

**SEMIANNUAL
REPORT TO THE
CONGRESS**

OCTOBER 1, 2013 TO
MARCH 31, 2014

**OFFICE OF INSPECTOR GENERAL
for the
RAILROAD RETIREMENT BOARD**





UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

April 30, 2014

The Honorable Michael S. Schwartz, Chairman
Railroad Retirement Board
844 North Rush Street
Chicago, Illinois 60611-2092

Dear Mr. Schwartz:

I am pleased to submit our *Semiannual Report to the Congress*. This report provides a descriptive summary of our activities and accomplishments during the period of October 1, 2013 through March 31, 2014. This report is submitted in accordance with Section 5 of the *Inspector General Act of 1978*, as amended. The Act requires that you transmit this report, along with any comments you may wish to make, to the appropriate Congressional committees and subcommittees within 30 days.

During this reporting period, the Office of Inspector General issued a seven-day letter to Congress regarding particularly serious or flagrant deficiencies in the administration of the RRB's occupational disability program. We also:

- completed our audit of the RRB's fiscal year 2013 financial statements;
- published our "Letter to Management" detailing matters related to internal control identified during the financial statement audit;
- prepared our statement on *Management and Performance Challenges Facing the Railroad Retirement Board*;
- published the results of our annual evaluation of the agency's information security program;
- audited dual spouse annuity adjustments;
- audited the agency's compliance with the Improper Payments Elimination and Recovery Act of 2010.

Our criminal investigators achieved 3 arrests, 43 criminal convictions, 15 indictments and informations, 8 civil judgments, and more than \$266 million in financial accomplishments resulting from OI's investigative work, including joint investigations.

We appreciate the ongoing assistance extended to our staff during the performance of their duties and look forward to resolving program integrity issues within the agency's disability program.

Sincerely,

Original Signed by
Martin J. Dickman
Inspector General



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Office of Inspector General for the Railroad Retirement Board

INTRODUCTION

Railroad Retirement Board

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal government. The RRB administers comprehensive disability, retirement-survivor, and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families. These programs are codified under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA), respectively. During fiscal year (FY) 2013, the RRB paid approximately \$11.8 billion in retirement-survivor and unemployment-sickness benefits to roughly 595,000 beneficiaries.

The RRB also has administrative responsibilities for certain benefit payments under the Social Security Act, including the administration of Medicare benefits for qualifying railroad workers and dependents. Pursuant to statutory authority, the RRB, in consultation with the Centers for Medicare and Medicaid Services, awards and monitors the single nationwide Railroad Medicare Part B Services contract. During FY 2013, the Railroad Medicare contractor paid approximately \$846 million in Part B medical insurance benefits on behalf of roughly 450,000 Railroad Medicare beneficiaries.

Board Members

The RRB's Board consists of three members who are appointed, with the advice and consent of the Senate, by the President of the United States. One member is appointed upon the recommendation of railroad employers; another member is appointed upon the recommendation of railroad labor organizations; and the third, who is the Chairman, is appointed to represent the public's interest. Board Members' terms are five years in length and expire in staggered years.

Office of Inspector General

The Railroad Retirement Solvency Act of 1983 amended the RRA to provide for an Office of Inspector General (OIG) for the RRB. The 1988 amendments to the Inspector General Act added the RRB to the list of covered agencies.



Office of Inspector General for the Railroad Retirement Board

The RRB's Inspector General is a Presidential Appointee, with Senate confirmation, who serves as an independent and objective voice to the RRB Board Members and the Congress. It is the Inspector General's responsibility to promote economy, efficiency, and effectiveness in the RRB's programs and operations. To that end, the OIG conducts audits/evaluations, management reviews, and inspections of the RRB's programs and operations. As a product of its efforts, the OIG offers recommendations for agency improvement to RRB management. The OIG also identifies and investigates cases of waste, fraud, and abuse in the RRB's programs and operations. The OIG works closely with Federal prosecutors and makes the appropriate referrals for criminal prosecution, civil prosecution, monetary recovery, or administrative sanctions.

The OIG has three operational components: the immediate Office of the Inspector General, the Office of Audit, and the Office of Investigations. The OIG conducts operations from several locations including the RRB headquarters in Illinois and investigative field offices in California, Florida, Pennsylvania, New York, Texas, and Virginia. These field offices provide an increased investigative presence which aids in the effective and efficient coordination of joint investigations with other Inspector General offices and law enforcement agencies.

Long Island Rail Road Occupational Disability Fraud Investigation

During this semiannual reporting period, two former Long Island Rail Road (LIRR) employees were convicted by a Federal jury of conspiracy and fraud charges stemming from their fraudulent receipt of RRB occupational disability benefits. With these convictions, all 33 individuals charged in connection with the LIRR fraud scheme have either pleaded guilty or been convicted at trial. These results are discussed further on page 16. This investigation remains ongoing.



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EXECUTIVE SUMMARY

Office of Audit

The Office of Audit (OA) conducts financial, performance, and compliance audits and evaluations/inspections of the RRB's programs and operations. During this reporting period, the OA:

- completed its annual audit of the RRB's comparative financial statement for the FYs ended September 30, 2013 and 2012 along with the related reports on internal control and compliance;
- published their "Letter to Management" detailing matters related to internal control identified during the financial statement audit;
- prepared the Inspector General's statement of *Management and Performance Challenges Facing the Railroad Retirement Board*;
- published the results of their annual audit of the RRB's information security program;
- audited dual spouse annuity adjustments; and
- audited the RRB's compliance with the Improper Payments Elimination and Recovery Act of 2010.

OA's activities, during this reporting period, are discussed in further detail on pages 5 through 11 of this report. All publicly available reports are available on our website at www.rrb.gov/oig.



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Office of Investigations

The Office of Investigations (OI) focuses its efforts on identifying, investigating, and presenting RRB benefit fraud cases for prosecution. OI conducts investigations throughout the United States relating to:

- the fraudulent receipt of RRB disability, unemployment-sickness, and retirement-survivor benefits;
- Railroad Medicare fraud;
- false reporting by railroad employers; and
- criminal violations and misconduct by RRB personnel.

Investigative efforts may result in criminal convictions; civil judgments and penalties; administrative recovery of program benefit funds; and/or administrative sanctions.

From October 1, 2013 through March 31, 2014, OI achieved:

- 3 arrests;
- 15 indictments and informations;
- 43 convictions;
- 8 civil judgments;
- 40 referrals to the Department of Justice; and
- almost \$266 million¹ in financial accomplishments.

Defendants, in the aggregate, were sentenced to more than 90 years of prison, over 115 years of probation, and 150 hours of community service. Additional details regarding OI's activities are discussed on pages 16 through 22.

¹ The total amount of financial accomplishments reflect fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other Federal programs such as Medicare or Social Security which were included in the disposition resulting from the investigation.



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OCTOBER 1, 2013 – MARCH 31, 2014 ACCOMPLISHMENTS

Office of Audit

Congress established the OIG to provide independent oversight of the RRB. Within the OIG, OA's mission is to promote economy, efficiency, and effectiveness in the administration of the RRB's programs and operations; and to detect and prevent fraud, waste, and abuse. Through the Inspector General, OA keeps Board Members and the Congress informed of current and potential problems and deficiencies in the RRB's operations. OA also tracks the agency's progress towards corrective action.

Brief summaries of all audits completed during this semiannual reporting period follow.

