

**Accuracy and Reliability of GPRA Performance Measures:
Timeliness of Non-Disability Survivor Annuity Payments
Report 06-03, January 30, 2006**

INTRODUCTION

This report presents the results of the Office of Inspector General's (OIG) review of the accuracy and reliability of the Railroad Retirement Board's (RRB) performance measures for the timeliness of non-disability survivor annuity payments.

BACKGROUND

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

Generally, survivor annuities are payable to widows, widowers, and unmarried children. In certain cases, benefits are also payable to parents, remarried widow(er)s, grandchildren and surviving divorced spouses. Eligibility for survivor benefits depends on a covered worker's eligibility status at the time of death. The RRB awarded approximately 8,700 new non-disability survivor annuities and 4,700 lump sum payments during Fiscal Year (FY) 2005. At the end of FY 2005, there were 168,000 non-disabled survivor annuitants and benefits averaged \$1,020 a month.

The Government Performance and Results Act of 1993 (GPRA) initiated program performance reform by requiring agencies to set program goals, measure program performance against those goals, and report publicly on their progress. In carrying out the provisions of GPRA, each agency prepares an annual performance plan covering each program activity set forth in the agency's budget. The RRB publishes a Performance and Accountability Report, which includes the annual Financial Statements, and a Performance Section detailing performance against key customer service and other measures. The Planning Council is an executive committee of the RRB with responsibility for planning and preparing the Performance Section (referred to as the "GPRA report").

The GPRA report contains performance indicators related to the timeliness of three types of non-disability survivor payments: (1) initial survivor benefits, (2) spouse to survivor benefit conversions, and (3) lump-sum death benefits. The performance goals for each measure are:

1. A survivor annuitant not already receiving a benefit will receive initial payment, a decision, or notice of transfer to the Social Security

Administration (SSA) within 65 days of the annuity beginning date (ABD) or date filed, whichever is later.

2. A survivor annuitant currently receiving benefits as a spouse will receive payment as survivor, notice of denial, or notice of application transfer to SSA, within 35 days of the RRB's receipt of the notice of employee's death.
3. An applicant for any railroad retirement death benefit will receive payment or notice of denial within 65 days of date filed.

The Office of Programs compiles the data for these three measures and prepares management reports that form the basis for the GPRA report. The office is also responsible for the reliability, accuracy, and validity of the related performance data published in the annual GPRA report.

Performance measures support the major goals and objectives in the RRB's 2003-2008 Strategic Plan and the agency's annual operating plans. The measures also support the President's Management Agenda and Office of Management and Budget guidelines calling for a closer linkage between performance and budgeting.

A recent OIG review determined that major system flaws and inadequate management oversight undermined the accuracy and reliability of the performance indicators relating to timeliness of initial railroad retirement annuity payments (OIG Audit Report No. 05-05 issued May 17, 2005).

OBJECTIVE, SCOPE AND METHODOLOGY

Our objective was to determine whether the RRB performance measures for timeliness of non-disability survivor benefit payments are reliable and valid. The scope covered data for October 2004 through June 2005. To achieve our objective, we:

- Analyzed relevant laws, regulations, policies, and procedures.
- Interviewed agency officials to obtain an understanding of operations.
- Recomputed the summary time lapse statistics included in the GPRA report for April through June 2005.
- Selected judgmental samples of survivor applicants paid in October 2004 through June 2005 to test the accuracy of time lapse data captured.
- Reconciled the June 2005 counts for two performance measures to test for accuracy of total cases, and evaluated the reported data for other months for reasonableness.

The review was conducted in accordance with generally accepted government auditing standards, as applicable to the objectives. The fieldwork was performed at the RRB headquarters in Chicago, Illinois from May through October 2005.

RESULTS OF REVIEW

The RRB performance measures for the timeliness of non-disability survivor annuity payments have not been completely reliable and accurate, but the agency is making an effort to improve the process. Our review disclosed that:

- The Office of Programs has not verified the supporting data.
- The time lapse methodology for some initial survivor payment cases is incorrect.
- The current process used to collect and summarize data is not efficient.
- The procedures for compiling performance measures are undocumented and no backup person has been assigned in case the current employee performing the job unexpectedly leaves.
- The Office of Programs does not have up-to-date record retention policies.
- Data in the application processing system relating to the status field of survivor applications is not always reliable.

The details of our findings and recommendations follow.

SUPPORTING DATA IS NOT VERIFIED

The Office of Programs had incorrectly included some disability cases in the initial survivor payment statistics and had understated the timeliness for the measure. In addition, the OIG found minor discrepancies in workload counts for lump-sum death benefits for the month tested, primarily because some types of lump-sum payments had been excluded and some initial survivor annuities had been erroneously included as lump-sum payments.

