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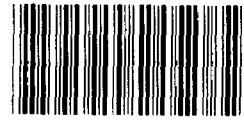
GAO

Report to the Acting Commissioner of
Social Security and the Chairman of the
Railroad Retirement Board

February 1986

**RETIREMENT
BENEFITS**

**Discrepancies in
Benefits Paid by the
Railroad Retirement
Board for SSA**



129023

Human Resources Division**B-221117**

February 5, 1986

The Honorable Martha A. McSteen
Acting Commissioner of
Social Security
Department of Health and
Human Services

The Honorable Robert Gielow
Chairman
Railroad Retirement Board

For this report, we surveyed 17 different types of data exchanges between the Railroad Retirement Board (RRB) and the Social Security Administration (SSA) and focused on the most problematic—the benefit payments made by RRB on behalf of SSA. This review is part of a continuing GAO effort to examine the RRB-SSA relationship.

The RRB-SSA Payment Audit Alert Review, commonly known as the Computer Systems Audit (CSAUDIT), was established in 1975. It was intended to verify the accuracy of payments RRB made on behalf of SSA to individuals entitled to both railroad retirement and social security benefits. CSAUDIT has identified 190,000 payment discrepancies involving apparent differences between what SSA said should have been paid and what RRB paid. Only about 12 percent have been reconciled, however, and most reconciliations were performed years after the discrepancies occurred and were identified. An additional 6 percent have been reviewed but need further work to reconcile. Recent SSA data indicate that about 10 to 15 percent of reviewed and reconciled cases contain payment errors. The average over- and underpayment ranged from \$70 by one SSA estimate to \$835 according to another. At each agency, officials blame their counterparts at the other agency for the limited action in resolving the discrepancies. Consequently, thousands of social security and railroad retirement beneficiaries continue to be over- or underpaid for years, while available information identifying these inaccuracies is unused (see p. 9).

When our work began in October 1983, neither RRB nor SSA was reconciling CSAUDIT discrepancies. Between April 1984 and February 1985, some reconciliations were performed as part of a joint study. After our review was concluded in June 1985, SSA announced plans to resume unilateral CSAUDIT reconciliations in September 1985. Although a joint RRB-SSA reconciliation plan has not been agreed to, and a recent SSA study proposed waiting for agreement with RRB, we endorse SSA's unilateral

reconciliation plans and encourage their early implementation. We suggested this action in an April 1984 briefing to SSA officials and recommend it in this report. We also recommend that RRB begin reconciling cases referred by SSA.

Background

The Railroad Retirement Act of 1974 (Public Law 93-445) directs RRB to pay railroad retirement and social security benefits to beneficiaries who become entitled under both programs on or after January 1, 1975. Previously entitled dual beneficiaries receive checks from each program. SSA determines social security entitlement and the amount and provides these data, along with the necessary funds, to RRB. Currently RRB pays about 164,000 dual beneficiaries about \$57 million monthly on behalf of SSA.

Several statutes discuss controls federal executive agencies must have to ensure proper payment of funds. The United States Code (31 U.S.C. 3325 and 3528) details responsibilities, duties, and liabilities of certifying and disbursing officers. GAO's Policy and Procedures Manual for Guidance of Federal Agencies, section 20.1, part 7, also provides that controls be established within executive agencies to ensure that disbursements are made in accord with certifications; are legal, proper, and correct; and are recorded accurately and promptly. The Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255) requires that each executive agency establish internal accounting controls to assure that revenues and expenditures applicable to agency operations are properly recorded and accounted for and assets guarded against waste, loss, unauthorized use, or misappropriation.

In 1975, SSA established CSAUDIT to verify that RRB payments matched SSA-certified benefits and thereby met SSA's mandate to pay accurate benefits to eligible beneficiaries and make accurate trust fund transfers. CSAUDIT matches a tape containing a monthly record of the social security payments RRB has made to benefit payments SSA has authorized. It identifies unmatched payment amounts, trust fund amounts, and beneficiary identification information. Beneficiary cases containing unmatched data are stored on a computer tape for 90 days before SSA takes further action. During this period, many cases that do not match because of time differences between RRB's and SSA's processing cycles are matched and dropped from the discrepancy file. If the data remain unmatched after the retention period, the case is identified as a CSAUDIT discrepancy needing review and reconciliation by an SSA processing center. Cases that processing centers cannot reconcile are scheduled for

referral to and review by RRB. There is no RRB-SSA agreement defining each agency's responsibility for reconciling CSAUDIT discrepancies.

