

**Inspection of Unverified Records in the Railroad Retirement Board's  
Employment Data Maintenance System  
Report No. 03-06, March 20, 2003**

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**INTRODUCTION**

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This report presents the results of the Office of Inspector General's (OIG) inspection of unverified records in the Railroad Retirement Board's (RRB) Employment Data Maintenance system (EDM).

**Background**

The RRB's mission is to administer retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families. During fiscal year (FY) 2002, the RRB paid approximately \$8.7 billion in railroad retirement and survivor benefits to about 684,000 beneficiaries. The RRB also paid unemployment and sickness insurance benefits of \$105.8 million to some 41,000 claimants.

EDM is a database that maintains historical service and compensation information for each person who has ever worked for a railroad. Railroad retirement benefits are awarded based on the number of months of service and the amount of compensation recorded in EDM. Service and compensation is reported to the RRB by railroad employers using the employee Social Security Number (SSN) as the primary identifier.

The RRB verifies the SSN and name of all new railroad employees against the records of the Social Security Administration. The initial verification process consists of an automated records match. The name and SSN must both agree with Social Security Administration records or the EDM account will be considered unverified. Unverified accounts are referred for further manual review by RRB employees.

EDM distinguishes between verified and unverified accounts and identifies the discrepancy that has prevented full verification. Accounts are not considered verified if:

- the Social Security Administration does not have a record of the SSN,
- the name associated with the matching SSN does not agree with the name in the RRB's records, or
- the Social Security Administration reports having multiple SSNs for the same worker.

EDM also identifies accounts that were unverified when that system was implemented in 1989.

The RRB's Bureau of Information Services is responsible for maintaining EDM and initiating the matching process. The Office of Programs is responsible for resolving any

discrepancies in name and/or SSN that are identified as a result of the automated comparison.

The RRB's strategic plan includes paying benefits accurately as the first strategic objective in meeting the larger goal of providing excellent customer service. This inspection addresses this goal because the accuracy of entitlement and benefit computation decisions is dependent upon the accuracy of EDM service and compensation data.

### **Objective, Scope and Methodology**

The objective of this inspection was to determine whether the RRB could improve its processing of unverified EDM accounts. The scope of this review was limited to unverified EDM accounts that were not scheduled for automated file matching with Social Security Administration records as of March 16, 2002. We specifically excluded from review any account for which EDM showed neither service nor compensation. To accomplish this objective, we:

- obtained and analyzed a computer extract of unverified EDM accounts;
- interviewed responsible management and staff;
- reviewed unverified accounts, on a sample basis, to assess the accuracy of the verification status reported by EDM; and
- reviewed the 80 unverified accounts for which EDM indicated both 120 months of railroad service and the existence of multiple accounts on the records of the Social Security Administration.

The details of the OIG's inspection methodology are presented in Appendix I of this report.

This inspection was performed in accordance with Quality Standards for Inspections, promulgated by the President's Council on Integrity and Efficiency, at RRB headquarters in Chicago, Illinois during September through December 2002.

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## RESULTS OF REVIEW

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The RRB can improve its handling of unverified EDM accounts. The RRB does not resolve unverified EDM accounts timely and the system does not always reflect the correct verification status. In addition, current procedures and controls do not adequately ensure that railroad service and compensation data is properly maintained in a single EDM account when it is reported under more than one SSN.

The details of our findings and recommendations for corrective action follow. The OIG's inspection methodology and the results of our detailed analysis and review of EDM accounts are presented in Appendix I.

### **Resolution of Unverified Accounts**

Current procedures and controls are not adequate to ensure the accurate categorization and timely resolution of unverified EDM accounts. Our analysis of 15,530 accounts categorized as unverified as of March 16, 2002 disclosed:

- over 1,700 unverified accounts that had been incorrectly identified as pending verification; and
- over 3,700 accounts that have remained unverified for at least 13 years and were not currently scheduled for further review. Some of these accounts contained compensation from 1937.

We also question the continued status of 1,922 accounts currently categorized as unverified due to the absence of a matching SSN on the records of the Social Security Administration. We randomly selected 10 accounts and queried the Social Security Administration to determine whether the current EDM status was accurate. The Social Security Administration reported having a record for each of the 10 accounts indicating that the current account status reported by EDM was incorrect.

Railroad employers report service and compensation data to the RRB using the workers' SSN as the primary identifier. The RRB verifies the SSN on all new EDM accounts with the records of the Social Security Administration to ensure that service and compensation is recorded accurately as a basis for the determinations concerning the entitlement to benefits and the amount of benefits payable.

Existing procedures for the resolution of unverified EDM accounts are outdated and incomplete. The current EDM account verification process is not fully documented and does not:

- provide for the re-submission of unverified accounts in subsequent automated matches;
- include tracking and documentation of action taken to resolve unverified accounts; and
- ensure that accounts are verified prior to the payment of benefits.

The risk of incorrect entitlement and benefit computation decisions is increased for retirees whose service and compensation has been recorded in unverified EDM accounts.