The GPRA report contains separate and differing performance indicators related to the timeliness of payments for the various types of annuitants and applications. The indicators correspond mostly to the major types of benefits that the agency can pay as part of its overall mission of income protection during old age and in the event of disability, death or temporary unemployment and sickness. Controls should be established to validate the propriety and integrity of performance measures. These controls would ensure that the types of benefits are properly categorized and tracked.

The Office of Programs uses reports from several different payment systems and runs separate monthly on-line queries to identify the various applications and obtain all data needed for each performance measure. However, the agency does not perform periodic testing to ensure that the compiled systems data, such as the application type, is accurate and reliable for the related performance measure.

Without sufficient verification of the supporting data, there is a risk of inaccuracy in the GPRA report that would be undetected by the agency. Erroneously including disability cases in the initial survivor count caused an under-reporting of timeliness for the initial survivor payment timeliness measure. Testing performed by the Office of Programs confirmed that those disability cases incorrectly included in the initial survivor payment measure have been removed since April 2005. The Office of Programs revised the reported statistics for April 2005 and afterwards. For the April through June period, the number of reportable initial payments decreased from the previously reported 633 to 587, and the percentage of cases meeting the timeliness goal increased from 88.3% to 95.7%. The OIG has tested the June 2005 statistics for the initial survivor and lump-sum death benefit payment measures and believes that they are reasonably accurate.

In Audit Report No. 06-01, Fiscal Year 2005 Financial Statement Audit Letter to Management, issued November 15, 2005, the OIG has recommended that the RRB ensure that the internal control process for performance indicators includes validation of data. Therefore, no additional recommendation is being made at this time.

Recommendation

The OIG recommends that the Office of Programs:

1. Determine and report the impact of the disability count error on the disability performance measure results stated in the GPRA report.

Management's Response

The Office of Programs agrees with the recommendation and will confirm the impact of the disability count error on the disability performance measure results by May 31, 2006. The complete copy of management's response is included in the Appendix to this report.

TIME LAPSE METHODOLOGY FOR INITIAL CASES IS INCORRECT

The Office of Programs is using an incorrect methodology to calculate the time lapse for some initial survivor payment cases. The office currently adds 30 days to the ABD to determine the starting date for computing the timeliness standard for initial cases with an ABD later than the filing date.

Transactions should be accurately recorded to maintain their relevance to management in making decisions. All agency recurring annuity payments are payable on the first of the month for the previous month that the annuitant was entitled. The performance measure appearing in the GPRA report states that the goal is to pay a new survivor annuitant or render a response or decision, within 65 days of the annuity beginning date or date filed, whichever is later.

The Office of Programs' adjustment of these cases is inconsistent with the definition. For example, if an annuitant applied on June 16, 2005, had an ABD of July 1, 2005 but was paid on September 12, he or she would have been paid 73 days after the ABD and not met the stated standard. However, the Office of Programs would have adjusted the time lapse downward to 43 days and counted the case as meeting the standard.

The adjustment is also inconsistent with the performance measurement for retirement applications that are filed in advance of the annuity beginning date. For retirement applications, the Office of Programs uses the annuity beginning date as the starting date for measuring timeliness, with no 30-day adjustment.

The Office of Programs advised that they added 30 days to the ABD in determining the time lapse because the adjusted date is the earliest day that an applicant awarded an annuity can be paid. Using an incorrect methodology leads to inaccurate time lapse statistics for initial non-disability survivor payments and increases the risk of incorrect results being reported in the GPRA report. The OIG is unable to assess the impact of this methodology for the full fiscal year results. We did not find any material impact on the June 2005 statistics that we tested because there were no additional cases that had met the standard due to the 30-day adjustment.

Recommendation

The OIG recommends that the Office of Programs:

2. Revise the methodology for initial survivor payments to properly reflect the stated measurement.

Management's Response

The Office of Programs concurs and revised the methodology for initial survivor payments in January 2006. A copy of management's response is included in the Appendix to this report.

INEFFICIENCIES EXIST IN THE COMPILATION PROCESS

The process for compiling performance measure data is not efficient. It presently relies on multiple systems and data sources as well as extensive manual processing and adjustments.

RRB program managers need operational data to determine whether they are meeting their agency's performance plans. Pertinent information should be identified, captured and distributed in a form and timeframe which permits staff to perform their duties efficiently. The RRB faces strategic issues of meeting customers' expectations for personal, high quality service and an ongoing ability to maintain effective, efficient and secure agency operations.

