



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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FEDERAL PERSONNEL AND
COMPENSATION DIVISION

B-207561

JULY 9, 1982

The Honorable Donald J. Devine
Director, Office of Personnel
Management



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Dear Dr. Devine:

Subject: Terminating Benefits to Economically Recovered
Disability Retirees Should Be More Timely
(GAO/FPCD-82-46)

We have reviewed the Office of Personnel Management's (OPM's) administration of the statutory provisions regarding the economic recovery of disability retirees. The review was part of our larger ongoing study of the administration of the civil service retirement system's disability provisions. This report summarizes our findings and recommends action to improve procedures for more timely economic surveys which are the basis for terminating benefits to economically recovered disability retirees.

OPM is responsible for administering the civil service retirement system, including disability provisions. Under section 8337(d) of title 5, United States Code, the annuity of a disabled retiree under age 60 terminates 1 year after the end of the year in which earning capacity is restored. Earning capacity is considered restored if the retiree's earned income in 2 consecutive years equals at least 80 percent of the current pay of the position occupied at retirement. A retiree's eligibility for benefits must be determined by the end of each calendar year so that ineligible retirees can be removed from the rolls. OPM determines this by surveying disabled retirees each year to obtain earnings data. If a retiree does not respond to the survey, OPM may suspend annuity payments until the retiree's entitlement to continued annuity is established.

During the last 2 years, we and the House Committee on Government Operations have expressed concern about the administration and timeliness of OPM's surveys. While OPM has made much progress, more needs to be done. The 1981 survey was completed in February 1982. The annuities of those who did not respond were then suspended. Because the suspensions were not made at the end of the calendar year, OPM made potential inappropriate payments for January totalling about \$157,000 to retirees who

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have not provided the data necessary to determine their eligibility. This amount is subject to reduction as additional retirees respond.

OPM has taken several steps, including establishing 1982 milestones, to improve the timeliness of its economic surveys. These milestones, if met, should enable OPM to remove ineligible retirees from the disability rolls by the end of 1982. However, these milestones apply only to the 1982 survey and have not been incorporated into OPM's formal procedures. OPM needs to revise its procedures to establish appropriate milestones for conducting future surveys.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review was to determine how timely OPM is conducting the economic surveys used to remove ineligible retirees from the disability rolls. We reviewed the completed 1981 survey and the 1982 survey through April. We compared OPM's actual performance with the procedural requirements for conducting the survey and the requirement for determining eligibility by the end of each calendar year.

At OPM headquarters in Washington, D.C., we reviewed statutory provisions relating to disabled retirees and the implementing procedures. We held discussions with OPM officials to determine how and when the surveys were conducted. We also reviewed applicable reports on OPM's 1981 survey results and performance appraisal standards for officials responsible for conducting the survey.

Our work, which was completed in April 1982, was performed in accordance with our Office's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

PAST CONCERNS

In a 1980 report ^{1/}, we concluded that OPM's untimely surveys resulted in paying disability annuities without determining annuitants' eligibility. We found that OPM was not meeting its milestones for completing annual earnings surveys, and the surveys took several years and overlapped subsequent surveys. We recommended that OPM develop procedures that would establish more timely reviews (surveys) of disability annuitants. Although OPM acted to make its reviews more timely, its procedures were not adequate to insure completion of the surveys by the end of the year.

^{1/}"Civil Service Disability Retirement Program" (FPCD-81-18, Dec. 15, 1980).

The House Committee on Government Operations also expressed concern about OPM's inadequate attention to the administrative details involved in disability retirement program operations. ^{1/} The Committee cited OPM's 1979 earnings survey as "a case study of errors and management inattention." It also stated that better visibility should be built into OPM's operations to promote professional administration of this expensive system.

CURRENT SURVEYS

We found that benefits to potentially economically recovered annuitants were not suspended as promptly as they should have been because OPM's 1981 earnings survey was not completed on time.

In March 1981 OPM sent income-reporting forms to 137,811 disability annuitants. In November 1981, 8 months later, OPM sent second requests for this data to about 8,600 retirees; 2,121 retirees did not respond, and in February 1982, OPM notified them that their annuities had been suspended. As of April 9, 1982, when we completed our fieldwork, OPM had received the requested information from 1,582 of these annuitants, and their benefits were reinstated. By June, 282 others responded, leaving a balance of 257 who did not. Because these 257 retirees were carried on the disability rolls for a month longer than the terminated retirees, about \$157,000 in potential overpayments were made.

OPM cites an increasingly inaccurate list of mailing addresses as a basic cause of retirees not responding. OPM said that 45 percent of all civil service retirees elect to have their annuities deposited directly to their bank accounts by electronic funds transfer. Under this method of payment, annuitants can continue to receive payments without keeping OPM informed of their current addresses. OPM said it is taking action to obtain current addresses for future surveys.

