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EXECUTIVE SUMMARY

During this semiannual reporting period, the Office of Inspector General (OIG) continued its monitoring efforts of two activities that significantly impact the future of the Railroad Retirement Board (RRB): the investment of agency trust funds and the Year 2000 Project for converting agency information systems. Our concerns remain regarding the lack of experience of RRB Investment Committee members and their increased trading of trust fund monies. We conducted the second scheduled review of the RRB's Year 2000 project. OIG auditors concluded that the agency is on schedule for completing mainframe and personal computer conversions.

The Office of Audit completed 13 new audit reports that provide important information required to evaluate the RRB's progress in meeting the goals established in its strategic plan. Two audit reports will have an estimated financial impact of \$2,407,600 when RRB management completes necessary corrective actions. The Office of Investigations achieved 49 criminal convictions, 33 civil judgements, 26 indictments/informations, and \$1,015,714 in monetary accomplishments.

During the past six months, two senior staff members passed away after long illnesses: Charles A. Flanagan, Jr., former Special Agent in Charge, assigned to the Office of Investigations, Philadelphia Field Office and Gary N. Vonachen, Audit Manager, assigned to the Office of Audit. Their leadership, energy and great sense of humor will be missed.

PART I - INTRODUCTION

PURPOSE OF THE SEMIANNUAL REPORT

The Inspector General Act of 1978 (Public Law 95-452, as amended) established Offices of Inspectors General to promote economy, efficiency, and effectiveness, and to prevent and detect waste, fraud, and abuse in a variety of government programs and operations. This legislation established independent statutory Inspectors General who have the authority to conduct audits, investigations and management studies of agency programs and operations.

The Railroad Retirement Solvency Act of 1983 (Public Law 98-76) established the Office of Inspector General (OIG) at the Railroad Retirement Board by naming the agency as "one of such establishments" identified under Section 2 of the Inspector General Act of 1978. The Inspector General Act Amendments of 1988 (Public Law 100-504) added the RRB to the list of agencies covered by the Inspector General Act. In January 1986, the first Inspector General was appointed at the Railroad Retirement Board.

The Inspector General must submit semiannual reports to the Chairman of the Railroad Retirement Board and to the U.S. Congress. This dual reporting requirement helps to ensure the public disclosure of program weaknesses as well as OIG independence. The Inspector General Act of 1978, as amended by the Inspector General Act Amendments of 1988, specifies the information to be included in semiannual reports.

THE RAILROAD RETIREMENT BOARD

The Railroad Retirement Board (RRB) is an independent agency in the Executive Branch of the Federal government that is headed by a three member Board appointed by the President of the United States, with the advice and consent of the U.S. Senate. The Board Members' terms of office are five years with different expiration dates. The RRB's primary function is to administer comprehensive retirement-survivor and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families. These programs are provided under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. In addition, the RRB has administrative responsibilities under the Social Security Act for certain benefit payments and Medicare coverage for railroad workers.

During fiscal year (FY) 1997, the RRB paid \$8.2 billion in retirement and survivor benefits to approximately 800,000 beneficiaries, while net unemployment and sickness insurance benefits of \$73 million were paid to almost 35,000 claimants. The RRB also administers its own Medicare Part B program through a single carrier, United HealthCare Corporation. The carrier made payments totaling \$671 million to 688,000 persons.

PART II - SIGNIFICANT ISSUES

Agency Investment Activities

During this semiannual reporting period, the Office of Inspector General continued its monitoring of the RRB's Investment Committee and its activities. In September 1996, this office issued an evaluation of the investment activity at the agency. The report cited three major weaknesses in this area: a conflict of interest in the responsibilities of the Chief Actuary who serves as the Committee's Chairman, the need for a long-term strategy and the lack of a formal procedure for documenting and supporting investment decisions.

We expressed our concern that Committee members lacked formal experience and expertise to manage trust fund investments which exceed \$17 billion.

To date, the Board Members have taken no action to correct the identified weaknesses. When this office requested fundamental information on investment strategy and supporting documentation for trades, the Committee could not respond and used agency trust funds to pay various financial experts to answer our questions. Two investment consultants as well as a public accounting firm agreed with the conflict of interest issue, but no changes have been implemented. In addition, the Committee has elected to actively trade trust fund monies to capitalize on market swings. We have repeatedly expressed our position that trust funds should be considered long-term investments and thus held to maturity.

Since May 1995, the Investment Committee has purchased a significant number of November 15, 2009 zero coupon bonds with a face value in excess of \$6 billion as of July 1998. In August, the Committee began selling these bonds because they no longer considered them to be attractive investments. This activity has been undertaken with no meaningful rationale or explanation. The

Committee continues its active trading with no financial expertise. For each trade made by the Committee, we have continued to ask for justification for the Committee's actions for continued trading of RRB trust funds, but have been unable to obtain the information. The high level of active trading by individuals with no financial investment experience is a matter of serious concern to this office.

The issue is now complicated by the fact that the RRB plans to expand its investments. On September 23, 1998, the RRB's Chief Financial Officer (CFO) issued a letter to the Office of Management and Budget (OMB) requesting guidance on policy and accounting considerations regarding the potential purchase and sale of new types of securities the RRB may consider for investment. This action was taken at the direction of the RRB Chair and Management Member. The RRB now seeks to invest in securities issued by Federal Government agencies. To date, the RRB has received no response from OMB on this issue.

The Board Members have recently directed the Investment Committee, the Director of Administration and representatives from each Board Member's office to conduct a study and make recommendations for expanding the types of securities currently used for the investment of trust funds.

Review of Year 2000 Project

We conducted our second scheduled review of the RRB's Year 2000 project which involves the conversion of all mainframe and personal computer (PC) application systems. In our first review, auditors determined that the RRB's inventory rating of mission critical and non-mission critical systems was reasonable. However, they noted that project management reports were incomplete and that the Bureau of Information Services (BIS) did not fully account for project hours. BIS has initiated corrective action.

This review indicated that the RRB's Year 2000 project management continues to be administered and controlled adequately. Auditors selected 30 RRB mainframe systems for review of Year 2000 conversion test plans, procedures and test results. No instances of inaccurate Year 2000 processing were noted. As of August 31, 1998, the agency is on schedule for completing mainframe and personal computer conversions. Progress also continues on ensuring that the proprietary system software, building services systems, and data exchanges with outside parties are compliant. Auditors did find that project costs reported for fiscal year 1997 were understated and project hours continued to show discrepancies. Review of the calculations of fiscal year 1997 personnel costs revealed that costs were understated because the RRB used an average base salary for computer programmers that was substantially less than the actual salaries paid, and supervisory costs were not included.

While BIS took action to correct earlier weaknesses, this review showed discrepancies continued to exist. We were unable to determine if any unreported time was spent on the Year 2000 project; however, incomplete reporting may contribute to inaccurate Year 2000 project costs. We issued a management information memorandum to BIS in June 1998 concerning the discrepancies. BIS management has agreed to include estimated supervisory costs and increase the base salary for future reports. They will begin using payroll information to assist in supervisory reviews of project management data.

