to payment, it will be purged from SOLAR during the regular system purges that are conducted at predetermined intervals. It may be necessary to manually delete an unpaid case from SOLAR when, for example, the SS benefit has previously been paid and the pending action is a duplicate. If the RRB determines that it does not have jurisdiction over a case, the SOLAR payment action cannot be completed and must be deleted from the system.

The SOLAR system does not document the identity of system users making deletions. This absence of an audit trail is an internal control weakness that was not addressed in the original system design that could result in the undetected, improper deletion of unpaid cases. Cases improperly deleted would remain unpaid until the RRB became aware that the payment was overdue through beneficiary complaint or a referral from the annual mass reconciliation of RRB's payment records with the SSA's master benefit record.

Recommendation

We recommend that the Office of Programs request modification of the SOLAR system to include periodic reporting on manual case deletions including identification of the individual making the deletions (Recommendation 6).

Management's Response

Management agrees with the recommendation and will request the necessary system changes.

SSA Transmits Incorrect RRB Claim Numbers

The RRB estimates that SSA transmits an incorrect RRB claim number in approximately 17% of initial awards. These errors originate in SSA's Modernized Claim System which incorrectly substitutes the personal SS number of some RRB spouse beneficiaries for the RRB Claim Number.

When payment is certified to the RRB under an incorrect number, the PAM system, which performs the initial payment processing, cannot identify the case as being under RRB's jurisdiction. As a result, payment processing is unnecessarily delayed when the case automatically rejects from the RRB's mechanical payment system for manual review.

SSA plans to correct this problem when the Modernized Claims System is updated in May

1999. Accordingly, the OIG makes no recommendation.

APPENDIX I - Audit Criteria for Timeliness Assessment

In the absence of an agency standard for processing timeliness, we developed criteria for assessing timeliness for audit purposes. The criteria were developed based on a preliminary assessment of the range of processing times of the 281 cases subject to review.

Our assessment criteria provided for a category of cases in which we expressed no opinion concerning timeliness. Cases in this category fall into the 15 day period between the audit definitions of “timely” and “delayed.”

Presented below is a summary of the criteria used to assess timeliness for purposes of this audit.

Timely

We considered initial payment “timely” if:

1. the initial payment was made by December 15, 1997, the date that the SS cost-of-living update was completed;
2. SSA had certified the award after the date of entitlement (November 1, 1997) and the RRB had processed payment within 35 days of the date of the transmission of the award.

Audit Exception Due to Delayed Payment

We considered initial payment “delayed” if:

1. SSA certified the award during July through September, 1997 and the initial payment had not been made by December 15, 1997 the date that the SS cost-of-living update was completed;
2. SSA certified the award during October 1997 and the initial payment had not been made within 50 days of the date of the transmission of the award;
3. SSA certified the award after the date of entitlement (November 1, 1997) and the initial payment had not been made within 50 days of the date of the transmission of the award.

Auditor Declines to Express an Opinion

We did not express an opinion as to timeliness if:

1. SSA certified the award during October 1997 and the initial payment was made within 50 days of the date of the transmission of the award;
2. SSA certified the award after the date of entitlement (November 1, 1997) and the initial payment was made within 36 to 50 days of the date of the transmission of the award.

**APPENDIX II - Timeliness of Initial Social Security Award Processing
(Results of Review of 281 Cases)**

We assessed timeliness of initial processing for 281 awards with dates of current entitlement of November 1997. These cases were selected from all SS benefits in current pay status on March 20, 1998.

Below is a summary of the result of our assessment and analysis based on the criteria presented in Appendix I of this report.

	PAID TIMELY	DELAY	NO AUDIT OPINION	ALL CASES REVIEWED
PAID BY 12/15/97	112	0	0	112
PAID WITHIN 35 DAYS OF NOTICE FROM SSA	63	0	0	63
OTHER NON-DELAYED	5			5
DELAYED PAYMENTS BY MONTH OF SSA CERTIFICATION TO THE RRB				
PAM 07/97		14	0	14
PAM 08/97		19	0	19
PAM 09/97		13	0	13
PAM 10/97		4	17	21
PAM 11/97		5	14	19
PAM 12/97		2	8	10
PAM 01/97		0	4	4
PAM 02/97		0	1	1
PAM 03/97		0	0	0
	180	57	44	281
	64%	20%	16%	100%

The auditors concluded that initial processing was delayed in 20% of cases reviewed and 64% of cases were paid timely.

Delays were concentrated among cases in which the beneficiary had filed in advance for benefits. Forty-six of the delayed cases were certified to the RRB for payment before

October 1, 1997 but were not yet in pay status on December 15.

We did not express an opinion on the timeliness of payment in 44 (16%) of the 281 cases reviewed. Establishment of standards for these cases would have required extensive assumptions concerning processing capability which were outside the scope of this review.