CSAUDIT discrepancies indicate that important benefit payment information should be reconciled. In some cases, discrepancies occur because an individual was over- or underpaid. But other discrepancies not involving over- or underpayments may be caused by time lags in recording information at one agency, use of incomplete time periods for the payment comparison, or use of the RRB payment tape (not a complete payment record) for CSAUDIT comparison. For example, the RRB payment tape does not reflect returned checks or benefit amounts withheld from one family member and applied to another family member's overpayment.

In 1980, the Office of the Inspector General (OIG), Department of Health and Human Services (HHS), reported on SSA management and accounting controls over benefit data and funds transferred to RRB. The OIG found a large backlog of unreconciled CSAUDIT discrepancies and recommended that SSA (1) work with RRB to resolve payment discrepancies, (2) establish a monitoring system, and (3) study causes of discrepancies in the SSA payment system. Although SSA developed a monitoring system and improved criteria for identifying and reconciling discrepancies, the discrepancy backlog has increased since the OIG report.

Objectives, Scope, and Methodology

In this series of reviews of the RRB-SSA relationship, we have reported on the RRB-SSA financial interchange (GAO/HRD-83-2, Apr. 4, 1983) and on differences between the two agencies' reviews of disability cases (GAO/HRD-84-11, July 20, 1984). This review is also part of GAO's overall assessment of how well the benefit payment process assures accurate and timely payments.

Because the OIG reported CSAUDIT problems to SSA in 1980 and planned to follow up this effort, we focused on CSAUDIT issues that also involved RRB. Our CSAUDIT work was designed to assess (1) the agencies' progress in reconciling discrepant cases and (2) the effect of discrepancies on beneficiaries. We did not determine the accuracy of monthly trust fund transfers and SSA payment certifications to RRB, although these are largely dependent upon CSAUDIT.

Working from October 1983 through March 1984 and from April through June 1985, we examined CSAUDIT discrepancies that had been reviewed by both agencies. To obtain some perspective on the cause of discrepancies and their effect on beneficiaries, we randomly selected

53 discrepancies for detailed examination. We made no statistical projections from the results of our review because, when our work began, only 182 cases had received biagency review out of 25,000 to 60,000 discrepancies that SSA had estimated needed such review.

After briefing RRB and SSA officials in April 1984, we suspended our work while awaiting the results of their proposed study to resolve CSAUDIT problems. We monitored this study and resumed work when RRB completed a study report. Our assessment of this and other RRB-SSA efforts to resolve CSAUDIT problems is based on our review of agency files and on interviews with staff at RRB and SSA headquarters and at SSA's Great Lakes Program Service Center. When we completed our work, SSA was examining the cases used in the RRB study report. We did not re-examine these cases but did consider SSA assessments completed for half of the study cases.

We complied with generally accepted government auditing standards, except that we did not verify recent SSA statistical data representing the effect on beneficiaries of over- and underpayments identified through the CSAUDIT system. These data are supplemented by statistics we developed in this review of 53 discrepancies.

The System and Its Problems

Thousands of potential payment discrepancies remain unreconciled largely because RRB and SSA disagree about the adequacy of the CSAUDIT system as a reconciliation tool. Neither agency has committed sufficient resources to reconcile the case backlog. SSA discontinued its efforts to reconcile cases pending a commitment by RRB to devote additional resources. RRB says it will not commit its limited resources because (1) the system produces too many cases that lack payment inaccuracies and (2) SSA processing centers refer too many cases that do not require RRB review. Although the agencies have participated in two joint studies to resolve CSAUDIT problems, the discrepancy backlog continues to increase.

Status of CSAUDIT Discrepancies

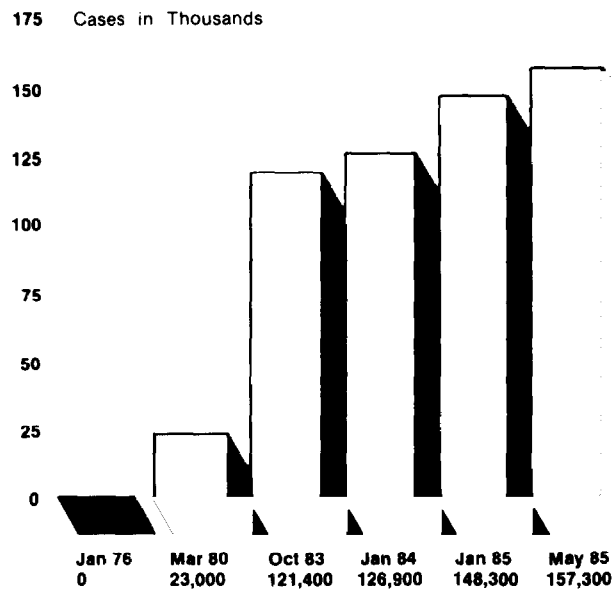
As of May 1985, the number of unreconciled CSAUDIT discrepancies exceeded 157,000. These cases may include persons who have died or for other reasons no longer receive benefits and thus are not counted in the current dual beneficiary universe of 164,000.