Opinion on the Financial Statements

During this reporting period, OA completed its annual audit of the RRB's comparative financial statements for the FYs ended September 30, 2013 and 2012. For reasons explained below, OA was not able to obtain sufficient appropriate audit evidence regarding the financial position of the RRB and, accordingly, did not express an opinion ("disclaimed opinion") regarding the RRB's financial statements.

Recent group financial statement auditing standards promulgated by the American Institute of Certified Public Accountants (AICPA), requires auditors to have ongoing communication, including evidentiary and assessment reviews, with component auditors (i.e. independent auditors hired by the National Railroad Retirement Investment Trust (NRRIT)). To comply with these standards, OA contacted the NRRIT's Chair requesting direct communication with, and cooperation from their component auditors. The RRB's Chief Financial Officer responded on behalf of the NRRIT and stated that they are not subject to Federal audit requirements. Although the RRB is correct that the NRRIT is not a Federal entity and directly subject to Federal audit requirements, the OIG concluded that the AICPA's standards apply to all component entities that prepare audited financial statements both Federal and Non-Federal. Therefore, the OIG is not able to comply with the new AICPA auditing standards (section 600) and are compelled to disclaim on the RRB's financial statements beginning this year and in future years until legislative changes are made regarding the relationship between the OIG, the NRRIT, and its auditors.



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Report on Internal Control

In planning and performing the audit of the agency's financial statements, OA considered the RRB's internal control over financial reporting and compliance. OA did this to determine its procedures for auditing the financial statements and to comply with Office of Management and Budget (OMB) audit guidance, and not to express an opinion on internal control. OA reported the following.

- With respect to previously reported control deficiencies, the RRB has made progress strengthening its information security program but this effort is not yet complete and remains an area of material weakness.
- The previously reported material weakness for budgetary reporting is now being reported as a significant deficiency since errors found during FY 2013 were less severe than a material weakness.

Report on Compliance with Laws and Regulations

OA's audit of the RRB's financial statements included tests of compliance with selected provisions of laws and regulations, including laws governing the use of budget authority, and other laws and regulations that could have a direct and material impact on the RRB's basic financial statements.

OA's tests of compliance with selected provisions of laws and regulations disclosed no instances of non-compliance that are reportable under either U.S. generally accepted government auditing standards or OMB guidance. The objective of the audit; however, was not to provide an opinion on overall compliance with laws and regulations and OA did not express an opinion.

Material Weaknesses and Significant Deficiency

During OA's audit of the agency's financial statements for the FYs ended September 30, 2013 and 2012, they identified material weaknesses in information technology security (risk management framework) and information technology security (configuration management); and a significant deficiency in budgetary reporting.

The agency is working to address these identified areas.



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Management and Performance Challenges Facing the Railroad Retirement Board

OA annually identifies *Management and Performance Challenges Facing the Railroad Retirement Board* and reports on them in the RRB's *Performance and Accountability Report*. This statement is prepared pursuant to the Reports Consolidation Act of 2000 and the requirements of OMB Circular A-136. This Circular requires OIGs to identify the most serious management challenges facing their parent agency and to briefly assess the agency's progress in addressing those challenges.

OA's identification of challenges facing RRB management is based on recent audits and evaluations; changes in auditing standards impacting the NRRIT; financial management system changes; current LIRR investigative developments; and congressional directives to prevent improper payments and fraud in government programs. The following challenges were identified during FY 2013:

- the impact of AICPA group auditing standards upon the RRB's financial statements;
- migration to financial management integrated system;
- occupational disability program integrity;
- information technology security;
- budgetary reporting;
- preventing and detecting improper payments; and
- oversight of Railroad Medicare.

Fiscal Year 2013 Audit of Information Security at the Railroad Retirement Board

Background

The OIG conducted an audit of information security at the RRB for FY13, which is mandated by the Federal Information Security Management Act of 2002 (FISMA).

Objectives

The objectives of this audit included testing the effectiveness of the information security policies, procedures, and practices of a representative subset of the agency's information systems; assessing agency compliance with FISMA requirements and



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related information security policies, procedures, standards and guidelines; and preparing a report on selected elements of the agency's information security program in compliance with the Department of Homeland Security's FY 2013 FISMA reporting instructions.

Findings

OA's audit determined that the RRB continues to make progress in implementing an information security program that meets the requirements of FISMA; yet a fully effective security program has not been achieved. The significant deficiencies in the internal control structure over the review of the agency's contractor deliverables associated with the risk management framework, and the security configuration management program remain unresolved. We also noted some lesser deficiencies in the RRB's security program.

Recommendations

In total, OA made seven detailed recommendations to RRB management related to the following areas.

- Strengthening Configuration Management by developing baseline configuration settings and implementing automated capabilities to identify deviations from baseline configurations settings.
- Ensuring non-user accounts are reviewed periodically including updating the accounts as necessary to ensure account names and descriptions accurately reflect the purpose of the account.
- Identifying all key data fields for effective management in the agency-wide Plan of Action and Milestones and strengthening controls to ensure all key fields are required data fields and consistently completed.
- Improving the security training process by implementing controls to ensure all contractors complete security awareness training.
- Updating policies and procedures for role-based training for RRB employees and contractors.



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Management's Responses

Agency management concurred with all recommendations.

Audit of the Railroad Retirement Act Dual Spouse Annuity Adjustments

Background

OA conducted an audit to determine whether spouse annuities were appropriately adjusted for entitlement to dual railroad benefits.

Findings

OA's audit determined that there were instances of dual spouse annuities that had not been appropriately adjusted. A statistical sample of 114 dual spouse annuity cases identified 3 sample cases that contained a payment error for the actual rate. Projecting the statistical sample to the population, there are at least 56 spouse annuities that are not appropriately adjusted. The estimated monetary impact of these improper payments is approximately \$1.8 million.

In addition, during preliminary data analysis, OA identified five cases where the spouse annuities were not appropriately adjusted. These five cases were identified outside of the statistical sample. The monetary impact of the improper payments for the five cases is estimated to be approximately \$866,000.

The total financial impact of all errors is estimated to be approximately \$2.7 million.

Key Recommendations

OA recommended that agency management:

- take action to correct the spouse annuities for the error cases cited, and to establish overpayments and/or issue accruals when necessary; and
- provide additional training to claims examiners concerning spouse annuity adjustments.



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Management's Response

Agency management agreed to take corrective action on all recommendations.

Audit of the Railroad Retirement Board's Fiscal Year 2013 Compliance with the Improper Payments Elimination and Recovery Act of 2010

Background

OA conducted an audit of the RRB's FY13 compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) which amended the Improper Payment Information Act of 2002.

Findings

OA determined that:

1. the RRB complied with the applicable IPERA reporting requirements; however, the risk assessment process needs improvement;
2. the RRB's IPERA reporting was complete and OA did not find any inaccuracies; and
3. the RRB reduced improper payments for the RRA and RUIA benefit payment programs.

Key Recommendation

OA recommended that agency management identify all programs they administer (including Railroad Medicare) during the risk assessment process for improper payments.

Management's Response

Agency management concurred with our recommendation. They stated that they will include a discussion about the Medicare program in the risk assessment section of the FY 2014 Performance and Accountability Report.



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Other Matters – Future Improper Payment Estimates

We found that the agency did not include improper annuities which were paid to LIRR occupational disability annuitants in its improper payment estimates for this reporting period because the amount of overpayments had not been established. As investigations were not concluded, this did not affect the agency's compliance with IPERA for FY 2013. Since the OIG considers these fraudulent annuities to be improper payments, the agency needs to consider them in future improper payment estimates for the RRA benefit payment program.

The RRB's future improper payment estimates will also be impacted if the agency's risk assessment concludes that the Railroad Medicare Program is susceptible to significant improper payments.