PART III - OFFICE OF AUDIT

Mission

The Office of Audit (OA) conducts reviews to: (1) promote economy, efficiency, and effectiveness in the administration of RRB programs and (2) detect and prevent waste, fraud and abuse in such programs. Through the Inspector General, this office ensures that the Board Members and the U.S. Congress are informed of current and potential problems in the RRB's operating programs, and advised of recommended improvements, as well as the status of corrective actions.

During this reporting period, OA issued thirteen reports and continued its monitoring efforts of the agency's Year 2000 project and investment committee activities as discussed in Part II, Significant Issues. OA conducted audits that would assist the OIG in evaluating the agency's progress in meeting its strategic goals. Accordingly, the report summaries that follow are listed by the specific RRB strategic goal that the reviews address.

RRB STRATEGIC GOAL: PROVIDE EXCELLENT CUSTOMER SERVICE

Review of Compliance with the Internal Revenue Code for Retirement Benefits

The Railroad Retirement Solvency Act of 1983 made all railroad retirement annuities taxable beginning with the 1984 tax year. Prior to this legislation, only supplemental annuities had been subject to Federal income tax. The Railroad Retirement Board is required to follow the Internal Revenue Code (IRC) when reporting benefits paid to beneficiaries.

The IRC requires the RRB to report benefits paid and Social Security Equivalent Benefits repaid during the tax year; provide annuitants with a statement of benefits; report information from the annuitants' annual tax statements to the Internal Revenue Service; withhold taxes in the case of citizens, resident aliens and nonresident aliens; and deposit such taxes in an authorized financial institution. The RRB issues annual statements to annuitants on or before January 31 of the year following the close of the tax year.

Audit results indicated that the RRB generally complied with the IRC for railroad retirement benefits for 1996. The agency has entered into a contract with LaserTech for the printing of annual tax statements, and performs annual quality control testing of the firm's printing. The contract provides that the RRB may review a preproduction sample of up to 200 tax statements from the final product to ensure consistency, to verify mailing information and to ensure the number of statements released match the agency's record count. Auditors recommended that the Office of Programs implement procedures to document the procedures for quality assurance testing of LaserTech's preproduction tax statements. Corrective action was completed in June.

Review of the Accuracy and Timeliness of Social Security Benefits Paid by the Railroad Retirement Board

The RRB currently pays approximately \$1.1 billion in benefits on behalf of the Social Security Administration (SSA) to approximately 156,000 beneficiaries. SSA certifies the benefits of certain individuals to the RRB for payment. Certification of Social Security benefits to the RRB typically occurs when an individual is entitled to benefits under both the Railroad Retirement Act (RRA) and the Social Security Act. It may also occur when members of a railroad employee's family group become entitled to social security benefits whether or not they are also entitled to benefits under the RRA. This payment procedure was adopted in order to facilitate the implementation of the RRA of 1974 which

provided that the tier 1 component of railroad retirement annuities be reduced by any social security benefits which are also payable.

SSA receives and processes all applications and advises the RRB of the amount of benefits to be paid and the date entitlement will begin. The RRB makes payment to the beneficiary based on benefit payment information which is transmitted electronically to the RRB by SSA. The RRB is later reimbursed by SSA for any benefit expense incurred.

The objective of this review was to assess the accuracy and timeliness of Social Security benefits paid by the RRB on behalf of the SSA in current pay status at the RRB on March 20, 1998. Auditors concluded that internal controls in this area are not adequate to ensure that initial SS benefit awards are processed in a timely manner. The automated system that performs the initial processing of SSA awards schedules referrals for further manual handling too far in the future to ensure timely payment. The agency has not set a standard against which to measure timeliness, and available reports do not provide management with information adequate to assess performance.

Auditors also noted the absence of an audit trail for deletions from one automated system as well as a systems defect that causes SSA to transmit payment certifications using incorrect RRB claim numbers. In addition, the RRB performs an annual mass reconciliation of RRB and SSA payment data as a major internal control to ensure no error remains undetected for more than 12 months. Auditors observed that management does not collect and analyze data concerning the dispositions of referrals from this process which could help management identify internal control weaknesses in the payment process and quantify the magnitude of their impact.

Corrective actions on all report recommendations issued to address the identified weaknesses are in progress.

Review of Compliance with the Railroad Unemployment Insurance Amendments Act of 1996

One of the primary functions of the RRB is to pay unemployment and sickness insurance benefits to railroad workers under the Railroad Unemployment Insurance Act (RUIA). The RRB paid unemployment and sickness benefits of approximately \$71.5 million, net of recoveries, during FY 1997 to about 35,000 claimants.

On October 9, 1996, the President signed the Railroad Unemployment Insurance Amendments Act of 1996 (Act). The major changes made by the Act were a reduction in benefit waiting periods from 14 to seven days, the elimination of a second waiting period in periods of continuing unemployment or sickness, a reduction of extended benefits from 130 days to 65 days for employees with 15 or more years of service, the creation of an earnings test and an increase in the maximum daily benefit rate.

This review determined that the RRB is in compliance with the five provisions of the Act. Four of the provisions involved programming changes to the daily RUIA Claims Processing System. The other provision required manual processing and adjudication of unemployment claims based on information supplied by claimants.

Auditors did not identify any automated processing irregularities that resulted in noncompliance with the Act. Programming changes accurately implemented four of the five provisions. Examination of the adjudication and manual processing on unemployment claims disclosed one error related to the new earnings test. The report concluded that the Office of Programs has controls in place to prevent this type of manual processing error from recurring.

The auditors determined that the RRB is in compliance with the Railroad Unemployment Insurance Amendments Act of 1996. Therefore, no recommendations for corrective action were issued.

Review of the Accuracy of Vested Dual Benefits

Prior to 1975, an individual could become entitled to full benefits under both the Railroad Retirement Act (RRA) and the Social Security Act (SSA). Retirees receiving benefits under both systems had an economic advantage over career railroad employees. In addition, the payment of dual benefits placed a serious financial strain on the railroad retirement system.

In order to improve the railroad retirement system's financial condition, the RRA of 1974 integrated the two systems and eliminated the advantage of qualifying for benefits under both of them. However, it was generally considered unfair to eliminate this advantage entirely for those already retired or close to retirement. The 1974 Act required that retirement benefits paid under the RRA be reduced by any Social Security benefits payable. The law also provided for a restoration of Social Security benefits to certain individuals who were considered vested at the end of 1974. The restored amount is called the vested dual benefit (VDB) or windfall. Because of the stringency of the eligibility requirements, the number of new VDBs awarded will decline dramatically during the next decade. The RRB expects to award approximately 800 VDBs in 1998 and fewer than 300 in the year 2003.