In 1983, to monitor the number of discrepancies, SSA established a reporting system using criteria that differed markedly from previous

criteria. For example, it eliminated discrepancies not affecting payment; therefore, its figures are not comparable to most SSA estimates of discrepancies prior to 1983. (Although one previous SSA estimate, for March 1980, did omit discrepancies not affecting payment and thus appears comparable to current SSA figures.)

The growth of unreconciled CSAUDIT discrepancies from the system's start-up in January 1976 through the time the OIG issued its report in March 1980 to the present is traced in figure 1. Despite problems with statistical comparability, it is apparent that the discrepancy backlog has continuously increased because (1) few cases have been reconciled by RRB or SSA and (2) according to SSA officials' estimate, 2,000 new discrepancies occur each month.

Figure 1: Unreconciled CSAUDIT Discrepancies in RRB-SSA Payments, January 1976-May 1985



Source: SSA

SSA estimates that most discrepancies can be reconciled by its processing centers but that 20-40 percent require reconciliation by RRB. SSA processing centers recently reviewed 27,539 discrepancies, reconciled 16,307 of these, and identified 11,232 (41 percent) needing reconciliation by RRB. RRB believes the percentage of cases referred by SSA should be much lower, noting that most cases referred to it during a 1984-85 study were not discrepancies and should not have been referred. The

cumulative status up to May 1985 of RRB and SSA reconciliation work on CSAUDIT discrepancies is shown in table 1.

Table 1: Status of RRB-SSA Reconciliation Efforts (Cumulative Estimates)^a

Date	SSA action		RRB action	
	Reconciled	Referred to RRB ^b	Reconciled	Not reviewed
March 1980 ^c	120	120	106	14
January 1982	5,141	974	106	14
April 1984	21,448	1,545	288	1,257
May 1985	21,448	1,545	789	756

^aGAO estimates based on data gathered at RRB and SSA.

^bAlthough SSA contends that 11,232 cases reviewed in 1984 need RRB review, these have not been referred because RRB did not plan to reconcile them.

^cThese figures consist entirely of an RRB-SSA sample completed between February and April 1979. We used agency reviews as indications that cases were reconciled. The actual numbers reconciled may be lower.

Efforts to Correct CSAUDIT Problems

Recent attempts to improve CSAUDIT operations have produced some system changes but have not resulted in RRB or SSA reducing discrepancy backlogs. Until further CSAUDIT improvements are made, RRB officials are unwilling to review additional cases. They estimated that reconciling 20 percent of the November 1983 CSAUDIT backlog would cost RRB \$600,000, versus \$90,000 if system improvements are made. The continuing monthly cost to reconcile CSAUDIT discrepancies would be \$5,000 and 400 reviewer hours with the current system, RRB estimated, compared to \$800 and 60 reviewer hours with an improved system. The lower cost estimates are based on RRB's assumption that system improvements would eliminate all unnecessary reconciliations. SSA points out that RRB bases its cost projections on multitiered reviews that could be eliminated, thereby significantly reducing costs. RRB estimates that only about 3 percent of the CSAUDIT backlog should be referred from SSA and reconciled by RRB.

Officials of SSA directed its processing centers to discontinue further CSAUDIT case reviews because RRB discontinued reviews of referred CSAUDIT cases. SSA officials said cases awaiting RRB review could, if not corrected within 3 months, be regenerated as CSAUDIT discrepancies and thus result in SSA processing center staff reviewing the same cases more than once.

In August 1985, SSA's Office of Assessment considered what actions to take on the CSAUDIT discrepancy backlog. It concluded that SSA should not reconcile cases until RRB agreed to process referred cases, pointing out that two-thirds of beneficiary error and all the trust fund error will go uncorrected without RRB reconciliation. SSA reconciliation of CSAUDIT discrepancies could cost \$5 million, Office of Assessment officials estimate. This estimate, according to SSA, does not include the cost of collecting overpayments, which has been RRB's responsibility.

At the time we completed our work, SSA had planned to resume CSAUDIT reconciliations in September 1985. The problem with regenerated cases had not been resolved—nor had RRB agreed to reconcile cases that SSA might refer. RRB-SSA efforts to correct CSAUDIT problems are summarized below.