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Management Decisions and Implementation

As part of its oversight activities, the OIG tracks the agency's implementation of audit recommendations. Additionally, OMB 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	
Requiring Management Decision on October 1, 2013	5
Pending Management Decision for New Recommendations	0
Management Decision on Previous Recommendations	0
Recommendations Pending Management Decision on March 31, 2014	5

Corrective Action	
Recommendations Requiring Action on October 1, 2013	205
Recommendations Issued During Reporting Period	13
Corrective Actions Completed During Reporting Period	29
Recommendations Rejected During Reporting Period	1
Final Actions Pending on March 31, 2014	188



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Office of Investigations

OI's primary objective is to identify, investigate, and refer for prosecution or monetary recovery action cases of waste, fraud, or abuse in the RRB's programs. OI also seeks to prevent and deter program fraud by reporting systemic weaknesses identified through investigative work. In order to maximize the impact of its resources, OI continues to pursue cooperative investigative activities in coordination with other Inspectors General such as the Office of Inspector General for the Department of Health and Human Services and other law enforcement agencies, such as the Federal Bureau of Investigation and the U.S. Secret Service.

Current Caseload

During this semiannual reporting period, OI opened 91 new cases.

Investigative Caseload Data	
Investigative Cases Open as of October 1, 2013	373
Investigative Cases Opened During Reporting Period	91
Investigative Cases Closed During Reporting Period	138
Investigative Cases Open as of March 31, 2014	326

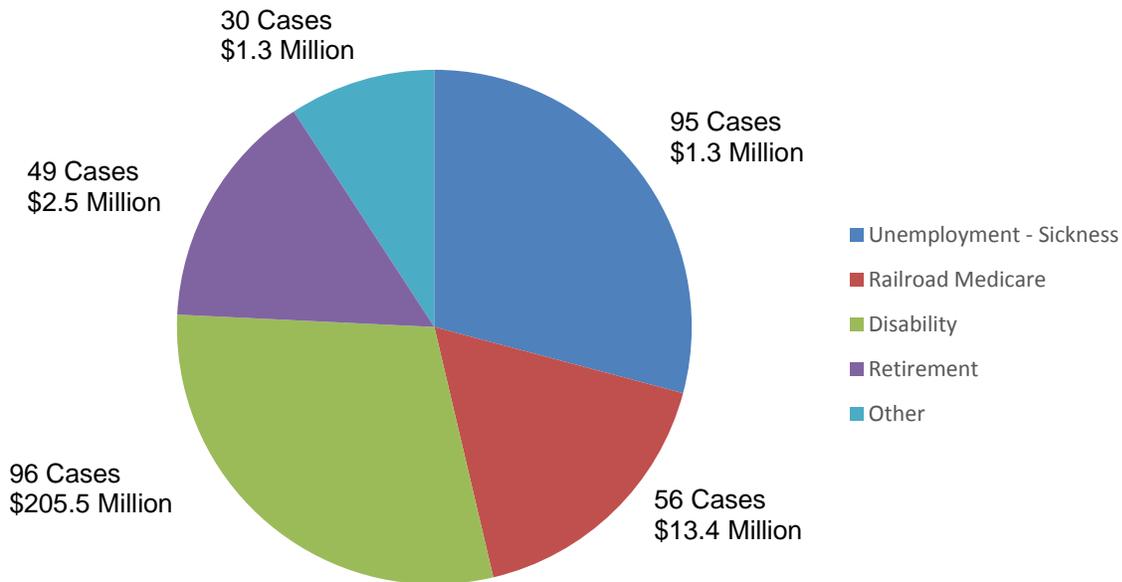
As of March 31, 2014, OI's investigative case load totaled 326 matters which represent approximately \$224 million in potential fraud losses.² The chart located on the next page reflects the distribution of OI cases and potential fraud losses by RRB major program area.

² This reflects potential fraud amounts related to programs administered exclusively by the RRB and potential fraud amounts from other Federal programs such as Medicare or Social Security which have been identified during OI's joint investigative work.



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Caseload and Potential Fraud Loss by Case Type



Other case type is an amalgam of various types of cases involving matters such as misconduct by RRB employees, threats against agency employees, false reporting by railroad employers, and others.



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Investigative Accomplishments

Action	October 1, 2013 – March 31, 2014
Referrals to the Department of Justice	40
Indictments/Informations	15
Arrests	3
Convictions	43
Civil Complaints	1
Civil Judgments	8
Restitution and Fines ³	\$178.4 Million
Civil Damages and Penalties ⁴	\$15.8 Million
Investigative Recoveries ⁵	\$71.6 Million
Community Service Hours	150

³ The dollar amounts in this table reflect fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other Federal programs such as Medicare or Social Security which were included in the disposition resulting from the investigation.

⁴ See above footnote.

⁵ RRB benefits that are overpaid due to fraud and can be recouped through RRB administrative recovery action are expressed as investigative recoveries.



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***October 1, 2013 – March 31, 2014
Representative Investigations***

Disability Investigations

OI conducts fraud investigations relating to the RRB's disability program. Railroad workers who are awarded an RRB disability annuity are subject to work restrictions and earnings limitations. Disability benefit fraud often involves sophisticated schemes to hide disqualifying work activities from the RRB.

During this semiannual reporting period, 11 individuals were sentenced in connection with the LIRR fraud prosecution. They received, in the aggregate, sentences totaling almost 5 years of prison, 8 years of supervised release, 23 years of probation, more than 2 years of home confinement, and were ordered to pay almost \$4.4 million in restitution, forfeiture, and special assessments.⁶

In addition to the above LIRR related sentences, OI obtained 14 disability fraud convictions. The defendants received, in the aggregate, sentences totaling more than 28 years of prison, 28.5 years of probation, and were ordered to pay almost \$154.7 million in restitution and fines.

Descriptions of representative cases completed during this reporting period follow.

Two Former LIRR Employees Convicted of Conspiracy and Fraud Charges

A Federal jury convicted two former LIRR employees of conspiracy and fraud charges stemming from their submission of fraudulent RRB disability applications. The first defendant, a former maintenance foreman, was sentenced to 37 months of prison, 3 years of supervision, and more than \$125,000 in forfeiture and restitution. The second defendant, a former conductor, has not been sentenced.

⁶ Due to administrative constraints, these LIRR sentences are not reflected in OI's statistics for this semiannual reporting period and will be reported in our April 1, 2014 through September 30, 2014 report.



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Two Couples Guilty in Conspiracy to Defraud the RRB

An OI Special Agent investigated an RRB disability annuitant who owned and operated an automotive parts store with his ex-spouse and another couple. During the course of the investigation, it was revealed that, for a period of 11 years, they had conspired to hide the annuitant's wages from the RRB by reporting his earnings under his ex-spouses' social security number.

This case was referred to the United States Attorney's Office for the Eastern District of Michigan which filed indictments against all four owners. The annuitant and his ex-spouse subsequently pled guilty to conspiring to defraud the United States, making or causing false information to be provided to the Social Security Administration, and defrauding the RRB. The other couple was convicted by a Federal jury for their roles in the conspiracy. The defendants, in the aggregate, were sentenced to more than 9 years of prison and more than \$1.1 million in restitution.

Unemployment-Sickness Insurance Investigations

Unemployment-Sickness Insurance benefit fraud typically involves individuals claiming and receiving Unemployment Insurance (UI) or Sickness Insurance (SI) benefits while working or collecting state administered unemployment benefits. OI receives the majority of these cases from the RRB's Disability, Sickness, and Unemployment Benefits Division as a result of information developed through state wage matching programs. The RRB conducts computer wage matches with various states to identify claimants who may have collected RRB administered UI or SI benefits on the same days they received wages from a private employer or on the same days they received state administered unemployment benefits.