Auditors conducted this review to assess the accuracy of employee VDB payments in pay status as of March 1998. Results indicated that the payment of VDBs is an error-prone process. They identified problems in all the key elements of VDB adjudication which result in a variety of errors: benefits paid to non-entitled individuals, entitled individuals to whom no VDB was being paid, incorrect entitlement dates and incorrect benefit amounts. Errors were concentrated in disability cases. As a result, we recommended the development of adequate procedures, controls and training to address the identified deficiencies.

The VDB benefit payment process is poorly supported by existing automated systems. Examiners must search for errors in both the claim folder and

automated data before a correct payment can be made. In addition, the Office of Programs does not maintain sufficient documentation to support decisions concerning Social Security covered employment prior to 1953. Based on sample findings, we estimate that the financial impact of the errors in the population to be approximately \$646,000 through July 1998 which, if uncorrected, will grow to \$2,400,000 by the year 2003. This projection was based only on the impact of errors in cases adjudicated after 1993; we believe comparable errors exist in cases processed during earlier periods.

The Office of Programs concurs with the findings and recommendations presented in this report and plans to take corrective action to mitigate or eliminate the future financial impact of these errors.

RRB STRATEGIC GOAL: SAFEGUARD CUSTOMERS' TRUST FUNDS THROUGH PRUDENT STEWARDSHIP

Review of Notice of Death Process

Section 5 (c) of the Railroad Retirement Act, 45 U.S.C. Section 231d(c) requires that an individual's entitlement to an annuity shall end with the month preceding the month in which he dies. To prevent additional payments as well as to expedite the collection of overpayments, it is important that death notices are processed quickly. The RRB receives notifications of death from telephone calls, mail or visits from family or friends in the field offices and headquarters, returned checks from the Department of the Treasury, through electronic notices from the Social Security Administration (SSA), and in files containing death reports from SSA and the Health Care Financing Administration computer matching processes.

The notice of death information is entered directly into the Application Express (APPLE) computer system which processes and forwards the data to another

system to create a program accounts receivable record and initiate a reclamation request. This review determined that the termination of an annuity and the establishment of a receivable were completed within 2-3 days after the APPLE entry. In addition, no backlog or inconsistencies in the process were identified. No recommendations for corrective action were issued.

Review of Vested Dual Benefits Appropriations

The RRB requests an annual appropriation for vested dual benefits, based upon the projections and assumptions used in the preparation of similar information necessary to complete the Triennial Actuarial Valuations. These estimates project the viability of the railroad retirement trust funds. Section 15 (g) of the 1974 Act requires that the RRB, at intervals no longer than three years, estimate the liabilities created by the Act and include the estimates in its annual report.

When the agency makes benefit payments, the payments are deducted from the appropriate trust funds. The RRB uses estimates or accruals to allocate benefit payments to the correct trust funds, and posts the accrued amounts to the general ledger each month. Each quarter, the RRB's Bureau of Fiscal Operations makes a benefit account adjustment to the trust funds based on information prepared by the Bureau of the Actuary.

This audit determined that the Vested Dual Benefits Appropriation process and the Quarterly Benefit Account Adjustments process were proper, timely and accurate. Auditors recommended that the Board Members request a study to determine the feasibility of implementing a Benefit Component Accounting system. Such a system would allocate payments based on actual results and would be more accurate than the current process. The agency plans to address this issue in an updated Strategic Information Resources Management Plan. The report also recommended that users periodically change passwords and that information should be shared electronically between bureaus.

Review of Procedures for Controlling Survivor Child Age Attainments

The RRA, Section 2(d)(1) provides for the payment of an annuity to survivors of a deceased employee. The employee must have ten years of service and a current connection with the railroad industry. Annuities are payable to surviving widow(er)s, unmarried children and certain other dependents. Survivor annuities are payable to a child under age 18 and a child age 18 in full-time attendance at an elementary or secondary school. If a student is in full-time attendance at age 19, benefits remain payable until the earliest of completion of the course in which he or she was enrolled when age 19 was reached, cessation of full-time attendance, or three months after attainment of age 19. A full-time student is defined as being enrolled for at least 20 hours per week in a course of study lasting at least 13 weeks.

Survivor child and student annuities are terminated for age attainment through Survivor Electronic Attainment (SURVEA) processing and examiner control. SURVEA identifies survivor annuitants and includes mechanical termination transactions, letters and internal referrals. Program staff ensure that annuities are terminated in a timely manner. The RRB's Bureau of Information Services identifies child annuities in pay status after age 18 and student annuities in pay status more than three months after age 19. These annuities are referred to examiners for benefit termination or annuity type correction from child to student, child to disabled child or student to disabled child.

This review found that RRB procedures for controlling survivor child age attainments are generally effective. Annuities were terminated by the last day of age entitlement for 98.9% of children and 96.2% of students. SURVEA processing accurately identified child and student annuities in pay status two months prior to age attainment and timely terminated these annuities. Examiner error did result in incorrect payments of \$34,800. In addition, auditors requested that the RRB terminate annuities for age attainment preventing \$7,600 in additional incorrect payments for the period May 1998 through September 1998. As a result, auditors recommended revisions in operating procedures to reduce

the potential for incorrect payments. Management agreed with the report findings and have initiated corrective action.

RRB STRATEGIC GOAL: ALIGN RESOURCES TO EFFECTIVELY AND EFFICIENTLY MEET OUR MISSION

Problems Related to Fixed Asset Management

The purpose of this report was to advise agency management of problems related to fixed asset management that were identified during an examination of selected year-end purchase orders. This review indicated that the agency's practice of reserving appropriated funds for spending near the close of the fiscal year results in a backlog of work for those departments responsible for processing acquisitions. The volume of work increases too quickly for staff to receive, record and set up new assets. Auditors also determined that items were not entered into the fixed asset subsystem in a timely manner.

In addition, the agency's fixed asset subsystem did not provide an accurate record of the location of assets. The main cause of problems in this area resulted from a major agency reorganization over the last several years in its Office of Programs. Organizational units were created and others were eliminated. Concomitant changes were made in the physical location of personnel and equipment. However, the responsible office, the RRB's Bureau of Supply and Service (BSS), was not notified of location changes. More recently, BSS has undertaken a project to improve the integrity of the accountable property record for assets in the Office of Programs.

The OIG remains concerned that the RRB has not fully implemented existing procedures requiring complete, agency wide reconciliation of the accountable property record and a physical verification of all assets since 1994. Prior recommendations concerning enforcement of existing fixed asset inventory

procedures have resulted from the annual audits of the agency's financial statements.

Review of Reversals of Disability Denials

Under the authority of the Railroad Retirement Act of 1974, the RRB pays disability benefits to railroad employees and their survivors who are totally and permanently disabled, and to employees who are disabled from performing their regular railroad occupation. Disability applications are filed at RRB field offices, and then forwarded to the Office of Programs' Disability Benefits Division which evaluates the applications and supporting medical and vocational evidence. If disability benefits are denied, an applicant has 60 days to request that the RRB reconsider the case. If, again, benefits are denied, an applicant has an additional 60 days to appeal an unfavorable reconsideration decision to the agency's Bureau of Hearings and Appeals (BHA).