- System criteria change (May 1982). SSA revised the CSAUDIT program by deleting certain non-payment-related criteria such as dates of entitlement and payment. According to an SSA official, this eliminated approximately 40,000 discrepancies.
- RRB-SSA study (1981-83). In 1981, SSA reviewed about 6,000 discrepant cases¹ identified by CSAUDIT from June 1977 to May 1978 and referred 854 (14 percent) to RRB. As of December 1983, RRB had reviewed only 182 of the 854 cases, citing as causes of delay limited staff resources and other critical projects. Moreover, RRB officials were reluctant to review cases referred by SSA because they concluded most were either not payment problems or could have been reconciled by SSA.
- RRB-SSA study (1984-85). Between April 1984 and February 1985, RRB reviewed 458 cases referred by SSA and judgmentally included 100 in a study report to SSA. RRB's study report concluded that 85 percent of the cases referred to RRB were erroneous referrals because they were not discrepant accounts and did not require corrective action. RRB attributed SSA's referring such a high percentage of cases that did not need RRB review to omissions and inconsistencies in SSA's CSAUDIT computer program and to incomplete processing of the cases at SSA. SSA officials told us they questioned RRB's decision to report on only 100 of the cases and noted that their review of 50 of the 100 cases indicated that RRB reviewers made numerous mistakes.

¹These 6,000 cases had been removed from the permanent CSAUDIT file to avoid exceeding the file's capacity and possibly losing the entire data base. Subsequently, SSA expanded storage capacity.

GAO's Sample of CSAUDIT Cases

In examining 53 of the 182 CSAUDIT discrepancies reviewed by SSA and RRB during 1981-83, we found that 12 cases involved correctable beneficiary over- and underpayments. Of course, the 182 cases were identified prior to the May 1982 revision of CSAUDIT criteria. If the revision resulted in better identification of payment inaccuracies, we would expect cases reviewed under the old criteria to contain more unnecessary referrals to RRB, and cases reviewed under the new criteria to contain more over- and underpayments.

In 41 of 53 cases we examined, there was no payment amount discrepancy between RRB and SSA. For 33 of these 41 cases,² neither the CSAUDIT system nor SSA reviewers went beyond the June 1977-May 1978 selection period to explain the discrepancy. In most cases, this period was inadequate. For example, in one case, SSA had certified benefits of \$246.10 per month for 8 months—October 1977 through May 1978—for a total of \$1,968.80. While RRB paid this amount during the same period, it also paid an additional \$522.90 in October 1977, based on a recalculation of benefits covering an earlier period—September 1975 through May 1977. SSA reviewers believed this to be an overpayment, failing to determine that the additional money was due the beneficiary. Had SSA compared the benefits it certified to those RRB paid since September 1975, it would have seen that no discrepancy existed.

We also found 12 payment discrepancies. In 10 of these cases, RRB examiner or clerical error caused the discrepancy. In two cases, SSA's computation was in error. Moreover, in 7 of the 12 cases, RRB examiner and supervisor actions made original RRB errors worse or incorrectly computed an error when one did not exist. For example in one case, the RRB reviewer incorrectly computed an underpayment of \$3,067, while the actual underpayment, confirmed at the time we examined the case, was \$1,779. Although this underpayment occurred during 1976-78 and was identified by CSAUDIT in October 1978, it was not referred to RRB until around September 1981. By December 1983 when we reviewed the case, RRB had not corrected it. RRB inadvertently sent the case folder for this and two other cases, a \$1,200 overpayment and a \$73 underpayment, to storage before giving any consideration to recovering the overpayment or paying the underpayments. Unlike SSA, RRB has no detailed policies or procedures covering review of CSAUDIT discrepancies. We believe these seven errors (13 percent of the cases we reviewed) indicate that RRB

²In 5 of the 41 cases, SSA was unaware that RRB had offset a railroad retirement overpayment, caused by social security entitlement, against accrued social security benefits. In 2 of the 41 cases, SSA had jurisdiction for paying the benefits and should not have referred the cases to RRB. In the remaining case, RRB was incorrectly paying the beneficiary under the spouse's claim number.

needs to develop clear procedures and improve quality controls over CSAUDIT case reviews.

**Discrepant Cases:
Over- and
Underpayments
Continue**

Our review of 53 discrepant cases and recent RRB and SSA data suggest that many beneficiaries have been over- or underpaid substantial amounts for years. In some cases we reviewed, SSA and RRB reconciled the discrepancies several years after an over- or underpaid beneficiary died.

