

Management Information Report
Review of Lockbox Operations
Report No. 99-09, May 10, 1999

Background

The Railroad Retirement Board administers retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA). These programs provide income protection during old age and in the event of disability, death or temporary unemployment and sickness.

Benefits paid under the RRA and RUIA totaled almost \$8.3 billion in the fiscal year ending September 30, 1997. Retirement and survivor benefits accounted for \$8.2 billion of the benefits. Net unemployment and sickness benefits totaled approximately \$72.9 million.

Administration of these RRB programs resulted in some benefit overpayments. The Bureau of Fiscal Operation's Debt Recovery Division (DRD) is responsible for establishing and maintaining a debt collection program. Claimants are notified of debts and instructed to send payments to a lockbox address. DRD tracks debt recovery through a Program Accounts Receivable System (PARS).

To streamline collection procedures, the RRB contracted with the First National Bank of Chicago and the Mercantile Bank of St. Louis, MO to provide lockbox services for RRA payments and RUIA payments, respectively. The banks electronically transmit the amount of the payments to the Federal Reserve Bank for deposit into the RRB's account. The banks process lockbox checks and other documents according to RRB instructions. The lockbox documents are processed using key entry to capture and electronically transmit accounting information to the RRB. RRB employees retrieve and download the information to PARS. The banks use express mail to send the RRB a deposit ticket, a printout of the electronically transmitted data, and other correspondence.

Scope and Methodology

The objective of this review was to determine the accuracy and timeliness of processing remittances made to the RRA and RUIA accounts through lockbox operations during fiscal year 1997.

To accomplish the objective, the OIG:

- Reviewed applicable laws, regulation, policy and procedures;
- Reviewed prior Office of Inspector General audit reports;
- Reviewed U. S. Department of the Treasury audits for fiscal year 1996;
- Interviewed various RRB and U. S. Department of the Treasury personnel; and
- Reviewed a random sample of 120 deposits made during fiscal year 1997, including 60

deposits each for RRA payments and RUIA payments.

The OIG conducted this review in accordance with generally accepted government auditing standards as applicable to the audit objectives. Auditors performed fieldwork at RRB headquarters during December 1997 through February 1998. Follow-up work was performed in February and March 1999 in preparing this report.

Results of Review

This review showed that the RRB lockbox operation processed remittances in an accurate and timely manner. During fiscal year 1997, the RRB processed 10,709 lockbox transactions totaling approximately \$4.6 million for the RRA account, and 1304 lockbox transactions totaling approximately \$15.1 million for the RUIA account. Debtors sent remittances and billing documents to two lockbox banks where accounting information was entered into computer files and transmitted to the RRB for entry into the PARS. The lockbox banks processed the remittances for credit to the RRB's account. The following sections present specific information on bank and RRB processing.

Processing by Lockbox Banks

The lockbox banks processed remittances and sent the related documents to the RRB in a timely manner. After processing the remittances and making copies of the checks, the lockbox banks sent remittance documents to the RRB by express mail. The OIG compared the bank processing dates to the dates documents were received at the RRB for 120 deposits. This comparison showed that the RRB received documents relating to 116 deposits within one business day after bank processing and in two business days for the remaining four deposits in the sample.

The lockbox banks sent computer files containing account information to the RRB in a timely manner. The lockbox banks sent the accounting information to a designated computer system from which the RRB retrieved the data and posted it to PARS. The OIG compared the dates that the banks processed the remittances to the dates that the related account information was posted to the designated computer system. For all 120 deposits in the sample, the lockbox banks posted account information to the designated computer system on the same day that the banks processed the remittances.

RRB Processing of Deposit Information

RRB reconciliations ensured that the lockbox banks accurately processed remittances and account information. The DRD reconciled the deposits by comparing documents received from the banks to the account information that was transmitted electronically. For all 120 deposits in the sample, the DRD was able to reconcile bank deposit amounts to supporting documentation.

The RRB retrieved and processed the electronic data to PARS in one business day for

116 of the deposits. Records in the RRB's Debt Recovery Division did not reflect the date the RRB recovered and processed electronic data to PARS for two of the remaining four CD's. However, there is no indication that the RRB did not process the related data to PARS in one business day. Data relating to one CD was posted to PARS in two business days. In the remaining case, the RRB took four workdays to post remittance data to PARS. This delay occurred when bank data did not electronically post to PARS. The RRB identified this situation and resolved it by producing a printout of the remittance data sent by the bank and manually posting the data to PARS.