Since the enactment of the American Recovery and Reinvestment Act of 2009 and various other benefit extending legislation, OI has seen a substantial increase of UI fraud referrals. In fact, almost 89% of OI's current UI fraud cases involve extended UI benefits.

During this reporting period, OI obtained 18 convictions and 7 civil judgments for UI-SI fraud cases. Defendants in these cases received, in the aggregate, more than 23 years of prison, 30 years of probation, 50 hours of community service, and were ordered to pay almost \$1.4 million in restitution, fines, and civil damages/penalties.



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The following are examples of UI-SI cases completed during this reporting period.

UI Claimant Prosecuted in State Court

OI investigated an UI claimant based upon an agency referral. OI's investigation determined that during the period of August 2011 through June 2012, the claimant applied for RRB UI benefits on the same days he was working and being paid by a private employer. The claimant submitted a total of 21 false claims and collected almost \$12,000 in fraudulent UI benefits.

This case was referred to the Lucas County Prosecutor's Office in Toledo, Ohio. The claimant subsequently pled no contest and was found guilty of workers' compensation fraud. He was sentenced to a 30 day work release program, 3 years of probation, and ordered to pay full restitution.

Fugitive Captured and Sentenced to Twenty-Three Years of Prison

OI investigated allegations that a railroad worker fraudulently collected SI benefits by falsely claiming that she was unable to work due to injuries suffered during a fall in her home. After a two month long jury trial, prosecuted by the San Diego County District Attorney's Office, the railroad worker was convicted of 29 state felony counts for defrauding the RRB's sickness insurance program and several private insurance companies.

The railroad worker failed to appear before the court on the day of the jury verdict and a warrant was issued for her arrest. The railroad worker was subsequently captured in Mexico and was extradited to the United States where she was sentenced to twenty-three years of prison and ordered to pay more than \$1 million in restitution, fines, and penalties. This case was prosecuted by the District Attorney's Office for the County of San Diego, California.



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UI Claimant Fails to Report Work and Earnings to the RRB

OI investigated an RRB claimant based upon an agency referral. OI's investigation determined that during the period of April 2009 through June 2010, the claimant applied for RRB UI benefits on the same days he was working and being paid by a private employer. The claimant submitted a total of 25 false claims and collected more than \$15,000 in fraudulent UI benefits.

This case was referred to the United States Attorney's Office for the Eastern District of Texas. The RRB claimant entered into a settlement agreement with the United States Attorney's Office agreeing to repay the full amount to settle charges under the False Claims Act.

Retirement-Survivor Benefits and Representative Payee Investigations

The RRA provides retirement-survivor benefits for qualified railroad workers and their families. RRB retirement-survivor benefit fraud typically involves:

- an individual failing to report information to the RRB that may disqualify the annuitant from receiving benefits;
- instances of theft or fraudulent cashing of retirement benefit checks by someone other than the authorized RRB annuitant; or
- an individual designated to receive RRB benefits on behalf of an RRB annuitant fraudulently using the funds for their own personal use.

During this reporting period, OI obtained four retirement benefit fraud convictions. Defendants in these cases received, in the aggregate, 6 years of prison, 39 years of probation, 100 hours of community service, and were ordered to pay more than \$37,500 in restitution and fines.

The following are examples of retirement-survivor cases completed during this reporting period.

Annuitant's Daughter Indicted in Three Counties

An RRB annuitant's daughter was indicted in three Georgia counties for Forgery in the First Degree, Exploitation of a Disabled Adult, Identify Theft, and Financial Transaction Card Fraud for stealing her father's benefits instead of paying his nursing home bills.



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The daughter pled guilty to all counts and was sentenced to 2 years of prison, 18 years of probation, and more than \$33,000 in restitution. This case was handled by local prosecutors in the State of Georgia.

Annuitant's Son Steals Over \$217,000 in RRB Benefits

OI worked cooperatively with the Office of Inspector General for the Social Security Administration to investigate Federal benefit fraud. The joint investigation revealed that an RRB annuitant had passed away in November 1985; however, her death was never reported and the RRB continued to issue annuity checks in her name until August 2012. It was also determined that the son had cashed her Federal benefit checks and converted the benefits for his own personal use.

This case was referred to the United States Attorney's Office for the Eastern District of Louisiana which filed a Bill of Information against the son. He pled guilty to Theft of Government Funds and entered into a plea agreement with the U.S. Attorney's Office. He was sentenced to five years of probation and ordered to repay over \$363,000 in restitution to the RRB and the Social Security Administration.

Railroad Medicare Investigations

During this reporting period, OI obtained six convictions and one civil judgment in Railroad Medicare fraud cases. Defendants in these cases received, in the aggregate, more than 32 years of prison, 18 years of probation, and were ordered to pay more than \$38 million in restitution, fines, and civil damages/penalties.⁷

All of OI's active Medicare cases are being worked jointly with the Office of Inspector General for the U.S. Department of Health and Human Services, the Office of Inspector General for the Office of Personnel Management, or other agencies responsible for investigating health care fraud. Interagency cooperation is imperative to effective law enforcement especially among agencies responsible for investigating the complexities of health care fraud.

Descriptions of representative cases completed during this reporting period follow.

⁷ This total reflects the full amount of restitution, fines, and civil damages/penalties ordered. Since OI's Railroad Medicare fraud cases are joint investigations, the total dollar amount includes losses to other health care programs.



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Qui Tam Lawsuit Settled for \$15.5 Million

OI Special Agents worked cooperatively as members of a multi-agency team investigating allegations contained in a Qui Tam lawsuit filed in the District of New Jersey and the Eastern District of New York. Agents were able to prove that the subject medical provider performed and billed for procedures that were either excessive or medically unnecessary in addition to violating anti-kickback regulations. Both United States Attorney's Offices subsequently intervened in this case and entered into a settlement agreement with the provider for \$15.5 million.

Railroad Medicare Provider Prosecuted

OI initiated this investigation pursuant to a referral from the Office of Inspector General for the Department of Health and Human Services. The subsequent joint investigation revealed that a medical clinic had fraudulently billed a higher monetary reimbursement code when shorter exams were actually performed.

This case was referred to the United States Attorney's Office for the Southern District of Georgia. The doctor pled guilty to a single count Information charging him with False Claims and was sentenced to 33 months of prison, 3 years of supervised release, and more than \$440,000 in restitution.

Medical Clinic Owner, Doctor, and Professional Medicare Beneficiary Sentenced for Conspiracy

This case was initiated based upon a referral from the Federal Bureau of Investigation. A joint investigation revealed that a medical doctor, a clinic owner, and a Medicare beneficiary conspired to violate anti-kickback regulations in order to bill Medicare for medically unnecessary diagnostic tests and procedures.

This case was referred to the United States Attorney's Office for the Southern District of Texas. All three defendants pled guilty to one count Conspiracy to Commit Health Care Fraud. They were collectively sentenced to 122 months of prison, 9 years of supervised release, and more than \$11.4 million in restitution.



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Civil Enforcement Results

OI may pursue civil actions to recover funds fraudulently obtained by annuitants or claimants. These civil actions are typically prosecuted under the provisions of the False Claims Act. This statute provides that the government may recover up to treble damages as well as a \$5,500 to \$11,000 penalty for each false claim submitted.

