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

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FEDERAL PERSONNEL AND
COMPENSATION DIVISION

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APR 13 1973

The Honorable Robert E. Hampton, Chairman
United States Civil Service Commission

Dear Mr. Hampton:

The General Accounting Office has reviewed the administration of the Civil Service Retirement and Disability Program by the Civil Service Commission's Bureau of Retirement, Insurance, and Occupational Health (BRIOH). Our review was directed primarily toward determining whether claims for refunds, death benefits, and annuities were being processed quickly and accurately.

Claims processing time is lengthy and we observed some problems regarding the accuracy of payments. We were pleased to find, however, that, upon receipt in BRIOH, claims are processed relatively quickly.

TIMELINESS OF PROCESSING CLAIMS

There are frequent complaints about the time interval between an individual's submission of a claim for benefits to his employing agency and actual payment of those benefits. Accordingly, we conducted a random sample of newly adjudicated retirement and refund cases to determine BRIOH's processing time from date of receipt of retirement or refund application to initial payment. We did not examine cases processed prior to our review.

Our sample data indicated on the average an individual must wait 8 weeks for a refund, 11 weeks for a regular annuity, and 17 weeks for a disability annuity. It appears that the employing agencies, rather than BRIOH, are often responsible for these delays as indicated by the following table.

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Timeliness of Payment of Benefits to
Former Employees and Survivors

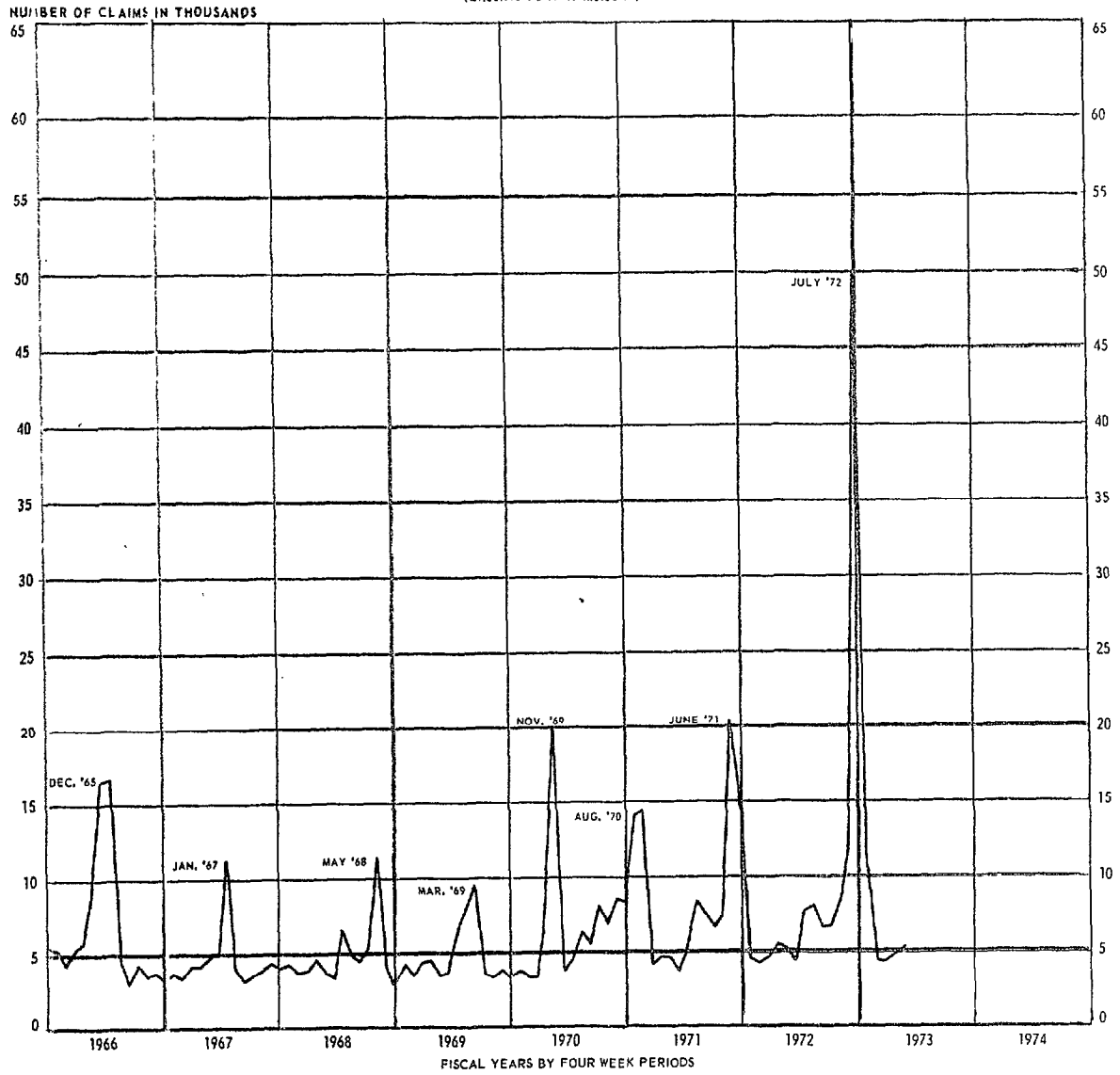
<u>Type of benefit</u>	<u>Time lapse (weeks)</u>		
	<u>Employee signs forms to receipt at Commission</u>	<u>Receipt by Commission to payment or first special payment</u>	<u>Additional time to final adjudication</u>
Refund	6	2	-
Regular annuitant	8	3	12
Survivor annuitant	2	7	-
Disability annuitant	4	13	10