BHA has historically reversed many appealed disability denial decisions; in 1996 and 1997, approximately 76% and 77% of appeals, respectively, were reversed. The objective of this review was to determine the reasons for these reversals, and to identify opportunities to improve the disability determination process. Auditors identified that many reversals resulted from differences of opinion on medical assessments, additional medical evidence of an existing condition, or a new or worsened condition that developed during the lengthy appeal process.

To address these problems, auditors recommended that claims examiners resolve conflicts between the assessments performed by RRB medical consultants and those issued by examining or treating physicians. The medical consultants must justify assessments if they differ from those of treating or examining sources. The report also recommended that the Office of Programs monitor the Social Security Administration's progress in implementing the redesign of its appeals process. Management has initiated corrective action on the report recommendations.

RRB STRATEGIC GOAL: EXPAND USE OF TECHNOLOGY AND AUTOMATION TO ACHIEVE OUR MISSION

Review of Data Communication Function

The RRB's Office of Programs has been pursuing a variety of automation improvements to increase its efficiency, productivity and effectiveness. The vast majority of electronic data communications between the field offices and the computer systems in headquarters is through personal computers, local area networks (LANs) and computer terminals in the field offices which connect to the mainframe computer systems. A number of information technologies are being used or have been planned for the field office operations to improve service to RRB customers. These technologies include bulletin board services, field service electronic mail services, an Internet web site and an intranet. In addition, they also use notebook and desktop personal computers and LANs and mainframe computer systems.

The objective of this review was to determine the effectiveness of data communications between the field offices and the RRB headquarters office. Auditors examined four areas: system availability rates, system response times, network security controls and network backup, recovery and contingency plans. Review results indicated that network security controls, backup, recovery and contingency plans are reasonably effective. Auditors did recommend that the Chief Information Officer (CIO) ensure that a complete, efficient and continuous measurement of total system response time is in place. Management did not concur citing sampling as an acceptable technique for identifying problems. However, management did not address the measurement of total system response time since the sampling approach focuses on a partial measurement.

As a result of the installation of new disk storage technology in September 1997, many problems related to system availability have disappeared and availability

rates have increased to 99.82%. The report urged the CIO to revise the current standard of 97% for remote application system availability to a level based on actual performance data. The CIO agreed to revise the standard.

Review of Information Technology Capital Planning Process

The RRB's Automated Data Processing Steering Committee (ADPSC) is responsible for reviewing and recommending the Strategic Information Resources Management (IRM) Plan that supports the agency's Strategic Plan. The Board Members approved the current Strategic IRM Plan on December 17, 1997. The ADPSC monitors progress toward the implementation of the plan and reviews IRM policies for the agency. It is also responsible for reviewing all service requests and capital expenditures over established thresholds related to computer hardware and software, and includes the mainframe, personal computers and local area networks (LANs).

Included in the RRB's Strategic IRM Plan is the agency's Information Technology (IT) Capital Plan for fiscal years 1997 through 2002. This plan contains 14 major elements of hardware and software investments that the RRB will make during the period. These elements represent approximately \$17.5 million in project spending subject to future funding availability.

Although auditors determined the IT capital planning process is generally adequate, they did note that several improvements could be made to enhance the overall effectiveness of the process within the agency. They recommended that the Chief Information Officer, who serves as Chairman of the ADPSC, report directly to the Board Members, and that the Bureau of Information Services (BIS) be assigned complete responsibility for the management and support of all personal computers and LANs. The report also contained recommendations that human resources requirements be addressed in future revisions to the Strategic IRM Plan and that cost benefit analysis requirements be reviewed and clarified. Finally, the report recommended that the ADPSC be given the responsibility for

approving all requests for procuring or funding information technology investments.

The Board Members are reviewing the proposals concerning the reassignment of responsibilities to BIS and the issue on revising the organizational placement of the CIO. Management agreed with the remaining items and corrective actions are in progress.

Review of Federal Financial System Operating Procedures

The RRB's Bureau of Fiscal Operations is responsible for managing the financial records of the agency, and is supported by the Bureau of Information Services which maintains the Federal Financial System (FFS) computer operations. The RRB uses FFS to track and maintain its financial records and to make payments to outside vendors for goods and services. The RRB's financial transactions maintained in FFS provide the basis for the agency's annual financial statements.

The objective of this review was to determine if (1) the operating procedures could be streamlined, both in the computer room and program bureaus; (2) manual intervention in the day-to-day operation of computer systems can be minimized or eliminated; and (3) efficiency and effectiveness of the computer system can be increased to satisfy the agency's mission and the customer service goals.

Review results indicated that FFS is operating in an efficient and effective manner. The agency met the fiscal years 1996 and 1997 customer service goals established for trust fund asset management. Auditors did, however, recommend one change to formalize restart instructions for daily FFS computer processing when a job abends. The CIO agreed with the recommendation and has issued procedures to address the identified problem.

AUDITS: MANAGEMENT DECISIONS AND IMPLEMENTATION

Through a Memorandum of Understanding, the Director of Administration transferred the responsibility for managing the open audit follow-up system to the Office of Inspector General. This system tracks the status of corrective actions for all audit recommendations. Procedures are in place to ensure that the agency is in compliance with all applicable regulations. Office of Management and Budget Circular No. A-50 (Revised) and the Inspector General Act Amendments of 1988 require the reporting of management decisions and corrective actions for all audit recommendations.

Management Decisions

Recommendations requiring a management decision on April 1, 1998	3
New recommendations issued during this period	
pending a management decision	2
Previous recommendations for which a management	
decision was made	<u>-0</u>
Number of recommendations pending a management decision	
on September 30, 1998	<u>5</u>

Corrective Actions

Prior recommendations requiring action on April 1, 1998	82
New recommendations issued during this six month reporting period	41
Recommendations for which corrective actions	
were completed from April 1, 1998 - September 30, 1998	<u>-41</u>
Recommendations pending final action	
September 30, 1998	<u>82</u>

PART IV - OFFICE OF INVESTIGATIONS

Mission

The Office of Investigations (OI) focuses on RRB benefit program fraud. OI's primary objective is to identify, investigate, and refer for prosecution and monetary recovery action, cases of waste, fraud and abuse in RRB programs. Although the RRB continued to administer the Medicare Part B Program for railroad beneficiaries, the OIG's FY 1998 Appropriations bill again prohibited OI from conducting Medicare fraud investigations. Through its investigations, OI also seeks to prevent and deter program fraud. In order to maximize the effect of its resources, OI continues to pursue cooperative investigative activities and coordination with other Inspectors General and law enforcement agencies, which include the Social Security Administration-Office of Inspector General (SSA-OIG), the Federal Bureau of Investigation (FBI), the U.S. Secret Service, the Internal Revenue Service, the Postal Inspection Service and the Defense Criminal Investigative Service.

