

**Review of Procedures for Correcting Errors in Service and Compensation
Reporting Identified by the EDM System
Report No. 99-04, October 19, 1998**

This report presents the results of an Office of Inspector General (OIG) review of the Railroad Retirement Board's (RRB) procedures for correcting errors identified during the processing of railroad employer reports of service and compensation. The OIG conducted the audit to determine if the RRB is effectively managing the resolution of these errors.

Background

The RRB's mission is to administer retirement, survivor, unemployment, and sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA).

The RRB uses a strategic plan to achieve this mission. A goal of the strategic plan is to provide excellent customer service. Railroad employer service and compensation reports are associated with the agency's objective of optimizing accuracy in providing benefits and ensuring an efficient and effective reporting system for railroad employers.

Railroad employers annually report service and compensation for their employees directly to the RRB. Employers also may submit adjustment reports to correct mistakes in previous reports or to report additional service and compensation. Service and compensation are principal elements for determining benefit eligibility and calculating benefits.

The RRB enters data from the service and compensation reports into the Employment Data Maintenance (EDM) system. The EDM system is a database that maintains historical service and compensation information for each person who has ever worked for an employer covered by the RRA. The EDM system contains over 12 million records and processes about 360,000 transactions a year.

During the processing of service and compensation reports, the EDM system edits for incorrect or inconsistent data reported by the employer. Incorrect or inconsistent data is categorized as either a suspended transaction or an error transaction. Suspended transactions are critical and are not processed or posted to employee accounts. Error transactions are non-critical errors in which service and compensation are posted to employee accounts with codes that control the use of the data in paying benefits. Suspended and error transactions could affect the employer's tax liability and employee's benefits under the RRA and RUIA. The EDM system produces listings of the suspended and error transactions (also known as referrals) which are used by the RRB to obtain additional information from railroad employers in resolving suspended or error transactions.

Scope and Methodology

The audit objective was to determine whether the RRB is effectively managing errors in service and compensation reporting. The OIG previously reported on suspended transactions in an audit report entitled, "Review of EDM Suspended Transactions," issued on May 8, 1997. To accomplish the objective, the OIG:

--reviewed applicable portions of the Railroad Retirement Act of 1974 and the Code of Federal regulations;

--reviewed procedures and controls for the resolution of error cases;

--studied the processing of employer reports;

--interviewed staff in the Office of Programs to evaluate the effectiveness of the procedures used for error resolution and to determine whether the procedures are being followed;

--reviewed the edit checks for EDM errors to determine whether any of the checks are unnecessary;

--reviewed the 1996 and 1997 control books of error transaction reports to verify compliance with procedures over the error resolution process and frequency of follow-up actions;

--reviewed a sample of 22 error transactions corrected in 1997 to determine if corrections were obtained from railroad employers and input into the EDM, system and whether the employees' records were corrected appropriately; and

--reviewed a random sample of 60 cases to determine if any of the individuals were receiving an annuity under the RRA. The sample was selected from a universe of approximately 1,300 unresolved compensation reporting errors identified by EDM for calendar years 1994 through 1997.

The OIG conducted the audit in accordance with generally accepted government auditing standards appropriate for this type of review. The OIG relied on information contained in a RRB computer system but did not verify the accuracy of the data. The review of the data was limited to understanding its sources and the controls over its input into the EDM system. Auditors performed field work at the RRB headquarters office in Chicago, Illinois from May 1998 through September 1998.

Results of Review

Although the RRB is resolving reporting errors identified by EDM, current procedures rely on time consuming manual efforts. In addition, the RRB does not produce reports to assist program managers in controlling error transactions. These kinds of reports would allow managers to identify cases in which the RRB should use subpoenas. The RRB can more effectively manage reporting errors identified by EDM by automating the error resolution

process, improving the quality of its management information, and using its subpoena authority, when appropriate.

The details of our findings and recommendations in each of the above areas are discussed in the following sections of the report.

Procedures for Resolution of EDM Errors

The RRB's current procedures for the resolution of reporting errors identified by EDM are based on manual activities performed by Wage and Accounting Unit personnel. These manually driven procedures are burdensome and inefficient. As a result, Wage and Accounting Unit personnel often have difficulty in complying with their procedures for error resolution.

The EDM System produces listings of errors for each service and compensation report that contains inconsistent or incorrect data. The Wage and Accounting Unit resolves errors by sending a copy of the error listing to the employer along with a form letter and instructions for making corrections. The procedures direct staff to send the listings soon after they are generated, initial copies of the listings and record the date they are sent before filing them in annual control books. These books are used to control error resolution.