Massive fluctuations in regular annuitant receipts affect benefit claims operations in BRIOH. These fluctuations are generated by the legislation (5 U.S.C. 8340) that gives an "annuity bonus" to employees who retire on or before the effective date of a percentage cost-of-living increase in civil service annuities. Recent cost-of-living annuity increases and their impact on the volume of annuity claims receipts are shown in the chart on the next page which was provided by the Commission.

Despite workload problems, the Commission's time lapse of 2 to 3 weeks in processing refunds and regular annuities appears reasonable. Although the time lapse of 13 weeks for processing disability annuities appears excessive at first glance, further analysis shows this figure to be somewhat misleading. Many disability retirees use their accumulated sick leave before officially retiring which defers the initial special payment. Also, some prospective disability annuitants fail to appear for their qualifying medical examination and must be rescheduled. When situations such as these are considered, the apparent timelag in processing disability annuity claims virtually disappears.

The time lapse of 7 weeks for the processing of survivor annuities raises the possibility of creating financial hardships for survivor annuitants. BRIOH staff stated, however, that practically all Federal employees who die in service are covered by the Federal Employees Group Life Insurance Program, and, thus, survivors usually receive a substantial lump-sum insurance benefit soon after the death of the employee. We were also told that, when an individual survivor annuitant requests benefits due to some financial hardship, a special

RETIREMENT PROGRAM
TREND IN VOLUME OF ANNUITY CLAIM RECEIPTS
IMPACT OF COST OF LIVING ANNUITY INCREASES
(Effective Dates as indicated)



payment is made. Nevertheless, the Commission feels that improvements in processing time for survivor annuities can and should be made.

A special payment plan, instituted by BRIOH in January 1967 and revised in June 1971, has helped claims adjudicators to insure timely payments to prospective regular and disability annuitants. Under this procedure an individual receives a conservative approximation of his annuity while his case awaits final adjudication. As shown above, a payment is received an average of 12 weeks before final adjudication for regular annuities and 10 weeks for disability annuities.

We visited several Federal agencies to determine the reasons for delays in submitting claims to the Commission. We found the delays resulted from a variety of causes including: (1) lost records and the need to reconstruct retirement information from other personnel files, (2) agency reporting of erroneous data, (3) retirement records verified at time of retirement rather than when an individual transfers from another agency, (4) overloaded staffs in personnel and payroll centers, (5) poor coordination and communication between these two centers, (6) personnel turnovers, and (7) low priority assigned the retirement function.