OI continues to pursue cases involving false reporting by railroad employers. Several of these cases are being worked jointly with the Internal Revenue Service under the direction of the Department of Justice Tax Division attorneys. These cases also have substantial effects on the RRB's trust funds.

OI has begun devoting more effort to more complex fraud schemes involving collusion between railroad employers, retired railroad workers and third party employers. These schemes have a substantial impact on the agency's trust funds because the retirees are receiving benefits to which they are not entitled and, at the same time, the employers are not submitting contributions to the trust funds as required. OI has initiated a project to develop a methodology to enable the agency to identify additional cases of this type of fraud. These cases also have identified several internal weaknesses which will be the focus of an OIG audit.

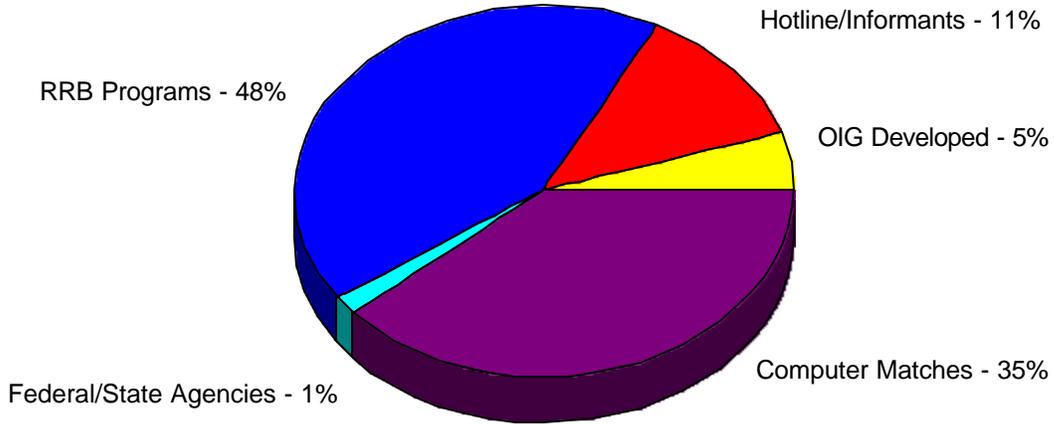
SEMIANNUAL REPORT TO CONGRESS

INVESTIGATIVE ACCOMPLISHMENTS	04/01/98 - 09/30/98	FY 1998
Convictions	49	100
Civil Judgements	33	73
Indictments/Informations	26	43
Investigative Recoveries & Savings	\$ 309,235	\$ 369,797
Restitutions and Fines	\$ 401,935	\$ 729,254
Civil Damages and Penalties	\$ 304,544	\$ 876,808
Community Service Hours	387	537
Disciplinary/Administrative Action	0	9
Complaints	31	59
Arrests	31	58
Subpoena Service:		
Inspector General	13	20
Federal Grand Jury	14	40
Program Fraud Civil Remedies Act Referrals	1	3
U.S. Attorney Referrals	181	333

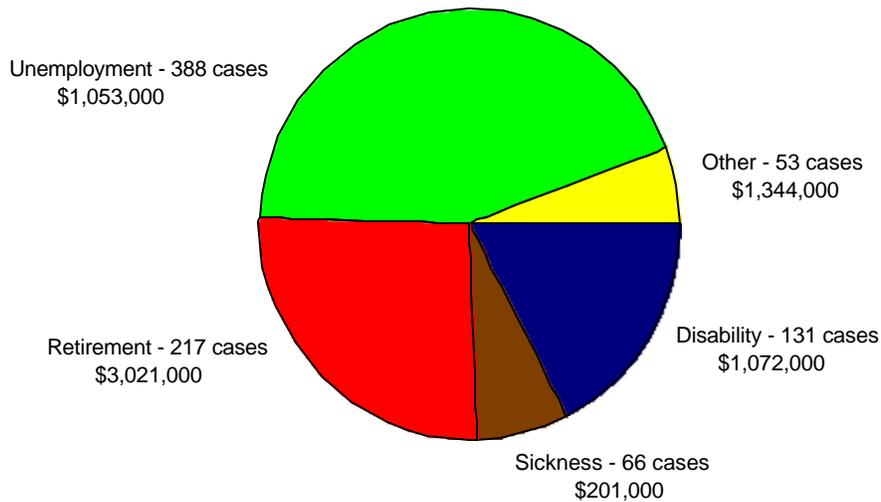
Ol presently has 203 cases pending prosecution with various U.S. Attorneys across the nation.

INVESTIGATIVE CASES

During this semiannual period, OI opened 142 investigations and closed 274 cases. The major sources of case referrals are illustrated below.



OI's current caseload is approximately 855 criminal matters, representing over \$6.7 million in fraud against the RRB. A breakdown of the cases by RRB program area and estimated fraud losses is provided in the table below.



AFFIRMATIVE CIVIL ENFORCEMENT (ACE) PROGRAM

OI continues to pursue prosecution of cases under the Department of Justice's Affirmative Civil Enforcement Program. This program involves "fast track" civil prosecution of cases under the provisions of the Title 31, U. S. Code, Sections 3729-3733, The Civil False Claims Act. This statute allows the government to recover up to triple damages as well as \$5,000 to \$10,000 for each false claim submitted.

During this reporting period, a total of 33 civil judgements under the ACE program were entered by Federal district courts which will result in the return of \$304,504 to the government when the funds are collected.

The Department of Justice is frequently obtaining double damages through these civil false claims prosecutions. The judgements obtained in these cases also provide the agency with an efficient and effective basis to pursue their collection activities.

The ACE Program continues to provide an efficient means to address fraud against agency programs, particularly where the fraud losses are below the financial guidelines for criminal prosecution. It also is an effective way to return fraud losses to the RRB's trust funds and create a deterrent against future fraud.

REPRESENTATIVE INVESTIGATIONS

Retirement Benefit Cases

RRB retirement fraud typically involves the theft and fraudulent cashing of U.S. Treasury checks, or the illicit conversion of U.S. Treasury electronic fund transfers, by someone other than the authorized RRB annuitant. During this reporting period, OI obtained 13 convictions for retirement fraud. Defendants received 30 months probation and 11 months imprisonment, were ordered to pay \$118,800 in restitution, \$1,000 in fines and required to perform 304 hours of community services. OI also achieved two civil judgements in retirement fraud cases which will return \$29,208 to the RRB trust funds. In addition, the RRB will be able to recover \$199,391 in overpayments as a result of OI investigations.

Examples of recent retirement cases follow.