Data are extremely limited for estimating the number and amount of over- and underpayments that could be corrected if CSAUDIT discrepancies were reconciled in a timely manner. SSA gathered over- and underpayment data in 1984 when its processing centers reviewed 27,539 CSAUDIT cases. The processing centers reconciled 16,307 of these cases and said the remaining 11,232 needed RRB review. SSA found 4,170 over- and underpayments (15 percent) totaling about \$3.5 million (see table 2).

Table 2: Discrepant CSAUDIT Cases Found by SSA (1984)

Type of discrepancy	Beneficiary cases	Incorrect payment amount (millions)	Average incorrect payment amount
Underpayment	2,242	\$1.832	\$817.13
Overpayment	1,928	1.649	855.29
Total	4,170	\$3.481	834.77

Included in these statistics is an undetermined number of the 11,232 discrepancies that SSA processing centers reviewed but could not reconcile because they believed the cases needed RRB assistance to resolve. A rough approximation of the size of the discrepancies indicates that reconciling the CSAUDIT backlog could achieve corrections to 23,800 over- and underpayments of \$19.9 million.³

In August 1985, using figures from one program service center, SSA attempted a more precise estimate of the effect of discrepancies on beneficiaries. These figures project significantly less effect than was anticipated from initial data. The average projected overpayment using various assumptions ranged from \$50 to \$142; the average projected

³This computation is a simple extrapolation of the results of SSA's sample to the universe without any estimate of its precision. That is, if 15 percent of the 157,324 discrepancy universe contained real errors averaging \$835 each, there would be 23,800 errors totaling \$19.9 million.

underpayment ranged from \$139 to \$510. These data indicate that reconciling the CSAUDIT backlog could correct from 13,000 to 23,000 over- and underpayments totaling roughly \$2 million. RRB's recent report on 100 study cases found 16 overpayments totaling \$31,000 including one case involving more than \$11,000.⁴

Our detailed examination of the 53 cases reviewed by RRB and SSA prior to December 1983 disclosed seven overpayments totaling \$2,877 and five underpayments amounting to \$2,115. Delays in reconciling these discrepancies led to extended periods of erroneous payments and to situations where erroneous payments could not be remedied. For example, in one case that both agencies reviewed, a beneficiary was overpaid \$1,252 between June 1976 and August 1977. SSA referred the case to RRB in September 1981. RRB reconciled the case in March 1982 and in August 1982 asked SSA to attempt collection because the individual was no longer collecting railroad benefits. SSA initiated collection action in November 1982 and subsequently learned that collection was not possible because the beneficiary's estate was already settled. This beneficiary had died in November 1977.

Conclusions

RRB and SSA need to cooperate in paying dually entitled beneficiaries and to assure the reliability and accuracy of benefit payments. Their inability to resolve CSAUDIT problems has affected thousands of dual beneficiaries.

More information is needed to reliably project the number of inaccurate dual beneficiary payments and their amount. It is apparent, however, that thousands of over- and underpayments have not been corrected and that some, because of substantial time delays, are now impossible to correct.

Since CSAUDIT was established in 1975 to identify potential payment discrepancies, neither RRB nor SSA has made the requisite effort to reconcile discrepant data. Of 854 cases referred prior to April 1984, RRB had reviewed only 182. RRB's position that it will not review new CSAUDIT referrals until system improvements are made has directly resulted in

⁴The SSA reviewer who reexamined this case concluded that the overpayment for the period in question (as of June 1983) was about \$22,000. The overpayment continued through September 1984 and eventually reached \$29,300.

SSA retaining cases that it has reviewed but contends need RRB involvement. It also has contributed to SSA discontinuing unilateral reconciliations because cases might be sent to processing centers for rereview if RRB has not corrected them within a 3-month period.

RRB's unwillingness to expend resources on what it believes to be unnecessary and costly work is certainly logical. Its reviews, substantiated to a limited extent by our case reviews, indicate that SSA refers many CSAUDIT discrepancies to RRB that could be resolved by SSA.

While we believe there is some merit in both agencies' positions, CSAUDIT is identifying thousands of beneficiary over- and underpayments that could be corrected. Reconciliation of CSAUDIT discrepancies already has been delayed too long and should not have to await further system improvement studies or improved RRB-SSA cooperation. We believe RRB and SSA should begin resolving CSAUDIT discrepancies now and that system improvements and/or better training of RRB-SSA reviewers should be done concurrently.

Recommendations

We recommend that the Commissioner, Social Security Administration, and the Chairman, Railroad Retirement Board

- develop an interagency agreement by March 31, 1986, defining the responsibilities of each agency in reconciling CSAUDIT discrepancies and a timetable for reconciling the discrepancies,
- make specific resource commitments for reconciling CSAUDIT discrepancies, and
- reconcile CSAUDIT discrepancies on a continuing and timely basis.