### Recommendations

We recommend that the Office of Programs:

1. fully document current procedures related to the verification of EDM accounts;
2. perform a one-time match of all unverified EDM records against the records of the Social Security Administration to determine the impact of unverified SSNs on the accuracy of service and compensation records as well as the potential for benefit underpayments;

and establish procedures:

3. for the periodic re-submission of unverified accounts for comparison with the records of the Social Security Administration during the automated matching process;
4. for the tracking and documentation of any action taken to resolve unverified EDM accounts; and
5. to ensure that EDM accounts are verified prior to payment of benefits.

### Management's Response

The Office of Programs concurs with all five recommendations. They will develop a comprehensive plan by July 31, 2003 to improve the process and implement the recommendations. A complete copy of the response can be found in Appendix II. The response includes preliminary data on compensation and service adjustments made in connection with Recommendation #2.

## **Service and Compensation Reporting for Employees with Multiple SSNs**

Current RRB procedures and controls do not provide reasonable assurance that compensation and service is maintained in a single EDM account for railroad employees who have more than one SSN.

In order for the RRB to pay benefits correctly, EDM must maintain all creditable railroad compensation and service under a single SSN for each railroad employee. The RRB's automated systems do not use compensation or service maintained in a second or third account when determining entitlement and computing benefits.

The automated account verification process identifies the EDM accounts of workers for whom the Social Security Administration has a record of multiple SSNs. The RRB then updates EDM to alert users of the existence of the other SSNs. However, the RRB currently relies on a manual review process to ensure that the service and compensation of railroad workers who hold multiple SSNs is recorded in only one EDM account. When the Office of Programs identifies service and compensation that has been reported under more than one SSN for the same railroad employee, the data is transferred to the worker's primary account.

In addition, some railroad employees have more than one EDM account due to employer reporting errors. For example, an employer's report of service and compensation may inadvertently include a typographical error or transposed digit. In these cases, a new EDM account will be created even though an account has already been established under the correct SSN. This new account will not be verified when matched against the records of the Social Security Administration.

We reviewed the EDM accounts of 80 individuals who were known to have multiple SSNs and who were vested for benefits under the Railroad Retirement Act based on the minimum requirement of 120 service months. In five of the 80 cases, service and/or compensation had been reported under more than one SSN but had not been consolidated into a single EDM account.

Existing controls are not adequate to ensure full reconciliation of EDM accounts when employers have reported service and compensation under more than one SSN. We noted that current agency procedures for unverified accounts do not include:

- periodic reviews to identify and consolidate service and compensation when a worker is known to have multiple SSNs; and
- a review of new EDM accounts to determine whether service and compensation reported under an unverified account number can be associated with a previously established EDM account.

As a result of inadequate controls, railroad workers whose service and compensation has been reported under multiple SSNs are at increased risk of benefit adjudication errors.

## Recommendations

We recommend that the Office of Programs:

6. periodically identify and consolidate service and compensation when a worker is known to have multiple SSNs; and
7. review all new unverified EDM accounts to determine whether service and compensation can be associated with previously established EDM accounts.

## Management's Response

The Office of Programs concurs with both of the recommendations. They will develop a comprehensive plan by July 31, 2003 to improve the process and implement the recommendations. A complete copy of the response can be found in Appendix II.

## **INSPECTION METHODOLOGY AND RESULTS**

The Employment Data Maintenance system (EDM) is a mainframe database that supports the adjudication of benefits under the Railroad Retirement Act. The system stores the service and compensation data that is the basis for benefit entitlement decisions and the computation of benefit amounts. EDM presently includes accounts for over 11 million current and former railroad employees.

The railroad worker's social security number (SSN) is the key identifier of employee accounts in the EDM system. The RRB attempts to verify all SSNs and the associated names with the Social Security Administration (SSA) to ensure that compensation and service is credited to the correct EDM account. Any account that is not verified through the annual computer match of EDM and SSA records is referred for manual review by RRB personnel.

The OIG obtained an extract of 26,425 accounts where the SSN and name had not been verified as of March 16, 2002. We excluded from our analysis 5,993 accounts that were scheduled for automated file matching with SSA's records and an additional 4,902 accounts that reported neither compensation nor service. Our study was restricted to the remaining 15,530 unverified accounts.

### Accounts Pending Verification with SSA

The study population included 1,769 accounts that had been erroneously classified as pending verification. Although EDM identified these cases as pending verification, their records lacked the secondary identifier that indicates the account is scheduled for verification through the annual computer match of EDM and SSA records.

### Accounts for which SSA does not have a Record of the SSN

The study population included 1,922 accounts, for which, according to EDM, SSA did not have a record. We randomly selected 10 accounts and queried SSA records to determine whether these accounts had been accurately categorized. SSA had a record for each of the 10 SSNs indicating that the current EDM account status was incorrect.

The high error rate identified in this small sample was sufficient to convince management that this category of unverified accounts presented a risk of error that warrants management's attention. Accordingly, we performed no further review or analysis.