- # OI opened this case in March 1996 based upon an annuitant failing to respond to an RRB inquiry. Preliminary investigation indicated that the entitled annuitant had died on December 21, 1990. The RRB had deposited 55 benefit payments totaling \$61,148 via electronic funds transfer into the annuitant's checking account since that date. A reclamation was ordered but did not recover any funds. However, agents determined that the annuitant's niece has withdrawn the funds from her aunt's bank account. The subject plead guilty and was sentenced to five years probation, received a \$25 assessment fee and was ordered to make full restitution.

- # The RRB's Chicago District Office referred a case to the OIG which indicated that an annuitant had returned to work as a railroad engineer after starting to receive his railroad retirement annuity. The subject created a company after he retired from the railroad industry so he could continue to collect his railroad annuity. When the RRB sent a

questionnaire regarding work after retirement, the subject indicated that he was not working. However, information obtained from a railroad employer showed that he was employed. The subject admitted he had returned to work and was subsequently prosecuted for violating the False Claims Act. He has paid full restitution of \$14,734 to the RRB.

- # OI opened this investigation when the RRB's Philadelphia District Office indicated that 86 RRB annuitants had failed to receive their monthly annuity payments. Investigation revealed that the U.S. Treasury suffered a mass theft of U.S. Treasury checks at the Philadelphia International Airport. OI coordinated its efforts with the Postal Inspection Service and identified a subject who had negotiated several checks and deposited them into his savings account. A reclamation was initiated and all RRB administered funds totaling \$43,271 were recovered. The subject was sentenced to four years probation, 100 hours of community service, ordered to pay restitution to the financial institution of \$4,000 based on his inability to pay and received a \$150 assessment fee.

Unemployment and Sickness Insurance Cases

Unemployment Insurance (UI) and Sickness Insurance (SI) benefit fraud involves individuals claiming and receiving UI or SI benefits while working and receiving wages from an employer, in violation of Federal law. The primary source of UI/SI fraud cases remains state computer matching programs that compare RRB beneficiaries with individuals for whom wages have been reported.

During this reporting period, OI obtained 32 convictions for UI and SI fraud. Defendants in these cases received, in the aggregate, 40 ½ years of probation, eight months imprisonment, were ordered to pay \$133,839 in restitution, \$1,215 in fines, and perform 83 hours community service. OI also achieved 29 civil

judgements which will return \$233,678 to the UI/SI programs. The RRB will be able to recover an additional \$40,032 as a result of OI investigations.

Examples of typical cases involving individuals fraudulently receiving unemployment or sickness insurance benefits follow.

- # The Sickness and Unemployment Benefits Division referred a case to the OIG based on initial allegations that an annuitant had collected unemployment insurance benefits on the same days he worked for a hardware company in Florida. During various periods from 1992 through 1994, the subject submitted 59 false claims and fraudulently collected \$14,514 in unemployment benefits. The subject plead guilty and was sentenced to five years probation and ordered to make full restitution. The subject had a prior conviction for child molestation and sexual assault.

- # OI initiated this case involving a subject who was working in a Michigan restaurant while collecting unemployment insurance benefits. The investigation revealed a second subject, the manager of the restaurant, who made false statements to OI agents concerning the subject's employment. Agents discovered that the two individuals were personally involved and living together. During an interview with OI agents, the manager confessed that the subject was, in fact, employed by the restaurant while collecting unemployment benefits.

A consent judgement was entered against the manager and she was ordered to make restitution of \$2,000. The subject plead guilty to false claims, was sentenced to two years probation and ordered to make restitution of \$4,250.

Disability Cases

The OIG also conducts fraud investigations relating to the RRB's disability program, which typically involves larger financial amounts and more sophisticated schemes. During this reporting period, OI obtained 3 convictions for disability fraud and defendants in these cases were ordered to pay \$56,932 in restitution, \$150 in fines, serve 13 years probation, and one year and a day in jail. One civil judgement was realized that will return \$34,518 to the disability program. An additional \$25,403 in overpayments will be recovered as a result of OI investigations concerning disability fraud cases.

Examples of typical disability fraud cases follow.

- # OI initiated this investigation based upon a complaint received by the RRB District Office in Cleveland, Ohio. The office had received a telephone call from a local police department that had arrested an individual who stated he received disability benefits from the RRB. The police had found two different identifications in the subject's possession, and contact the District Office to determine if the man was using the additional identification for employment purposes.

A joint investigation by the Social Security Administration and the RRB-OIG discovered the subject was using the false identity to avoid reporting requirements for an SSA disability and an RRB disability. He was also employed full-time as a dock worker. During the investigation, agents also determined that the subject was cashing SSA checks from a deceased relative.

The subject plead guilty to Theft of Public Money, False Statement and False Use of a Social Security Number; he was sentenced to five years probation and ordered to make restitution of \$31,602.

- # The RRB's District Office in Omaha, Nebraska received a complaint that an individual was working for a private employer while receiving approximately \$1,814 in monthly RRB disability benefits. OI's investigation revealed that the subject had made written attempts to convince his company, where he was employed as an over the road truck driver, to hide his wages under his wife's social security number. The company made his checks payable to his wife, but reported his wages to the Social Security Administration without his knowledge. When interviewed by OI special agents, the subject provided both oral and written statements that he fraudulently obtained disability benefits in 1995 and 1996. He was subsequently sentenced to one year and a day in prison, three years probation and ordered to make restitution of \$25,330.

In 1993, the subject had been convicted on one count of 29 U.S.C. Section 501(c), Embezzlement of Money from a Labor Organization, and was sentenced to six months in prison, two years probation, 200 hours of community service and ordered to make restitution of \$20,000. During the period that the subject was paying his restitution and fine, he was fraudulently receiving benefits from the RRB.

- # OI conducted an investigation of an individual who fraudulently collected \$34,158 in disability benefits from February 1994 through January 1997. The subject had exceeded his earnings restrictions and failed to reveal his employment as a laboratory technician at a medical center in Michigan. On July 30, 1998, he signed an agreement for pretrial diversion and agreed to make full restitution of the funds to the RRB.

HOTLINE CALLS

The Office of Inspector General established its Hotline to receive complaints concerning suspected fraud, waste and abuse in RRB programs and operations. The Hotline provides an open line of communication for individuals who desire to report suspected criminal activity, conflict of interest, mismanagement, and waste of RRB funds.

	04/01/98 - 09/30/98	FY 1998
Total Contacts (Telephone Calls and Letters)	808	1,649
Referred to:		
RRB-OIG, Office of Investigations	107	223
RRB Bureaus/Offices	541	1,110
Other Federal Agencies	32	54
State/Local Agencies	1	1
United Health Care Corporation/ Durable Medical Equipment Regional Carriers	17	47
Other (misdirected calls, followup calls to agents and inquiries regarding previous complaints)	110	214
TOTAL	808	1,649

PART V - REVIEW OF LEGISLATION AND REGULATIONS

The Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the agency and to make recommendations in the semiannual report concerning the impact on the economy and efficiency of the administration of the agency's programs and on the prevention of fraud and abuse.