We also recommend that the Chairman, Railroad Retirement Board

- require his staff to develop written procedures for processing CSAUDIT discrepancies and
- assign to the new Bureau of Quality Assurance responsibility for strengthening internal controls, particularly controls aimed at preventing misplaced files and promoting payment accuracy.

Agency Comments and Our Response

We sent a draft of this report to RRB and SSA for their review and comments (see app. I and II, respectively). In commenting on our recommendations that RRB and SSA commit specific resources to reconcile CSAUDIT discrepancies, and reconcile discrepancies on a continuing and timely

basis, RRB stated that whenever SSA fixes its system, RRB will provide resources to deal with current discrepancies. As for the backlog, which in May 1985 totaled over 157,000 cases, RRB said that it would "develop specific plans."

SSA, after noting that unilateral reconciliations scheduled to start in September were delayed because of faulty RRB tapes, said it "stands ready" to start unilateral reconciliation of current cases. With regard to backlogged cases, however, SSA said it can make no "commitment of administrative resources outside the evertightening constraints of the budgetary process" and thus must negotiate with RRB, a procedure that will take some time to complete.

In commenting on our recommendation that the two agencies develop an interagency agreement defining the responsibilities of each in reconciling discrepancies, RRB said, "We agree with this recommendation and will contact SSA officials to develop a formal agreement." SSA in its response stated, "We are currently attempting to conclude an interagency agreement with RRB as to responsibilities involved in reconciling CSAUDIT discrepancies."

While both RRB and SSA appear willing to deal with the problems discussed in this report, to a large extent, the actions promised seem contingent on the other agency acting first. It is unclear when corrective actions will take place. Basically, RRB refuses to work on backlogged cases because it questions the adequacy of the system used to identify discrepancies. SSA refuses to work on backlogged cases until RRB agrees to reconcile referred cases, thereby using the discrepancy identification system.

We agree that system improvements are desirable and could significantly reduce the resources needed to reconcile discrepancies. Our case reviews substantiate, to a limited extent, the assertion that many of the discrepancies referred to RRB could be resolved by SSA.

Other factors, however, convince us that reconciliation action should not wait for additional system improvements:

- The system that identifies RRB-SSA payment discrepancies was established in 1975. For 10 years, there has been virtually no bilateral reconciliation effort. Some beneficiaries who were incorrectly paid almost 10 years ago have not had the error corrected—although the CSAUDIT system identified the discrepancy.

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- As time passes it becomes more difficult to correct over- and underpayments.
 - System improvements have been studied and made in the past; nevertheless, the backlog of unreconciled cases has continuously grown.
 - The system improvements that RRB recommends and believes will greatly reduce resource requirements could be years away and might not, as RRB assumes, eliminate all unnecessary reconciliation actions.

We encourage the Board and SSA to begin reconciling discrepancies immediately, while system improvements are being made. This would (1) enhance both agencies' knowledge of the system being worked, (2) encourage an expeditious schedule for implementing improvements, because each agency would stand to save resources once improvements were made, and (3) help meet each agency's obligations to assure that beneficiaries are paid correctly and on time. In our opinion, the two agencies need to jointly set an appropriate timetable for taking corrective actions. We therefore have modified a recommendation to reflect this view.

RRB concurred with two other recommendations directed solely to it. It has taken or plans to take action responding to these.

SSA made several technical comments. It noted that a clear explanation of erroneous referrals is needed. According to SSA, an erroneous referral can only occur when sufficient information is in SSA's files to resolve a discrepancy but due to error or lack of expertise the discrepancy is sent to RRB. Our report states that RRB concluded 85 percent of SSA referrals were erroneous because they were not discrepant accounts and did not require corrective action—a different definition than SSA's. Because we are citing RRB's figure and using it in the context RRB intends, we believe the RRB definition should be retained.

SSA stated that RRB's multitiered reviews of CSAUDIT referrals were unnecessary and that SSA's cost estimate did not include overpayment collection. We incorporated these comments in the report.

SSA's final technical comment is that our rough approximation of total over- and underpayments is based on data not precise enough to be used. Our report notes this computation is a simple extrapolation of SSA sample data without an estimate of its precision. We believe this is an adequate qualification of the estimate's preciseness and that the estimate is needed to provide some perspective, albeit rough, of the size of the problem.

Copies of this report are being sent to cognizant congressional committees and to the Director, Office of Management and Budget. As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs no later than 60 days after the date of the report and 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.