The agency's Key Operating Report (KOR) system is used to track and prepare reports on the timeliness data. Currently, because KOR cannot distinguish between application types, it is necessary for the agency to use other reports from several different payment systems and also run separate monthly on-line queries to identify the various applications and obtain all of the data needed for the performance measures. These reports are manually reviewed to identify all of the proper cases and determine the correct time lapse dates.

The risk of errors in compiling the survivor measures is increased because of the inefficiencies in the current manual process. The agency has initiated plans for a revised KOR system, with additional functionality to automate portions of the compilation process. One planned improvement to KOR involves creating new application type codes that provide more detail and mirror the codes used by the application system, enhancing the KOR master record fields, and designing new monthly KOR reports to be used for customer service reporting.

Recommendation

The OIG recommends that the Office of Programs:

3. Complete the development and implementation of the KOR system changes.

Management's Response

The Office of Programs agrees and will implement KOR system changes by May 31, 2006. A copy of management's response is included in the Appendix to this report.

PROCEDURES ARE UNDOCUMENTED AND NO BACKUP PERSON HAS BEEN ASSIGNED

The Office of Programs does not have sufficient procedures in place to ensure that they could continue to prepare performance reports on a timely basis should the current employee doing the job unexpectedly leave.

Good internal controls require appropriate documentation of policies and procedures and effective staff management. Organizations are generally expected to employ policies and procedures that would ensure timely and orderly resumption of time-sensitive operations, with minimal interruption, if an unforeseen event occurs.

Currently, no documented departmental procedures exist that fully explain the process for compiling performance measures. One person also is primarily responsible for performing the highly manual job and no backup person has been trained.

Lack of written procedures increases risk of errors in the measurement, compilation, and report preparation, in addition to likely business disruption with personnel changes. Reliance on one person with no backup adds to business disruption risk should the person unexpectedly be unable to perform his or her duties.

Recommendations

The OIG recommends that the Office of Programs:

4. Document the procedures for compiling data for survivor performance measures.
5. Train another staff person to perform the compilation job for survivor performance measures.

Management's Response

The Office of Programs agrees with both recommendations. The Office of Programs documented its procedures for the compilation process in January 2006 and plans to train another staff person by August 31, 2006. A copy of management's response is included in the Appendix to this report.

RECORD RETENTION POLICIES ARE NOT ADEQUATE

The RRB does not have adequate record retention policies to ensure full agency accountability for performance reporting.

Adequate and proper documentation includes the creation and maintenance of complete and accurate records which ensure agency accountability. Agency bureau managers should ensure that needed information is maintained accordingly. The RRB's records schedule for documentation relating to applications states that the authorized disposition for the system data is to "delete/dispose of data when no longer needed for administrative, legal, audit, or operational purposes." For report and outputs, the schedule states that they can be destroyed "when six months old or when no longer needed for administrative use, whichever is sooner."

The RRB's policy on retention of management records and supporting system data for performance measures is outdated. Office of Programs' officials advised that some supportive data for performance measures is deleted as early as three months, but other administrative report files have been kept for several years. Because the existing retention policy has not been updated and supporting records have not been retained, the agency is unable to correct the pre-April 2005 initial survivor payment performance measure statistics for the disability cases that were incorrectly included in the counts. As a result, the FY 2005 GPRA report performance results relating to timeliness of initial survivor applications are not accurate.

OIG Audit Report No. 06-01, Fiscal Year 2005 Financial Statement Audit Letter to Management, has recommended that the RRB ensure that the internal control process for performance indicators includes retention of supporting documentation. Therefore, no additional recommendation is being made at this time.

SYSTEMS DATA RELATING TO SURVIVOR APPLICATION STATUS IS NOT ALWAYS RELIABLE

Data in the APPLE system relating to the status field of survivor annuity applications is not always reliable. Applications that were never completed, returned or released by the agency field office staff showed a "paid" status in APPLE that was incorrect. The applications involved either annuitants with multiple payments or awards due to several annuitants.

Applications for a survivor annuity must be completed at one of the RRB's field offices, with a traveling agency representative, or by telephone and mail. APPLE records the date of key application activity, including the date the application is completed or filed, as well as the date the filed application is released to the payment system or referred for manual handling. APPLE also has a status field indicating the various stages of the application process which is used to track and control applications for development purposes.

Controls of information systems should be designed to ensure completeness, accuracy, proper authorization, and validity of transactions during processing.

There are insufficient controls in APPLE to identify inaccurate or inconsistent data relating to the application status. Because of the lack of controls, some applications will not be properly tracked on a timely basis because they have an incorrect status that is undetected. In addition, insufficient controls undermine the trust in the system to provide reliable processing and data.