Increased Efficiency

The agency amended the section of its regulations containing a list of agency forms to eliminate out-of-date information or information already provided in a more usable fashion. The agency also published a regulation to explain actuarial tables and interest rates used to calculate actuarial adjustment for overpayment. Both changes increase agency efficiency by providing the public with clear and accurate information.

APPENDIX A**OIG REPORTS ISSUED**

Report No.	Title
98-11	Review of Compliance with the Internal Revenue Code for Retirement Benefits, April 2, 1998
98-12	Problems Related to Fixed Asset Management, April 27, 1998
98-13	Review of Reversals of Disability Denials, May 11, 1998
98-14	Review of Notice of Death Process, May 11, 1998
98-15	Review of Vested Dual Benefits Appropriations, June 16, 1998
98-16	Review of Data Communication Function, June 19, 1998
98-17	Review of the Accuracy and Timeliness of Social Security Benefits Paid by the Railroad Retirement Board, July 27, 1998
98-18	Review of Compliance with the Railroad Unemployment Insurance Amendments Act of 1996, August 14, 1998
98-19	Review of Procedures for Controlling Survivor Child Age Attainments, August 25, 1998
98-20	Review of the Information Technology Capital Planning Process, September 4, 1998
98-21	Review of Federal Financial System Operating Procedures, September 14, 1998
98-22	Review of Year 2000 Project, September 24, 1998
98-23	Review of the Accuracy of Vested Dual Benefits, September 30, 1998

APPENDIX B

INSPECTOR GENERAL ISSUED REPORTS
WITH QUESTIONED COSTS

	<u>Number</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision had been made by April 1, 1998	0	0	0
B. Which were issued from April 1, 1998 through September 30, 1998	0	0	0
Subtotals (A + B)	0	0	0
C. For which a management decision was made from April 1, 1998 through September 30, 1998	0		
(i) dollar value of disallowed costs		0	0
(ii) dollar value of costs not disallowed		0	0
D. For which no management decision has been made by September 30, 1998	0		0
Reports for which no management decision was made within six months of issuance	0		0

**INSPECTOR GENERAL ISSUED REPORTS
WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE**

	<u>Number</u>	<u>Dollar Value</u>
A. For which no management decision has been made by April 1, 1998	0	
B. Which were issued from April 1, 1998 through September 30, 1998	2	
Subtotals (A + B)	2	
C. For which a management decision was made from April 1, 1998 through September 30, 1998	2	
(i) dollar value of recommendations that were agreed to by management		\$2,407,600
(ii) dollar value of recommendations that were not agreed to by management		0
D. For which no management decision has been made by September 30, 1998	0	
Reports for which no management decision was made within six months of issuance	0	

APPENDIX C - PREVIOUSLY REPORTED SIGNIFICANT RECOMMENDATIONS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED

AUDITS OF THE FINANCIAL STATEMENTS FOR FY 1993 (JULY 15, 1994), FY 1994 (JANUARY 13, 1995), FY 1995 (APRIL 23, 1996), FY 1996 (JANUARY 10, 1997), AND FY 1997 (FEBRUARY 27, 1998)

The RRB has not implemented necessary changes to fully address weaknesses cited in the audits of the agency's financial statements for fiscal years 1993-1997.

- (1) Crediting of retirement tax deposits - The RRB continues to work with the Internal Revenue Service and Department of the Treasury to ensure deposits are being properly credited. A new IRS system, the Electronic Federal Tax Payment System, became operational in FY 1997. The RRB has established a target completion date of June 1999 to correct this problem.

- (2) Overall control environment of the agency - Although the RRB has implemented several reorganizations, agency operations have not changed significantly. There are 20 major operating units and no independent Chief Executive Officer. The three Board Members remain highly involved in the operational affairs of the agency.

- (3) Inaccurate benefit payments - The audits identified inaccurate retirement, survivor and disability benefit payments which the auditors attributed to adjudicative and clerical errors.

- (4) Financial Interchange - Auditors also stated that the current timetable for the settlement process for the financial interchange prevents the timely and accurate preparation of annual financial statements.

APPENDIX D - AUDIT REPORTS OVER SIX MONTHS OLD PENDING A MANAGEMENT DECISION

Review of Quality Assurance Activities, Report No. 97-06, January 22, 1997

The Office of Inspector General reviewed agency quality assurance activities to identify the assignment of quality assurance responsibilities within the agency. The report recommended that the Board Members assign each Director the responsibility for quality assurance relative to the functions and activities of their respective offices and eliminate the current Bureau of Quality Assurance organization. We also recommended that the Board Members implement a quality management program similar to one proposed by a Total Quality Management task force in 1993.

The Director of Administration, the Director of Programs and the Assistants to the Board Members deferred action on the recommendations pending the final organizational structure and submission of a quality plan for the Assessment and Training Unit in the Office of Programs. Although the plan was submitted to the Board Members on August 11, 1997, no decision has been made.

The Board Members also agreed to address a quality management program in the context of a partnership council with the employee union. Discussions with the union were halted after union representatives insisted the partnership council include the Board Members or have authority to make binding decisions.

On September 22, 1998, the Board Members agreed to form a committee comprised of their assistants to review the overall organization of the agency. A decision on the quality assurance function has been deferred pending the findings of the committee.

APPENDIX E - RRB MANAGEMENT REPORTS*

**MANAGEMENT REPORT ON FINAL ACTION
ON AUDITS WITH DISALLOWED COSTS
FOR THE SIX MONTH PERIOD ENDING SEPTEMBER 30, 1998**

	<u>Number of audit reports</u>	<u>Disallowed costs</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	<u>0</u>	\$ <u>0</u>
B. Audit reports on which management decisions were made during the period.	<u>0</u>	\$ <u>0</u>
C. Total audit reports pending final action during the period. (A + B)	<u>0</u>	\$ <u>0</u>
D. Audit reports on which final action was taken during the period.		
1. Recoveries		
(a) Collections and offsets	<u>0</u>	\$ <u>0</u>
(b) Property	<u>0</u>	\$ <u>0</u>
(c) Other	<u>0</u>	\$ <u>0</u>
2. Write-offs	<u>0</u>	\$ <u>0</u>
3. Total of 1 and 2	<u>0</u>	\$ <u>0</u>
E. Audit reports needing final action at the end of the period (C - D.3)	<u>0</u>	\$ <u>0</u>

*The information contained in this section has been provided by RRB management.