Richard L. Fogel
Director

Advance Comments From the Railroad Retirement Board

UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 RUSH STREET
CHICAGO, ILLINOIS 60611

OCT 31 1985

BOARD MEMBERS:

R.A. GIELOW (CHAIRMAN)
C.J. CHAMBERLAIN (LABOR)
J.D. CRAWFORD (MANAGEMENT)

Mr. Richard L. Fogel, Director
Human Resources Division
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Fogel:

We appreciate this opportunity to comment on the proposed U.S. General Accounting Office report entitled "Discrepancies in Benefit Payments Made by the Railroad Retirement Board on Behalf of the Social Security Administration" (GAO/HRD-85-108), dated September 27, 1985.

The accuracy of payments made on behalf of the Social Security Administration (SSA) has been a matter of our serious and continuing concern since 1974 when the Railroad Retirement Board (RRB) was given responsibility for making these payments. Over the years, we have made several studies geared to improving the accuracy of these payments and the supporting records. We have also participated in various studies initiated by SSA and have met numerous times with high level SSA officials on this matter. We have consistently determined that a large proportion of the apparent conflicts between RRB and SSA records are attributable to incomplete information in SSA's automated record systems. We have found that manual reconciliation of individual exception cases is an expensive, time-consuming, often fruitless process and that improvements to SSA's automated systems would resolve many of the exception cases much more efficiently. Accordingly, our conclusion has always been that system improvements should be made before staff resources are devoted to reconciling individual exception cases.

The various studies and meetings have resulted in some improvements and have identified other specific improvements that can be made. As your report illustrates, a revision that deleted certain non-payment related criteria eliminated about 40,000 discrepancies. In a recent internal RRB review, which we believe is the most authoritative to date, we identified additional improvements that can be made. Some key ones are:

- Include additional information in SSA's computerized records. These records currently do not include data on returned checks or certain terminations and suspensions. This information will be available to SSA on a computerized system that we are currently developing.

**Appendix I
Advance Comments From the
Railroad Retirement Board**

- Transmit all fiscal data mechanically to provide a clear and complete audit trail. Currently, some manually completed forms used for funds transfers are not included in the SSA computerized systems that generate exception cases.
- Include in computerized records all transactions authorized by phone or by onsite SSA representatives. This data may not be included in the current computerized systems that generate exception cases.
- Provide for a review of the complete payment history before a case is referred to the RRB. Provide a complete hardcopy payment history to the RRB with each referral. In many cases, the data currently reviewed at SSA or provided to the RRB with the referral does not cover the time period in which the discrepancy occurred.
- Generate exception cases semiannually. This should help eliminate duplicate referrals of exception cases discussed in the report. Currently, a second exception notice can be generated while the initial one is being worked on.
- Develop a means for mass correction of exception cases. Exceptions can be generated if routine adjustments are not made timely. A means of making mass corrections would minimize the amount of time needed to reconcile such exceptions.

If these and other improvements identified in our report are made, we estimate that current exception cases will require as little as 60 reviewer hours per month to reconcile as opposed to 400 reviewer hours per month under the current system. We have provided our report to SSA for comment but they have not yet responded. We are optimistic that they will agree to the recommended improvements so that we can begin reviewing exception cases soon.

The specific actions we plan to take in response to each recommendation addressed to the RRB are as follows:

Make specific resource commitments for reconciling computer systems audit (CSAUDIT) discrepancies.

We are optimistic that SSA will make the improvements that we recommended to reduce the high percentage of erroneous referrals and minimize the workload that must be reconciled manually. Once the recommended improvements are made, we will commit at least 60 staff hours per month, the amount of time we estimate is needed to prevent the backlog from growing. We will develop specific plans to address the backlogged exception cases.

Reconcile CSAUDIT discrepancies on a continuing and timely basis.

Once the recommended improvements are made, we will implement this recommendation promptly. We plan to give top priority to current exception cases and to develop a method of prioritizing the backlogged cases.

Develop an interagency agreement defining the responsibilities of each agency in reconciling CSAUDIT discrepancies.

We agree with this recommendation and will contact SSA officials to develop a formal agreement.

Develop written procedures for processing CSAUDIT discrepancies.

We agree with this recommendation and will develop better procedures for CSAUDIT cases.

Assign the new Bureau of Quality Assurance responsibility for strengthening internal controls, particularly controls aimed at preventing misplaced files and promoting payment accuracy.

The newly established bureau of quality assurance has been assigned responsibility for testing the accuracy and adjudication of claims, determining the validity of payments, and reviewing operations to identify deficiencies. It is responsible for reviewing the overall integrity of the payment process, including the adequacy of internal controls.