Office of Programs staff advised that, although these applications lacked a filing date, there was little risk of improper and fraudulent payments with these manually processed cases. To ensure that valid payments are made, authorizers are responsible for reviewing the action of examiners who manually process cases for adjudicative action. The authorizer does not rely on the APPLE data alone, but must review supporting proofs in certifying the payment.

The Office of Programs researched each exception noted by the OIG and verified that a valid application and other supportive documentation was on file to justify the annuity payment. The OIG also reviewed the records and determined that no improper or fraudulent payment occurred.

Recommendations

The OIG recommends that the Office of Programs:

6. Develop an edit control in APPLE to prevent data inconsistencies between the survivor application status and activity dates.
7. Identify all applications in the APPLE database showing a paid status with no filing date. Research and correct these cases, and implement action needed to correct the cause of this error.

Management's Response

The Office of Programs agrees with the recommendation to develop the APPLE edit control and will complete corrective action by September 30, 2006. The Office of Programs also agrees with the recommendation to identify, research, and correct APPLE applications showing a paid status with no filing date. Corrective action will be completed by September 30, 2006. A copy of management's response is included in the Appendix to this report.



UNITED STATES GOVERNMENT

MEMORANDUM

FORM G-115f (1-92)
RAILROAD RETIREMENT BOARD

JAN 26 2006

TO: Henrietta Shaw
Assistant Inspector General, Audit

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

THROUGH: Dorothy Isherwood *D. Isherwood*
Director of Programs

SUBJECT:

Draft Report – Accuracy and Reliability of GPRA Performance Measures: Timeliness of Non-Disability Survivor Annuity Payments

TIMELINESS OF NON-DISABILITY SURVIVOR ANNUITY PAYMENTS

Recommendation

1

The OIG recommends that the Office of Programs:

1. Determine and report the impact of the disability count error on the disability performance measure results stated in the GPRA report.

OP Response

We agree. We believe that there is no impact on the disability payment performance measure and will independently confirm that by May 31, 2006.

Recommendation

2

The OIG recommends that the Office of Programs

2. Revise the methodology for initial survivor payments to properly reflect the stated measurement.

OP Response

We concur. The final performance data reported for Fiscal Year 2005 – submitted to BFO on January 13, 2006 – has been corrected to accurately report the time from the annuity beginning date to the date of payment or decision (without the extra 30 days). A copy of the submission and the footnote has been submitted to you under separate cover. We believe this recommendation should be shown here as implemented.

For your information, upon review, we found that the wording in the Customer Service Plan for the initial survivor standard indicates that the customer will receive “first payment or a decision within 65 days of the date you filed your application or *become entitled to benefits*, if later.” (Emphasis added.) The Annual Performance Plan goal I-A-8 states that the person would receive initial payment, a decision or notice of transfer to SSA within 65 days of the *annuity beginning date* or date filed (whichever is later).” (Emphasis added.) We have already initiated a project to review of the Customer Service Plan and measurements to ensure consistency and clarity. We will then adjust any goals that are included in the Annual Performance Plan accordingly.

Recommendation
3

The OIG recommends that the Office of Programs

3. Complete the development and implementation of the KOR system changes.

OP Response

We concur. The changes are currently targeted for a May 2006 completion date.

Recommendation
4

The OIG recommends that the Office of Programs

4. Document the procedures for compiling data for survivor performance measures.

OP Response

We agree. Office of Programs/Survivor Benefits Division has documented its methodology for establishing performance and placed these procedures on a shared network drive. You will receive a copy of this documentation under separate cover. We believe that this recommendation can be listed as implemented.

Recommendation The OIG recommends that the Office of Programs
5

5. Train another staff person to perform the compilation job for survivor performance measures.

OP Response We agree. The retirement and survivor analysts will be cross-trained within 3 months of the implementation of the KOR changes.

Recommendation The OIG recommends that the Office of Programs
6

6. Develop an edit control in APPLE to prevent data inconsistencies between the survivor application status and activity dates

OP Response We agree. We are targeting completion by September 30, 2006.

Recommendation The OIG recommends that the Office of Programs
7

7. Identify all applications in the APPLE database showing a paid status with no filing date. Research and correct these cases, and implement action needed to correct the cause of this error.

OP Response We agree. We are targeting completion by September 30, 2006.

cc: Chief Financial Officer
Georgia Blalock, Chair, RRB Planning Council
Director of Operations
Acting Director of Survivor Benefits
Director of Policy and Systems
Chief of Calculation Analysis and Systems
Chief of Program Evaluation (Ret/Surv/Medicare/Tax)
Chief of Training