**MANAGEMENT REPORT ON FINAL ACTION ON AUDITS
WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
FOR THE SIX MONTH PERIOD ENDING SEPTEMBER 30, 1998**

	<u>Number of audit reports</u>	<u>Funds to be put to better use</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	<u>0</u>	\$ <u>0</u>
B. Audit reports on which management decisions were made during the period.	<u>2</u>	\$ <u>2,407,600*</u>
C. Total audit reports pending final action during the period. (A + B)	<u>2</u>	\$ <u>2,407,600*</u>
D. Audit reports on which final action was taken during the period.		
1. Value of recommendations implemented (completed)	<u>1</u>	\$ <u>7,600</u>
2. Value of recommendations that management concluded should not or could not be implemented (completed)	<u>0</u>	\$ <u>0</u>
3. Total of 1 and 2	<u>1</u>	\$ <u>7,600</u>
E. Audit reports needing final action at the end of the period (C - D.3)	<u>1</u>	\$ <u>2,400,000*</u>

* The funds put to better use reflect the findings of an audit on accuracy of vested dual benefit (VDB) payments, Audit Report 98-23. In that report, the Office of Inspector General identified errors of \$85,000 (over- and underpayments) in a review of three samples of VDB cases. They then estimated the financial impact of the errors on the entire VDB population at \$646,000 through July 1998. According to the Office of Inspector General, the projected errors would account for \$2,400,000 in erroneous payments by the year 2003 (5-year period) if uncorrected, and this table includes that amount.

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING
AS OF SEPTEMBER 30, 1998**

<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>
Computer Match of RUIA Benefits and Compensation Adjustment Reports (93-20)	08/04/93	None	None
Audit of the RRB's FY1993 Financial Statements	07/15/94	None	None
Audit of the RRB's FY1994 Financial Statements	01/13/95	None	None
Review of Selected Separation Allowance Lump Sum Payments (95-11)	04/05/95	None	None
Review of Selected Annuitants with Service Months After the Annuity Beginning Date (95-13)	04/11/95	None	None
Audit of the RRB's FY1995 Financial Statements	04/23/96	None	None
Review of Service Months Between the Date Rights Relinquished and the Annuity Beginning Date (96-13)	08/23/96	None	None

SEMIANNUAL REPORT TO CONGRESS

Reason action has
not
been completed

Inspector
General
audit staff.

Necessary programming
changes to perform the
computer match will be
addressed upon
successful completion of
the Year 2000
conversion effort.

Office of
Inspector
General
audit staff
are
reviewing
an agency
determina
tion that
the cases

Corrective actions on two
remaining
recommendations are
underway, with target
completion dates in
fiscal years 1999 and
2000.

in
question
should
not be
reopened
and a
policy
decision

Corrective actions on two
remaining
recommendations are
underway, with target
completion dates in
calendar year 1998.

on
creditable
service.

Agency staff reviewed
and corrected disparities
in payment records.
Remaining open issues
were resolved on
10/6/98.

Office of Inspector
General audit staff are
reviewing information
provided by agency staff
on the 1997 review of
cases with service after
the annuity beginning
date.

Corrective actions on
four remaining
recommendations are
pending completion by
the responsible
organization and/or
review by the Office of

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING
AS OF SEPTEMBER 30, 1998**

<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Review of Initial Claims Processing (96-15)	09/20/96	None	None	Implementation plans for advance evidence collection are underway, including an on-line processing system planned for the new millennium.
Private Branch Exchange (PBX) System Review (96-20)	09/30/96	None	None	The agency is in the process of fully documenting the RRB Help Line.
Review of the Audit and Compliance Division (97-01)	11/01/96	None	None	Efforts to establish a memorandum of understanding with the IRS are ongoing.
Review of Modem Usage (97-05)	01/08/97	None	None	All agency LAN's should have necessary anti-virus software installed by the end of fiscal year 1999.
Review of Quality Assurance Activities (97-06)	01/22/97	None	None	At the 9/98 Board meeting, the Board Members decided to address quality assurance activities as part of a review of the agency's overall organization.
Review of Non-Priority Correspondence Handling (97-09)	03/13/97	None	None	The Office of Programs issued new mail distribution guidance on 10/1/98, and continues to develop procedures for acknowledgment letters.
Review of Railroad Unemployment Insurance Act Contributions Due from Railroad Employers (97-13)	03/28/97	None	None	The agency's most recent report on receivables, issued in 10/98, addressed the remaining recommendation by distinguishing between interest and principal.

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING
AS OF SEPTEMBER 30, 1998**

<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Review of EDM Suspended Transactions (97-15)	05/08/97	None	None	Agency staff are resolving unposted transactions, as well as developing a computer system for controlling these cases and procedures for use of subpoenas to get employer information.
Review of RRB Compliance with Electronic Payment Requirements (97-16)	05/12/97	None	None	Agency staff revised identified forms to include direct deposit information, with remaining action subject to completion of a new on-line processing system in fiscal year 2000.
RRB Disability Review Program (97-17)	07/10/97	None	None	A proposal to discontinue periodic reviews of cases in which medical improvement is not expected is under review by agency legal staff, while work is underway on developing a new computer database for disability annuitants and reviews.
Prepayment Verification Period Pilot Program (97-18)	07/31/97	None	None	Completion of this item will depend on a test currently underway of the agency's new cost accounting software.
Review of Duplicate Postings of Railroad Compensation (97-19)	07/31/97	None	None	Necessary programming changes to suppress certain duplicate earnings referrals will be addressed upon successful completion of the Year 2000 conversion effort.

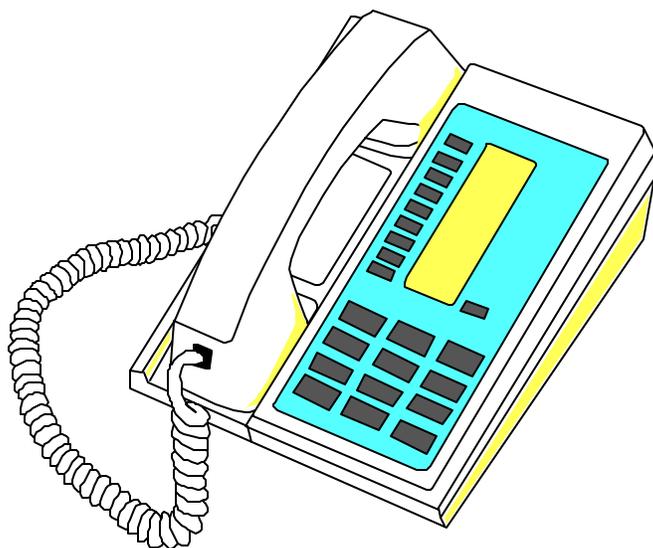
MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING AS OF SEPTEMBER 30, 1998

<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Review of Medical Services Contract (97- 20)	08/13/97	None	None	A recent contract extension included enhanced timeliness standards, and an on-site evaluation scheduled for 9/99 will verify contractor security procedures.
Review of Overpayments - SSA Transfer Cases (97-22)	08/25/97	None	None	Further automation of non-death termination cases will be addressed upon successful completion of the Year 2000 conversion effort.

APPENDIX F - REPORTING REQUIREMENTS

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REPORT
FRAUD, WASTE AND ABUSE
RRB - OIG HOTLINE



1-800-772-4258

or write

**Office of Investigations
RRB-OIG
844 North Rush Street
Chicago, IL 60611-2092**