Again, we appreciate the opportunity to comment on this report.

Sincerely,

Beatrice Ezercki
FOR THE BOARD
Beatrice Ezercki
Secretary to the Board

Advance Comments From the Social Security Administration



DEPARTMENT OF HEALTH & HUMAN SERVICES

Social Security Administration

Refer to: SLJ3

Memorandum

AM-1

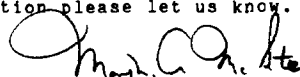
Date: NOV 15 1985

From: Acting Commissioner of Social Security

Subject: General Accounting Office Draft Report, "Discrepancies in Benefit Payments Made by the Railroad Retirement Board on Behalf of the Social Security Administration"--INFORMATION

To: Mr. Richard Fogel
Director, Human Resources Division
United States General Accounting Office

Attached is our response to the draft report. If we can provide additional information please let us know.


Martha A. McSteen

Attachment:
Tab I - SSA response

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION ON THE GENERAL ACCOUNTING
OFFICES'S DRAFT REPORT, "DISCREPANCIES IN BENEFIT PAYMENTS MADE BY THE
RAILROAD RETIREMENT BOARD ON BEHALF OF THE SOCIAL SECURITY ADMINISTRATION"

General

The Railroad Retirement Board (RRB)/Social Security Administration (SSA) Payment Audit Alert Review, commonly known as the Computer System Audit (CSAUDIT), was established in 1975 to verify the accuracy of RRE payments made to beneficiaries on behalf of SSA. The report notes that CSAUDIT has identified 190,000 payment discrepancies involving differences in what SSA said should have been paid and what RRE paid, and there are currently about 157,000 unreconciled CSAUDIT discrepancies with new accretions being added.

General Accounting Office (GAO) Recommendations

- Make specific resource commitments for reconciling CSAUDIT discrepancies.
- Reconcile CSAUDIT discrepancies on a continuing and timely basis.

SSA Comment

We concur with this recommendation and have made a commitment to reconciling the current monthly accretions to the CSAUDIT file on an ongoing basis. While this reconciliation process was due to begin with the September 1985 CSAUDIT exceptions, problems with RRB's payment record tapes did not permit the generation of alerts. We are working with RRE to correct this problem and we stand ready to begin reconciling the exceptions unilaterally. With regard to the backlog of CSAUDIT exceptions, we are currently evaluating alternative methods of handling this backlog. However, we cannot make a commitment of administrative resources outside the evertightening constraints of the budgetary process. Any SSA decision will then have to be negotiated with RRE, and this entire procedure will take some time to complete.

GAO Recommendation

Develop an interagency agreement defining the responsibilities of each agency in reconciling CSAUDIT discrepancies.

SSA Comment

We are currently attempting to conclude an interagency agreement with RRB as to responsibilities involved in reconciling CSAUDIT discrepancies.

Technical Comments

Page 9. The report states that RRB believed most cases referred by SSA to RRB during a 1984-85 study were erroneous referrals. Erroneous

Now on p. 5.

referrals only occur when sufficient information is in the SSA file to resolve the CSAUDIT alert but, due to error or lack of technical expertise, the SSA technician makes a referral to RRB. We acknowledge that errors occur and we have developed a CSAUDIT training package to increase the technicians' technical expertise, but for this report we feel a clear description of what erroneous referrals are is needed.

Now on p. 6.

Page 10. RRB provides RRB cost estimates for handling the CSAUDIT backlog and new CSAUDIT accretions. Based on the cases returned to SSA by RRB, it is apparent that RRB is performing unnecessary multitiered reviews of CSAUDIT referrals. Elimination of these reviews would significantly reduce RRB's projected costs.

Now on p. 7.

Page 10. The report quotes an SSA estimate that reconciliation of CSAUDIT discrepancies could cost \$5 million. We agree this is a reasonable estimate but we would prefer that the statement be clarified to show this does not include the costs of collecting overpayments, which has been RRB's responsibility.

Now on p. 9.

Pages 14-15. A "rough approximation" is provided of the total overpayment and underpayment discrepancies that would be corrected if the CSAUDIT backlog were worked. We do not believe that the \$19.9 million figure is based on data that is sufficiently precise to be used.

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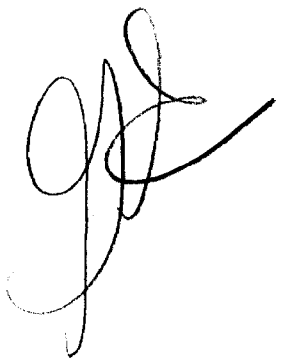
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