During this semiannual reporting period, a total of eight civil judgments were entered by U.S. District Courts for RRB fraud cases totaling more than \$15.7 million in damages and penalties.⁸ Some of these civil actions are pursued under the Department of Justice's Affirmative Civil Enforcement program which provides an efficient and effective means to address fraud against the RRB's programs including the unemployment-sickness insurance program and the disability program.

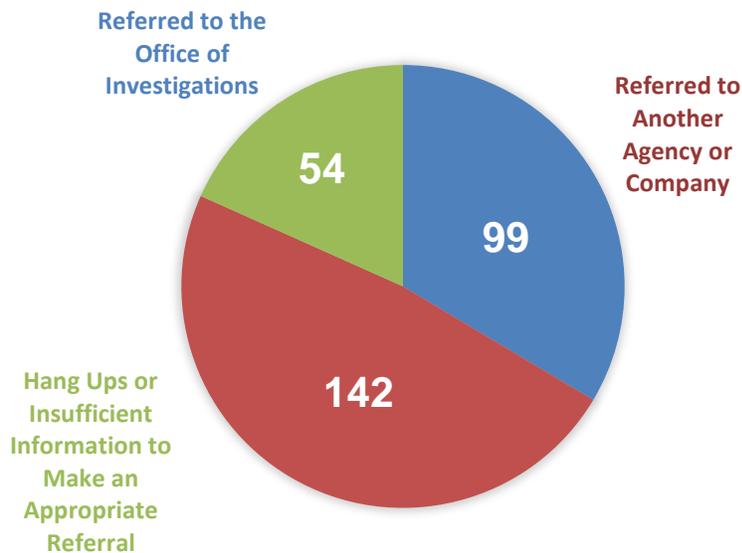
⁸ The total amount of damages and penalties listed reflects fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other Federal programs such as Medicare or Social Security which were included in the disposition resulting from the investigation.



Office of Inspector General for the Railroad Retirement Board

Hotline Contacts

Our office's hotline provides an open line of communication for individuals to report suspected criminal activity and mismanagement/waste of RRB funds. During this reporting period, our hotline received 295 contacts in the following manner: 92% by telephone, 4% by email, and 4% by mail. The following chart summarizes the disposition of hotline contacts received.





Office of Inspector General for the Railroad Retirement Board

OTHER OVERSIGHT ACTIVITIES

Seven–Day Letter to Congress

Section 5(d) of the Inspector General Act of 1978, as amended, requires an Inspector General to immediately report to the agency head “particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs and operations of [the agency].”⁹ This section also requires the agency head to transmit the Inspector General’s concerns, along with the agency head’s comments, to Congress within seven calendar days.

On February 10, 2014, under the cited statutory provision, the Inspector General alerted the Chairman of the Board to particularly serious or flagrant deficiencies in the administration of the RRB’s occupational disability program.

American Recovery and Reinvestment Act of 2009

During this semiannual period, we continued our efforts to aide in a transparent American Recovery and Reinvestment Act process by preparing progress reports in formats developed by the Recovery Accountability and Transparency Board. These reports are published on the Recovery.gov website and are also available on the RRB’s Recovery Act Information webpage.

Since the enactment of the American Recovery and Reinvestment Act of 2009 and various other benefit extending legislation, OI has seen a substantial increase of UI fraud referrals. In fact, almost 89% of OI’s current UI fraud cases involve extended UI benefits.

OPERATIONAL ISSUES

The following operational issue impacts the OIG’s ability to effectively carry out its oversight role. This issue would have to be remedied with legislative change.

⁹ 5 U.S.C. App. 3, § 5(d).



Office of Inspector General for the Railroad Retirement Board

National Railroad Retirement Investment Trust

The NRRIT is a tax-exempt entity independent of the Federal government which was established by the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) to manage and invest railroad retirement assets.¹⁰ RRSIA requires that the NRRIT report to the RRB but does not provide the OIG with oversight authority to conduct audits and investigations of the NRRIT. We have; however, monitored the NRRIT since 2001 and have continually expressed concerns regarding lack of meaningful oversight. Despite these concerns and questionable long-term trust fund solvency, the RRB continues to maintain a passive relationship with the NRRIT. A lack of NRRIT investment fund management accountability, transparency, and stringent financial oversight can be precursors to fraud, waste, or abuse. Yet, the NRRIT fund, which supports the railroad retirement program, continues to remain outside the purview of those appointed to protect the interests of the program's beneficiaries and tax-paying public. To ensure the integrity, economy, and long-term viability of the NRRIT, RRB management must establish performance audit requirements that will strengthen administrative and financial oversight and ensure fund transparency.

Additionally, as previously discussed on page 5, the OIG is not able to comply with the new AICPA auditing standards (section 600) and are compelled to disclaim on the RRB's financial statements beginning this year and in future years until legislative changes are made regarding the relationship between the OIG, the NRRIT, and its auditors.

LEGISLATIVE & REGULATORY REVIEW

The Inspector General Act of 1978, as amended, requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the agency. During this reporting period, the Inspector General issued a seven-day letter to Congress which stated, in pertinent part, that if the RRB's three-member Board is unwilling or unable to effectuate real and meaningful change in the RRB's disability program, then legislation should be passed to either:

- eliminate the RRB's occupational disability program; or
- to make the occupational disability program a temporary benefit program.

¹⁰ As of February 28, 2014, the RRB's investments in the NRRIT were valued at approximately \$26 billion.

APPENDICES

Appendix	Title	Page No.
A	Office of Inspector General Reports and Other Publicly Available Papers Issued	27
B	Audit Reports with Questioned Costs or with Recommendations that Funds be Put to Better Use	28
C	Report on Receivables, Waivers, and Recoveries	29
D	Significant Matters	31
E	Peer Reviews	33
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Appendix A – Office of Inspector General Reports and Other Publicly Available Papers Issued

- Report on the Railroad Retirement Board's Fiscal Year 2013 Financial Statements, December 16, 2013
- Fiscal Year 2013 Financial Statement Audit Letter to Management, February 20, 2014
- Fiscal Year 2013 Audit of Information Security at the Railroad Retirement Board, March 4, 2014
- Audit of Railroad Retirement Act Dual Spouse Annuity Adjustments, March 20, 2014
- Audit of the Railroad Retirement Board's Fiscal Year 2013 Compliance with the Improper Payments Elimination and Recovery Act of 2010, March 28, 2014

All publicly available audit reports and papers are available on our website at www.rrb.gov/oig.

Appendix B – Audit Reports with Questioned Costs or with Recommendations That Funds be Put to Better Use

	Audit Reports with Questioned Costs	Amount of Questioned Costs	Amount of Unsupported Costs
A. For which no management decision had been made by October 1, 2013	1	\$3.8 million	\$3.8 million
B. Which were issued from October 1, 2013 through March 31, 2014	1	\$1.8 million	\$1.8 million
Subtotal (A + B)	2	\$5.6 million	\$5.6 million
C. For which a management decision was made between October 1, 2013 through March 31, 2014	1	\$1.8 million	\$1.8 million
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	1	\$1.8 million	\$1.8 million
D. For which no management decision had been made by March 31, 2014	1	\$3.8 million	\$3.8 million
E. Report for which no management decision was made within six months of issuance	1	\$3.8 million	\$3.8 million

	Audit Reports With Recommendations that Funds Be Put to Better Use	Dollar Value
A. For which no management decision had been made by October 1, 2013	0	0
B. Which were issued from October 1, 2013 through March 31, 2014	1	\$866,000
C. Subtotal (A + B)	1	\$866,000
(i) dollar value of recommendations agreed to by management	1	\$866,000
(ii) dollar value of recommendations not agreed to by management	0	0
D. For which no management decision had been made by March 31, 2014	0	0
E. Report for which no management decision was made within six months of issuance	0	0

Appendix C – Report on Receivables, Waivers, and Recoveries

The FY 1999 appropriations language for the OIG requires the reporting of additional information concerning actual collections, offsets, and funds put to better use achieved as a result of the OIG’s activities.