We recognize that because of their nature the above-stated problems are not easily solved. Although BRIOH has a system for periodically notifying agency retirement officers of agency performance in submitting timely retirement data, we believe that more specific action by the Commission would improve the processing of benefit claims by employing agencies.

Recommendations

To further reduce delays in processing retirement and refund claims, we recommend that you have your Bureau of Personnel Management Evaluation work with BRIOH to

- develop a systematic method of evaluating total agency performance on retirement matters and
- include this as a regular evaluation agenda-item, thus encouraging agencies to identify and correct the deficiencies causing the delays, with particular emphasis on the agencies creating the most serious problems.

ACCURACY OF PAYMENTS

BRIOH is responsible for insuring that individuals entitled to retirement benefits are paid the proper amount. For fiscal year 1971 the average annual annuity was about \$3,700 for regular annuitants and about \$1,800 for survivor annuitants. We found that, under current automated procedures, the possibility of an incorrect computation of benefits had been substantially reduced. Our examination of newly adjudicated cases disclosed only minor statistical errors relating to an individual's annuity, such as recording the wrong code number for the agency from which the individual retired. We found the calculations of annuity benefits to be generally accurate.

We reviewed the adjudication of 207 annuity cases and found five monetary errors, three of which were underpayments. The majority of these cases were regular annuities originally calculated under earlier manual procedures. The following table shows the effect the detected errors had on the annuitants' payments.

Errors Detected on
Recalculation of Retirement Annuities
(calculations through March 31, 1972)

<u>Case number</u>	<u>Date error was made</u>	<u>Current unadjusted annual annuity</u>	<u>Under-payment</u>	<u>Over-payment</u>	<u>Current adjusted annual annuity</u>
1	12-1-67	\$2,052	\$1,289		\$2,388
2	1-1-47	2,940	521		2,976
3	2-1-46	^a 396	482		396
4	10-3-69	492		\$ 90	456
5	8-1-70	^a 2,220		68	2,220
			<u>\$2,292</u>	<u>\$158</u>	

^aThese are survivor annuity cases. Errors detected apply to original employee annuitant, thus the survivor annuitant's annual rate will not change.

BRIOH officials have taken action to correct these errors. The three cases involving underpayments have been assigned to claims adjudicators so that the proper adjustments can be made.

We determined that case 3 in the above table remained undetected by the Commission because its procedures allow adjudicators to assume the correctness of the original employee's annuity when the case becomes a survivor annuity. Expected benefits under the 1942 law were computed under three different formulas. If the wrong formula had been selected to calculate the annuity, an adjudicative verification of this original calculation could have uncovered the discrepancy.

BRIOH is considering waiving the two overpayments under the waiver provision of the law, which grants BRIOH the authority of not collecting overpayments if these collections would be detrimental to the annuitant.

We suggested that the Director of BRIOH adopt the practice of recalculating benefits whenever an annuitant dies and a survivor annuity is determined in cases where these formulas were used. This would eventually eliminate most of the existing errors on the annuity roll. The Director noted that our suggestion was based on the results of a relatively small sample of cases and expressed reservations on the merits of such a practice at this time. Nevertheless, he advised us of BRIOH's intent to establish a review procedure along the lines we suggested when adjudicating survivor cases and to continue it until a firm decision can be reached as to whether it is necessary and productive, based on a significant number of claims.

The Director also said that BRIOH is working on a revised program for reviewing annuity payments to identify problems and to tighten internal controls to insure accuracy and integrity of the system earlier in the series of annuity payments. He believed this to be the best solution to any problem that might exist.

We believe the action taken regarding our suggestion is responsive, and we intend to follow up to see how BRIOH eventually resolves the matter.

We wish to extend our appreciation to the BRIOH officials for making a claims adjudicator available to us during this review and for the courtesies and cooperation afforded our representatives during our work. We shall appreciate your comments and advice on any action taken or planned on the matters discussed in this letter.

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A copy of this letter will be furnished to the Committees on Post Office and Civil Service. We plan to make no further distribution unless copies are specifically requested.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Forrest R. Browne". The signature is fluid and cursive, with a large initial "F" and "B".

Forrest R. Browne
Director