Of the 135,690 retirees who responded in 1981, 321 reported earned income exceeding the eligibility standard, and they were dropped from the rolls in December 1981.

We compared OPM's milestones with actual performance on the 1981 survey and planned actions on the 1982 survey, as shown in the following table.

^{1/}Report of the House Committee on Government Operations "Improving the Administration of the Civil Service Disability Retirement Program" (House Report No. 97-412, Dec. 15, 1981, 97th Cong., 1st session).

<u>Procedural step</u>	<u>OPM milestone date</u>	<u>Actual performance 1981 survey</u>	<u>Planned actions 1982 survey</u>
Generate data on retirees to be surveyed	February 1	March 1981	May 1982 (Completed)
First mailing	March 1	March 12, 1981	June 18, 1982 (Completed)
Second mailing	Not established	November 20, 1981	August 27, 1982
Develop list of nonrespondents	December 1	January 1982	December 1982
Suspend nonrespondents	December 31	February 2, 1982	January 5, 1983

OPM, at the time of our review, had no management reporting procedures to measure the timeliness of these surveys. A progress reporting system could help officials responsible for this activity to know whether or not the established milestones are being met. For example, a short report comparing OPM's milestones with actual performance could be prepared each month at a nominal cost. Furthermore, a contributing factor to untimely surveys may be the absence of a milestone for the second mailing. By setting this additional milestone, OPM could better track the progress of the survey during the year.

We reviewed the Senior Executive Service performance contracts for the officials directly responsible for the administration of this program to determine whether prompt removal of ineligible retirees from the rolls had been specified as a performance standard. We found that this function was not mentioned in the contracts.

CONCLUSIONS

OPM's performance on the 1981 survey showed progress compared to prior surveys in meeting its established milestones, but the 1982 survey is behind the schedule established by OPM procedures. While OPM has taken some action in response to the Committee's and our past recommendations, we believe that more needs to be done to meet the statutory yearend deadline for removing ineligible retirees from the disability rolls. We believe that establishing a milestone for the second mailing and requiring progress reports would assist management in monitoring the survey's timeliness. Furthermore, OPM needs to hold its managers accountable for the prompt removal of ineligible retirees from the rolls.

AGENCY COMMENTS

In a draft of this report, we proposed that OPM (1) establish an additional milestone for conducting future surveys, (2) require periodic progress reports, and (3) hold its managers accountable for promptly terminating benefits to economically recovered retirees.

OPM said it has adopted a new practice whereby a full survey of all disability retirees under age 60 will be made every other year asking for data on their incomes during the preceding 2 years. In the alternate years, a limited survey will be made. This survey will request income data for the preceding year only from those annuitants who reported income exceeding the 80-percent limit for the most recent of the 2 years under the full survey. Consequently, OPM's 1982 survey will be sent to only about 20,000 annuitants (as compared to about 138,000 in 1981).

OPM stated that it has prepared a "critical path analysis" incorporating the major 1982 survey milestones, including the milestone for the second mailing. However, we noted that these milestones are applicable only to the limited 1982 survey and have not been incorporated in OPM's formal procedures. OPM should revise its procedures to establish appropriate milestones for conducting future surveys--both for the full and limited surveys.

OPM agreed with our other proposals and said it has taken steps to implement them. Monthly progress reports to middle and top management are to be made by the chief of the section directly responsible for conducting the survey. Also, the performance standards for the chief are being revised to include timely termination of benefits as a critical element for purposes of evaluation. We believe these actions should help to improve the timeliness of future surveys.

OPM said it was considering the use of optical scanning to replace keypunching as a means to improve timeliness and lessen the likelihood of errors which have delayed past surveys. It said the new process would be implemented in 1983 if resources are available.

We did not include OPM's written comments in this final report because of their length; however, they have been recognized in this report.

RECOMMENDATION

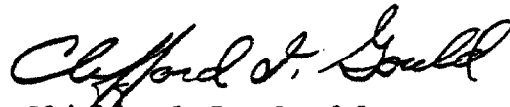
We recommend that the Director, OPM, establish appropriate milestones for conducting future surveys--both for the full and limited surveys.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations. This written statement must be submitted to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report. A written statement must also be submitted to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen, House and Senate Committees on Appropriations, House Committee on Post Office and Civil Service, Senate Committee on Governmental Affairs, House Committee on Government Operations; the Chairwoman, Subcommittee on Manpower and Housing, House Committee on Government Operations; and the Director, Office of Management and Budget.

Sincerely yours,


Clifford I. Gould
Director