Office of Investigations

Recoveries realized by the RRB resulting from court-ordered restitution and civil damages	
Fiscal Year	Amount Recovered
1999	\$ 855,655
2000	\$1,038,134
2001	\$ 990,356
2002	\$ 785,843
2003	\$ 947,876
2004	\$ 646,273
2005	\$ 844,183
2006	\$1,281,680
2007	\$1,347,049
2008	\$1,389,489
2009	\$1,097,227
2010	\$1,118,256
2011	\$2,293,530
2012	\$1,417,125
2013	\$1,922,166
October 1, 2013 – March 31, 2014	\$ 453,084

Office of Audit

Report	Funds to be put to better use	Funds Agreed by Management	Receivables Established	Waivers	Recoveries to Date ¹¹
99-03	\$50,850	\$50,850	\$50,850	\$50,490	\$360
99-14	\$83,000	\$83,000	\$34,423	\$0	\$30,584
99-16	\$48,000,000	\$48,000,000	\$0	\$0	\$22,500,000
99-17	\$11,000,000	\$11,000,000	\$0	\$0	\$1,604,545
00-16	\$235,000	\$235,000	\$0	\$0	\$253,846
03-06	\$306,129	N/A	\$0	\$0	\$306,129
04-06	\$821,000	\$821,000	\$604,429	\$5,564	\$629,688
04-10	\$400,000	\$400,000	\$0	\$0	\$761,151
05-03	\$1,800,000	\$1,800,000	\$4,476,192	\$339,244	\$2,849,068
05-06	\$10,000	\$10,000	\$0	\$0	\$42,915
05-07	\$1,070,000	\$1,070,000	\$49,943	\$0	\$95,376
05-10	\$2,600,000	\$2,600,000	\$311,000		
06-04	\$257,000	\$257,000			
06-05	\$2,100	\$2,100	\$0	\$0	\$0
06-06	\$200,000	\$200,000	\$29,669	\$0	\$26,148
09-02	\$600,000	\$600,000	\$320	\$0	\$1,700,983
10-09	\$3,355,408	\$3,355,408	\$0	\$0	\$3,355,408
10-13	\$212,038	\$92,412	\$0	\$0	\$18,614
12-03	\$3,483	\$3,483	\$0	\$0	\$3,483
13-03	\$112,600	\$112,600	\$0	\$0	\$0
13-08	\$2,440	\$2,440	\$0	\$2,440	\$0
13-09	\$9,927 ¹²	\$9,927	\$4,547	\$0	\$8,879
14-04	\$866,000	\$866,000	\$0	\$0	\$0

¹¹ Both overpayments and underpayments are included in this column.

¹² Amount includes additional monies reported by the RRB.

Appendix D – Significant Matters

The OIG has identified deficiencies in controls over budgetary reporting and information security as significant matters. A summary of the issues and related recommendations for corrective action follow.

Budgetary Reporting

In FY 2013, we downgraded this previous material weakness to a significant deficiency due to the training conducted for various Bureau of Fiscal Operations personnel in June 2013 and the significant improvement in the preparation of the statement of budgetary resources. Although errors were found, they did not exceed our materiality threshold. Further corrective action needs to be taken regarding an improved review process to ensure the accuracy of calculations, consistency in recorded amounts, and effectiveness of controls.

<u>Issue Area</u>	<u>Date of Report</u>	<u>Report and Recommendations</u>
Budgetary Reporting	January 31, 2012	Report OIG 12-04, 2

Information Security

Risk Management Program

The OIG previously evaluated information security pursuant to the provisions of FISMA and concluded that the RRB has not yet achieved an effective FISMA-compliant security program. Although agency managers are working to strengthen controls, management action in response to the following OIG recommendations had either not been completed as of the end of the current semiannual reporting period or had not been in place long enough to permit evaluation.

<u>Issue Area</u>	<u>Date of Report</u>	<u>Report and Recommendations</u> ¹³
Internal Control Over the Risk Management Program ¹⁴	July 18, 2005	Report OIG 05-08, #4
	September 30, 2008	Report OIG 08-05, #2 & 7
	November 12, 2009	Report OIG 10-01, #1 & 5
	September 28, 2011	Report OIG 11-10, #1 – 3
	September 28, 2011	Report OIG 11-11, #1 – 3
	September 29, 2011	Report OIG 11-12, #1 – 4
	January 5, 2012	Report OIG 12-02, #2 & 5
	September 21, 2012	Report OIG 12-08, #2 – 4

¹³ Online report abstracts summarize the results of the noted evaluations. The full reports include information protected from disclosure and have been designated for limited distribution pursuant to 5 U.S.C. § 552.

¹⁴ Previously known as Certification and Accreditation.

Configuration Management

The OIG also identified a material weakness regarding information technology security application services because the RRB continues to use an unsupported server for some major applications. Agency management has ensured that some of the affected servers were replaced and others have been moved to the agency's virtual environment, but action to complete full decommission of all affected servers continues. Uncertainties exist in determining the timeframe in which this situation will be corrected, as well as the necessary resources for completion.

<u>Issue Area</u>	<u>Date of Report</u>	<u>Report and Recommendations</u> ¹⁵
Security Configuration Management	January 5, 2012	Report OIG 12-02, #7 & 8

¹⁵ An online report abstract summarizes the results of this evaluation. The full report includes information protected from disclosure and has been designated for limited distribution pursuant to 5 U.S.C. § 552.

Appendix E – Peer Reviews

Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires Inspectors General to provide information regarding peer reviews in their *Semiannual Reports to the Congress*.

Office of Audit

In general, Federal audit organizations may receive a peer review rating of pass, pass with deficiencies, or fail.

The results of OA's most recent peer review (which was for the year ended March 31, 2012) were transmitted on November 21, 2012. OA received a peer review rating of pass. This peer review did not contain any recommendations.

OA did not conduct any peer reviews during this semiannual reporting period.

Office of Investigations

During the peer review process, Federal OIG investigative organizations, in general, may receive a peer review rating of compliant or not compliant with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency and the Attorney General's Guidelines for Inspectors General with Law Enforcement Authority based on Section 6(e) of the Inspector General Act, as amended.

The results of OI's most recent peer review (which was for the FY ended September 30, 2011) were transmitted on February 9, 2012. OI received a peer review rating of compliant. This peer review did not contain any recommendations.

During this semiannual reporting period, OI completed their peer review of the Office of Inspector General for the Federal Reserve Board and concluded that they were complaint with the applicable standards.