## INSPECTION METHODOLOGY AND RESULTS

### Accounts not Verified when the RRB Converted to the EDM System in 1989

The study population included 3,741 accounts that had been categorized as unverified since 1989 and were not currently scheduled for further review. These records carried an unverified status indicator at the time EDM was loaded with data.

We randomly selected 10 of these accounts and queried SSA to determine whether scheduling them for verification through the current automated process might result in a change of status. SSA reported a record for each of the 10 accounts. For nine of the 10 accounts, name discrepancies prevented full verification.

### Accounts with Name Differences

The study population included 6,967 accounts for which SSA had verified the SSN but reported discrepancies in the name. We randomly selected 10 accounts to determine whether the discrepancy could be reconciled. We were able to identify two accounts in which EDM included sufficient data to permit resolution of the discrepancy through manual review. Both accounts reported railroad service and/or compensation that should have been credited to a previously verified EDM account.

### Individuals with Multiple Accounts at SSA

Some individuals obtain multiple SSNs. In order for the RRB to pay benefits correctly, EDM must report all creditable railroad compensation and service under a single SSN for each railroad employee.

The study population included 1,131 accounts for which SSA had reported a record of more than one SSN. We randomly selected 10 accounts to determine if EDM contained compensation or service months under two or more SSNs for the same individual. No errors were identified.

To supplement our initial test, we designed an additional test to assess the potential for errors among the accounts of workers vested for benefits under the Railroad Retirement Act. Errors in these accounts pose the greatest immediate risk to benefit payment accuracy. We reviewed the accounts of 80 individuals who are entitled to benefits based on the minimum requirement of 120 service months<sup>1</sup>. Our detailed tests disclosed that compensation and/or service had been recorded under two or more accounts in five of the 80 cases. Although the initial test disclosed no errors, the supplemental test revealed that errors do exist and may exist at an unacceptable level.

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<sup>1</sup>The attainment of 120 service months indicates that the railroad worker is vested in the railroad retirement system based on service and will be eligible for benefits based on age or disability. Recent legislation has reduced the number of service months required to obtain an annuity to 60, but the legislation only applies to compensation earned after 1995.





UNITED STATES GOVERNMENT

# MEMORANDUM

MAR 18 2003

**TO:** Henrietta Shaw  
Assistant Inspector General, Audit

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

**THROUGH:** B. V. Ferguson *B. V. Ferguson*  
Director of Programs

**SUBJECT:** Draft Report – Inspection of Unverified Records in the Railroad Retirement Board’s Employment Data Maintenance System

## Response to Draft Report – Unverified EDM Records

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**General  
Comments**

We appreciate the effort that the OIG staff put into this review, and will take corrective action where possible to ensure that we properly and timely verify the account numbers on EDM.

As is pointed out in the audit report, there are over 11 million records on EDM. While having any unverified numbers is a matter of concern, we believe that the 15,530 your study uncovered is a number that can be managed and certainly reduced. Many of those are from before the EDM system was implemented. Once those numbers get resolved, we believe that there will be very few to address in an ongoing process, as long as we ensure we have adequate controls for reviewing and resolving the fallout.

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**OP Response**

We agree with all of the recommendations. For recommendation 2 we ran a one-time match with SSA. The match found 961 items had verified. Since then ESTC resolved 3,751 cases. The other requested results are included on the attachment.

For all other recommendations, we will review the current process for verifying EDM records and resolving discrepancies and develop a comprehensive plan by July 31, 2003 to improve the process and to implement the recommendations in this report.

cc: Chief Information Officer  
Director of Policy and Systems  
Director of Operations  
Chief of Compensation and Employer Services Center  
Chief of Program Evaluation Section (Ret./Surv./Tax/Medicare)

Attachment

In its cover memo to the draft audit, the OIG requested the information below. Our replies follow.

Recommendation #2:

➤ **A report showing the number of accounts verified by the computer match:**

Here is a breakdown of the initial file of all unverified accounts (22,696) that was sent to SSA on November 8, 2002. On December 18, 2002 the file was returned with the following results:

Category	Counts
Matched and verified (between the time the file was originally created and when we got it back from SSA)	1,895
Matched SS# and Name (by SSA)	961
NIF - SS# not found in SSA's database	1,890
Multiple accounts on file at SSA	1,979
Requested but not on the reply file from SSA	5
SS# matched, but the name does not match on the SSA file.	15,966
<b>Total</b>	<b>22,696</b>

➤ **The number of accounts requiring adjustments to compensation or service, the amount of compensation and service months transferred to a different account, and the number an amount of any annuity adjustment.**

Since our run in December, through March 17, 2003, we have the following results:

Cases resolved	3,751
Tier 1 transferred	\$368,137.46
Tier 2 transferred	\$349,341.96
Service Months transferred	229

There are 17,984 cases that still need review. We will track the results of the remaining case reviews and provide you that information when our review is completed.

➤ **Recommendation 6, please report any compensation, service month or annuity adjustments from the initial review.**

Tracking this information will be included as a step in our action plan.