If an employer does not respond to the initial request for correction within 30 days, the Wage and Accounting Unit must generate a follow-up request for correction and send it to the employer. Wage and Accounting Unit personnel do not receive any type of automated message to inform them of needed follow-up on a previous request. Instead, they must manually review the control books to identify those error listings that have been outstanding for over 30 days. Prior to sending the follow-up request, Wage and Accounting Unit personnel also must review the error listings to ensure that they are not requesting corrections that have already been made. If no response is received from the employer within 30 days of the follow-up request, the manager of the Wage and Accounting Unit should contact the employer.

When an employer submits corrections, the information is entered into EDM. The wage and accounting personnel must then manually notate the corrected items on the applicable error listing. If every item on the error listing is resolved, wage and accounting personnel remove the listing from the control book of unresolved errors.

The EDM error transaction control books for 1996 and 1997 reflected that error listings generally did not include notations for follow-up. Without these notations, wage and accounting personnel cannot determine when and if follow-up actions were taken. This situation could result in untimely or unnecessary follow-up action. The OIG's review showed that follow-up is performed as time permits. Also, wage and accounting personnel telephone employers but do not record when these discussions occur.

If EDM error transactions are not resolved prior to the awarding of an annuity, the annuity amount could be inaccurate. The OIG noted, as of July 11, 1998, approximately 1,300 unresolved compensation errors from reports filed in 1994 through 1997. A random sample of 60 cases showed that the RRB could be making incorrect benefit payments to seven annuitants. The OIG did not attempt to recalculate the annuities to determine what effect, if any, the unresolved compensation reporting errors might have because additional data was needed from the employers. However, because the annuity formulas are based on career railroad earnings, an error in one year's compensation reporting generally would not significantly impact the monthly annuity amount.

The OIG believes automating current manual procedures can make resolution of EDM errors more efficient and less time-consuming.

Recommendation No. 1

The Office of Programs should establish procedures to utilize an automated follow-up system. This system could automatically generate follow-up letters and error listings on the required dates and be used to monitor the resolution of reporting errors identified by EDM.

Management's Response

Management concurred with the recommendation and will add the tracking of these reporting errors to the tracking system being developed for EDM suspended transactions. A target completion date will be developed by November 30, 1998. The Director of Programs' complete response is attached as an appendix.

Management Information Report

The Railroad Retirement Board does not produce management information reports which are useful to managers in effectively controlling error transactions. The Office of Programs currently relies on computer generated error listings as its main source of management information. These listings are generated when service and compensation reports are processed or when reprints are obtained for follow-up reasons. These listings do not provide summary information of pending, newly identified, or causes of errors. In addition, the RRB does not have management reports to track requests for additional information from the railroads, and cannot quantify the number of outstanding requests or the number of days requests have been pending. The above information is an effective tool for program managers in resolving errors.

The OIG attempted to review the timeliness and efficiency of error resolution but was unable to obtain sufficient information to perform this analysis. Program management was also unable to provide the needed information.

The lack of adequate management reports prevents program management from determining the magnitude of error transactions, identifying the causes for problems, and developing corrective actions.

Management reports that are readily available and provide management with adequate information are basic management controls.

Recommendation No. 2

The Office of Programs should develop reports that are useful to management for making managerial decisions. These reports could be generated periodically and provide information on the number of pending errors, age of errors, category of errors and the status of error resolution efforts on pending errors.

Management's Response

Management concurred with the recommendation and will add this item to the management report being developed for EDM suspended transactions. A target completion date will be established by November 30, 1998.

Use of Subpoenas

The RRB has not used its subpoena authority to obtain information for resolving EDM error transactions. RRB management stated that railroad employers do not always provide requested information and, as a result, EDM errors remain unresolved. The RRB does not have management information reports to track requests for information, and cannot quantify the number of outstanding requests or the number of days requests have been pending.

Section 13(a) of the Railroad Retirement Act (45 USC Section 231 f) gives the RRB the authority to obtain any information required in the administration of the Act. In addition, under the authority of Section 12(a) of the Railroad Unemployment Insurance Act (45 USC Section 362 (a)), which is incorporated by reference into the RRA, the RRB may issue subpoenas to require the submission of information. The RRB can fine employers for failure to provide necessary information. The RRA also provides for criminal penalties for a knowing failure or refusal to report or furnish information required by the RRB (45 USC Section 231 1).

The OIG recommended in a prior audit report, " Review of EDM Suspended Transactions," issued in May 1997, that the Office of Programs develop procedures for utilizing subpoenas to obtain information from employers. The recommendation also provided that procedures should refer cases to the OIG for criminal investigation for failure to provide information on suspended transactions. RRB management is in the process of finalizing the procedures.

The OIG makes no recommendation in this area because the above procedures also apply to EDM error transactions.