Appendix F – Reports Prepared by Management

Final Action on Audits with Disallowed Costs

For the 6-Month Period Ending March 31, 2014	<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.	0	\$ 0
B. Audit reports on which management decisions were made during the period.	0	\$ 0
C. Total audit reports pending final action during the period. (A + B)	0	\$ 0
D. Audit reports on which final action was taken during the period.		
1. Recoveries		
(a) Collections and offsets	0	\$ 0
(b) Property	0	\$ 0
(c) Other	0	\$ 0
2. Recovery Waived	0	\$ 0
3. Total of 1 and 2	0	\$ 0
E. Audit reports needing final action at the end of the period (C - D.3).	0	\$ 0

**Management Report on Final Action on Audits with
Recommendations to Put Funds to Better Use for the
6-Month Period Ending March 31, 2014**

	<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.	4	\$894,512*
B. Audit reports on which management decisions were made during the period.	0	\$0
C. Total audit reports pending final action during the period. (A - B)	4	\$894,512
D. Audit reports on which final action was taken during the period.		
1. Value of recommendations implemented (completed)	0	\$0
2. Value of recommendations that management concluded should not or could not be implemented (completed)	0	\$0
3. Total of 1 and 2	0	\$0
E. Audit reports needing final action at the end of the period	4	\$894,512

* Comprised of the following amounts: \$2,100 from Audit Report 06-05, *Review of Compliance with Provisions of the Railroad Retirement Act Governing the Initial Award of Benefits*; \$200,000 from Audit Report 06-06, *Review of the Termination and Suspension of Benefits Paid Under the Railroad Retirement Act*; \$600,000 from Audit Report 09-02, *Fiscal Year 2008 Financial Statement Audit Letter to Management*; and \$92,412 from 10-13 *Railroad Medicare Services Billed with Dates of Service after Beneficiaries' Dates of Death*.

Management Statement on Resolved Audit Reports Over 12 Months Old with Final Action Pending as of March 31, 2014

Report	Date	Disallowed Costs	Funds to be Put to Better Use	Reason Action Not Completed
Review of Information Security at the Railroad Retirement Board (02-04)	02/5/02	NONE	NONE	Information Services has closed 26 out of 28 recommendations. Servers are scheduled to be replaced once remaining project on server is completed.
Review of Internal Control Over the Actuarial Projection Process (05-04)	05/5/05	NONE	NONE	The Chief Actuary is reviewing their work plan prior to submission to OIG.
Review of Access Controls in the End-User Computing General Support System (05-08)	07/18/05	NONE	NONE	Information Services has closed 14 of 15 recommendations in this confidential report. Documentation is currently being reviewed and finalized before submission to OIG.
Fiscal Year 2005 Evaluation of Information Security at the Railroad Retirement Board (05-11)	09/28/05	NONE	NONE	Bureau of Information Services is working with outside contractor. Target for completion is FY2014.
Review of Compliance with the Provisions of the Railroad Retirement Act Governing the Initial Award of Benefits (06-05)	04/12/06	NONE	\$2,100	Programs staff closed four of the five recommendations. Last recommendation on hold due to resources diverted to higher priority project.
Review of the Termination and Suspension of Benefits Paid Under the Railroad Retirement Act (06-06)	05/24/06	NONE	\$200,000	Analysis completed and draft report submitted for review prior to request for IT changes. Coding work continues.
Review of Incident Handling and Reporting at the Railroad Retirement Board (06-09)	08/24/06	NONE	NONE	Contract option to draft incident response plan was approved however staff was reassigned to another project. Training will be conducted as required in the CSIRP.
Audit of the DAISY/CHICO Component Application of the RRA Benefit Payment Major Application System (07-02)	03/9/07	NONE	NONE	Recent IT changes are pending review as resources were diverted to higher priority projects.

Management Statement on Resolved Audit Reports Over 12 Months Old with Final Action Pending as of March 31, 2014

Report	Date	Disallowed Costs	Funds to be Put to Better Use	Reason Action Not Completed
Evaluation of the Railroad Retirement Board's Privacy Program (07-06)	07/30/07	NONE	NONE	New CPO was appointed. Additional funding and resources are needed. Of the 16 recommendations, 15 have been closed. Work continues on last recommendation.
Audit of Federal Income Taxes Withheld from Railroad Retirement Annuities (07-07)	07/30/07	NONE	NONE	Coordination is required with another org. Five of the six recommendations have been closed, with the remaining one targeted for completion in FY14.
Fiscal Year 2007 Evaluation of Information Security at the Railroad Retirement Board (07-08)	09/27/07	NONE	NONE	Work continues and is targeted for completion in FY14.
Audit of Controls to Safeguard Sensitive Personally Identifiable Information (07-09)	09/27/07	NONE	NONE	Work and coordination continues along with outside contractor. Target for completion is FY14.
Fiscal Year 2007 Financial Statement Audit Letter to Management (08-01)	03/6/08	NONE	NONE	Bureau of Fiscal Operations implemented enhanced controls in FY10. FMIS implemented changes in financial statement preparation. New procedures will be developed in FY14.
Evaluation of Information Security for the RRB's Financial Interchange Major Application – Abstract (08-03)	09/26/08	NONE	NONE	Work continues on work plans, policy and/or procedures.
Fiscal Year 2008 Evaluation of Information Security at the RRB (08-05)	09/26/08	NONE	NONE	Documentation is currently being reviewed and finalized for submission to OIG.
Fiscal Year 2008 Financial Statement Audit Letter to Management (09-02)	03/24/09	NONE	\$600,000	Review and updating of documentations along with case reviews are currently being performed on remaining recommendations. Work continues.

Management Statement on Resolved Audit Reports Over 12 Months Old with Final Action Pending as of March 31, 2014

Report	Date	Disallowed Costs	Funds to be Put to Better Use	Reason Action Not Completed
Audit of the Railroad Medicare Integrity Program at Palmetto Government Benefits Administrators (09-04)	09/25/09	NONE	NONE	Additional documentations were requested which requires coordination with outside agency.
Audit of the General and Application Controls in the Financial Management Major Application System (09-05)	09/30/09	NONE	NONE	Work continues with target completion in FY14.
Fiscal Year 2009 Evaluation of Information Security (10-01)	11/12/09	NONE	NONE	Documentation is currently being reviewed and finalized for submission to OIG. Target completion in FY14.
Review of Statistical Methods Employed in the Financial Interchange Determination (10-06m)	05/04/10	NONE	NONE	The Bureau of Actuary (BOA) is reviewing documentation and will take the necessary action(s) and coordinate with the Bureau of Information Services for programming services.
Review of the Technical Approach and Methodology Used to Determine the Annual Financial Interchange Amount for the Year Ended September 30, 2008 (10-07m)	05/19/10	NONE	NONE	The Bureau of Actuary is reviewing documentation and will take the necessary action(s).
Review of the Accuracy of the Financial Interchange as Executed for the Year Ended September 30, 2008 (10-10m)	05/25/10	NONE	NONE	The Bureau of Actuary is reviewing documentation and will take the necessary action(s).
Audit of Unilateral Disability Freeze Determinations (10-11)	08/12/10	NONE	NONE	Additional resource is required for 1 recommendation and the remaining 2 are awaiting Board approval. Target completion in FY14.
Audit of the Account Benefits Ratio (10-12)	09/29/10	NONE	NONE	The Bureau of Actuary reviewed and will take the necessary action(s).

Management Statement on Resolved Audit Reports Over 12 Months Old with Final Action Pending as of March 31, 2014

Report	Date	Disallowed Costs	Funds to be Put to Better Use	Reason Action Not Completed
Railroad Medicare Services Billed with Dates of Service after the Beneficiaries' Dates of Death (10-13)	09/30/10	NONE	\$92,412	Coordination continues with outside organization.
Fiscal Year 2010 Evaluation of Information Security at the Railroad Retirement Board - Abstract (11-01)	11/05/10	NONE	NONE	Additional documentation was requested by OIG on last recommendation, and replacement FTE is needed.
Audit of Controls Over Railroad Medicare Contract Costs (11-06)	04/20/11	NONE	NONE	Coordination is required with outside organization.
Audit of Railroad Retirement Act Benefits Overpayments and Internal Controls (11-07)	06/29/11	NONE	NONE	Programs' is working with Bureau of Information Services pending implementation of systems changes.
Review of the Railroad Retirement Board's Security Patch Management Process – Abstract (11-08)	07/07/11	NONE	NONE	Of the 12 recommendations, 2 required additional documentations, 5 are awaiting new FTE replacement from contractor, work continues on 1 and 4 have been closed.
Inspection of the Railroad Retirement Board's Agency Enterprise General Information Support System Certification and Accreditation – Abstract (11-10)	09/28/11	NONE	NONE	Documentation is currently being reviewed and finalized for submission to OIG.
Inspection of the Railroad Retirement Board's Financial Management System's Continuous Monitoring Program – Abstract (11-11)	09/28/11	NONE	NONE	Contract has been awarded and work is in progress with outside contractor.
Evaluation of the Railroad Retirement Board's Benefit and Payment Operations System Continuous Monitoring – Abstract (11-12)	09/29/11	NONE	NONE	Work plans, policy, and/or procedures are currently pending, in addition coordination is required with outside contractor.

Management Statement on Resolved Audit Reports Over 12 Months Old with Final Action Pending as of March 31, 2014

Report	Date	Disallowed Costs	Funds to be Put to Better Use	Reason Action Not Completed
Fiscal Year 2011 Evaluation of Information Security at the Railroad Retirement Board - Abstract (12-02)	01/05/12	NONE	NONE	Coordination is required with outside contractor. Procedures are being updated.
Fiscal Year 2011 Financial Statement Audit Letter to Management (12-04)	02/31/12	NONE	NONE	Policies and procedures are being reviewed on remaining recommendations.
Audit of the Application Express (APPLE) System's Date of Death Reliability (12-06)	03/30/12	NONE	NONE	Analysis is deferred due to work committed to other priority project.
Inspection of the Railroad Retirement Board's Representative Payee Monitoring (12-07)	07/27/12	NONE	NONE	Preliminary work to define the scope is in progress with actual work and in depth analysis to follow after higher priority projects has been completed.
Inspection of the Railroad Retirement Board's Financial Interchange System Continuous Monitoring (12-08)	09/21/12	NONE	NONE	The Bureau of Actuary is currently reviewing and will take the necessary action(s).
Audit of the Railroad Medicare Part B Eligibility and Premium Collection Process (12-10)	09/26/12	NONE	NONE	Work is in progress. IPI worksheet has been completed and is pending IRMC approval. Training will be conducted.
Audit of Job Duty Verification Procedures for Long Island Rail Road Occupational Disability Applicants (13-02)	01/15/13	NONE	NONE	Currently reviewing policies and procedures.
Fiscal Year 2012 Financial Statement Audit Letter to Management (13-03)	01/28/13	NONE	NONE	4 of the 5 recommendations have been closed. Work continues on last recommendation.
Fiscal Year 2012 Audit of Information Security at the Railroad Retirement Board (13-04)	02/12/13	NONE	NONE	Currently reviewing policies and procedures in addition, documentation is being reviewed and finalized for 3 recommendations, while 6 of the 19 recommendations have been closed.

Appendix G – Reporting Requirements

Act Reference	Inspector General Reporting Requirements	Page(s)
Section 4(a) (2)	Review of Legislation and Regulations	25
Section 5(a) (1)	Significant Problems, Abuses, and Deficiencies	24, 31-32
Section 5(a) (2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	25, 31-32
Section 5(a) (3)	Prior Significant Recommendations Not Yet Implemented	31 - 32
Section 5(a) (4)	Matters Referred to Prosecutive Authorities	4, 15
Section 5(a) (5)	Instances Where Information Was Refused	None
Section 5(a) (6)	List of Audit Reports	27
Section 5(a) (7)	Summary of Each Significant Report	5 - 11
Section 5(a) (8)	Statistical Tables on Management Decisions on Questioned Costs	28
Section 5(a) (9)	Statistical Tables on Management Decisions on Recommendations That Funds be Put to Better Use	28
Section 5(a) (10)	Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	12
Section 5(a) (11)	Description and Explanation for Any Significant Revised Management Decision	None
Section 5(a) (12)	Information on Any Significant Management Decisions With Which the Inspector General Disagrees	24-25

Act Reference	Management Reporting Requirements	Page(s)
Section 5(b) (1)	Management Comments	Management's Transmittal
Section 5(b) (2)	Statistical Table on Final Action on Disallowed Costs	34
Section 5(b) (3)	Statistical Table on Final Action to Put Funds to Better Use	35
Section 5(b) (4)	Statement on Audit Reports With Final Action Pending	36 - 40

Appendix H – Acronyms

Acronym	Explanation
AICPA	American Institute of Certified Public Accountants
FISMA	Federal Information Security Management Act of 2002
FY	Fiscal Year
IPERA	Improper Payments Elimination and Recovery Act of 2010
LIRR	Long Island Rail Road
NRRIT	National Railroad Retirement Investment Trust
OA	Office of Inspector General for the Railroad Retirement Board – Office of Audit
OI	Office of Inspector General for the Railroad Retirement Board – Office of Investigations
OIG	Office of Inspector General for the Railroad Retirement Board
OMB	Office of Management and Budget
RRA	Railroad Retirement Act
RRB	Railroad Retirement Board
RRSIA	Railroad Retirement and Survivors' Improvement Act of 2001
RUIA	Railroad Unemployment Insurance Act
SI	Sickness Insurance
UI	Unemployment Insurance

Appendix I – Legal References

Federal:

American Recovery and Reinvestment Act of 2009 – P.L. 111–5
Dodd-Frank Wall Street Reform and Consumer Protection Act – P.L. 111-203
Conspiracy to Commit Health Care Fraud – 18 U.S.C. § 1349
False Claims Act – 31 U.S.C. §§ 3729 – 3733
Federal Information Security Management Act of 2002 – 44 U.S.C. § 3531, et. seq.
Improper Payments Information Act of 2002 – P.L. 107-300
Improper Payments Elimination and Recovery Act of 2010 – P.L. 111-204
Inspector General Act of 1978, as amended – 5 U.S.C. App. 3
Railroad Retirement Act – 45 U.S.C. § 231, et. seq.
Railroad Unemployment Insurance Act – 45 U.S.C. § 351, et. seq.
Railroad Retirement and Survivors' Improvement Act of 2001 – P.L. 107–90
Railroad Retirement Solvency Act of 1983 – P.L. 98–76
Report Consolidated Act of 2000 – P.L. 106-531
Social Security Act – 42 U.S.C. § 301, et seq.
Theft of Public Money/Government Funds/Government Property – 18 U.S.C. § 641

State:

Georgia Code

Forgery in the First Degree – O.C.G.A. 16-9-1 (2010)
Exploitation of a Disabled Adult – O.C.G.A. 30-5-8 (2010)
Identity Theft – O.C.G.A. 16-9-121 (2010)
Financial Transaction Card Fraud – O.C.G.A. 16-9-33 (2010)

Ohio Code

Workers' Compensation Fraud – Ohio Revised Code § 2913.48 (A) (1) & (B)

REPORT

FRAUD, WASTE, AND ABUSE



Call the OIG Hotline:

1-800-772-4258

Email: hotline@oig.rrb.gov

The OIG cannot ensure confidentiality to persons who provide information via email. Do not send information by email that you do not want a third party to read.

**Write: RRB, OIG Hotline Officer
844 N. Rush Street
Chicago, Illinois 60611-2092**