

Office of Inspector General for the U.S. Railroad Retirement Board



SEMIANNUAL REPORT TO THE CONGRESS

October 1, 2015 to March 31, 2016



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

April 29, 2016

Office of the Chairman
Railroad Retirement Board
844 North Rush Street
Chicago, Illinois 60611-2092

Dear Office of the Chairman,

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, 2015 through March 31, 2016. 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, we published the following audit reports:

- Audit of the Railroad Retirement Board's Fiscal Year 2015 Financial Statements (OA Report 16-01);
- Select Financial Management Integrated System Business Process Controls Need Improvement (OA Report 16-02);
- Management Information Report - Management and Performance Challenges Facing the Railroad Retirement Board (OA Report 16-03);
- Fiscal Year 2015 Financial Statement Audit Letter to Management (OA Report 16-04); and
- Control Weaknesses Diminish the Value of Medical Opinions in the Railroad Retirement Board Disability Determination Process (OA Report 16-05).

Our criminal investigators achieved 6 arrests, 23 criminal convictions, 10 indictments and informations, 9 civil judgments, and more than \$9.08 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 the resolution of 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) 2015, railroad retirement and survivor benefit payments totaled \$12.2 billion, net of recoveries and offsetting collections. Railroad unemployment and sickness insurance benefit payments totaled \$85.1 million in FY 2015, net of recoveries and offsetting collections. The RRB also paid benefits on behalf of the Social Security Administration (for which the RRB is reimbursed) amounting to \$1.5 billion to about 111,000 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 2015, the Railroad Medicare contractor paid approximately \$829 million in Part B medical insurance benefits on behalf of roughly 456,000 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.



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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 recovery.

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 aid in the effective and efficient coordination of joint investigations with other Inspector General Offices and law enforcement agencies.

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 published the following:

- annual, mandated audit of the RRB's comparative financial statements for fiscal years ended September 30, 2015 and 2014 in conjunction with related reports on internal control and compliance (OA Report No. 16-01);
- audit of selected procurement, accounts payable, medical examination, and consultative opinion business controls in the Financial Management Integrated System (FMIS) (OA Report No. 16-02);
- Inspector General's statement of *Management and Performance Challenges Facing the Railroad Retirement Board* (OA Report No. 16-03);
- "Letter to Management" detailing matters related to internal control identified during the financial statement audit (OA Report No. 16-04); and
- audit of the effectiveness of the RRB's contract for medical services (OA Report No.16-05).



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OA's activities, during this reporting period, are discussed in further detail on pages 4 through 8 of this report. All publicly available reports are available on our website at www.rrb.gov/oig.

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 recovery.

From October 1, 2015 through March 31, 2016, OI achieved:

- 6 arrests;
- 10 indictments/informations;
- 23 convictions;
- 9 civil judgments;
- 20 referrals to the Department of Justice; and
- approximately \$9.08 million¹ in financial accomplishments.

Defendants, in the aggregate, were sentenced to more than 7 years of prison, over 64 years of probation, and 180 hours of community service. Additional details regarding OI's activities are discussed on pages 8 through 16.

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, 2015 – MARCH 31, 2016 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 the 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.

Audit of the Railroad Retirement Board's Fiscal Year 2015 Financial Statements (OA Reports 16-01 and 16-04)

During this reporting period, OA completed its annual audit of the RRB's comparative financial statements for the FYs ended September 30, 2015 and 2014; the related statements of net cost, changes in net position, and budgetary resources for the years then ended; the statement of social insurance as of January 1, 2015, 2014, 2013, 2012, and 2011; the statement of changes in social insurance amounts for the two year period ended December 31, 2014; and the related notes to the financial statements. 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 (i.e., disclaimed opinion) regarding the RRB's financial statements.

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); however, the RRB indicates that federal statute prohibits the OIG from performing such oversight function in relationship to the NRRIT. Due to this prohibition, OIG is not able to comply with the new AICPA auditing standards (section 600) and is compelled to disclaim on the RRB's financial statements beginning this year and in future years until legislative changes (see page 17) are made regarding the relationship between OIG, the NRRIT, and its auditors.



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The material weakness for financial reporting that was originally reported in fiscal year 2014 continues to exist. During the fiscal year 2015 audit, OA continued to find material transactions that were recorded without sufficient supporting documentation because RRB management has not completed the necessary corrective actions to address our recommendations. Although RRB management updated its policies, procedures, and internal controls to address related audit recommendations, corrective actions were not in place for a duration sufficient to complete our evaluation of the effectiveness of implementation.

Select Financial Management Integrated System Business Process Controls Need Improvement (OA Report 16-02)

OA conducted an audit of selected procurement, accounts payable, medical examination, and consultative opinion business process controls in the Financial Management Integrated System (FMIS). The audit objective was to assess the adequacy of these business process controls in FMIS and included detailed transaction reviews for selected obligations with accounting events processed from October 1, 2014 through December 31, 2014. OA determined that the selected FMIS business process controls for procurement, accounts payable, medical examinations, and consultative opinions need improvement to ensure proper access, segregation of duties, appropriate approvals, and proper payments. Additionally, program integrity reviews for proper payments and key vendor data are inadequate and those for transaction overrides are not being performed. Lastly, accounts payable procedures require updates.

In total, OA made 11 detailed recommendations to RRB management to: remove inappropriate access and restrict the number of user accounts assigned to each user; prohibit approvers from applying more than one approval for each transaction and ensure requisitions for procurement receive all required approvals; issue outstanding payments and remove an erroneous obligation; improve the sampling methodology used for medical examination and consultative opinion quality assurance reviews; complete a review of the FMIS override log and implement procedures for regularly recurring reviews; implement a control to ensure program integrity of the FMIS key vendor data and address discrepant vendor data in FMIS; and implement updated Accounts Payable procedures to coincide with the deployment of future FMIS enhancements. Agency management has agreed to take corrective action for all recommendations.



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Management Information Report - Management and Performance Challenges Facing the Railroad Retirement Board (OA Report 16-03)

OA annually identifies management and performance challenges facing the RRB 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. The 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 the RRB management is based on recent audits, evaluations, investigations, and current issues of concern to the OIG. The following seven major management challenges facing the RRB were identified during fiscal year 2015:

Most Serious Management and Performance Challenges Facing the RRB as of October 1, 2015 (as identified by the Inspector General)

- Challenge 1 Program Integrity to Strengthen Disability Programs
- Challenge 2 Information Technology Security and Modernization
- Challenge 3 Oversight of Railroad Medicare
- Challenge 4 Preventing and Detecting Improper Payments
- Challenge 5 Agency Succession Planning
- Challenge 6 Material Weakness for Financial Statement Reporting
- Challenge 7 Limited Transparency at the National Railroad Retirement Investment Trust

Control Weaknesses Diminish the Value of Medical Opinions in the Railroad Retirement Board Disability Determination Process (OA Report 16-05)

OA conducted an audit of the effectiveness of the RRB's contract for medical services to determine if contracted medical opinions added value to the disability determination process, and if the RRB exercised the appropriate contract oversight. OA determined that significant weaknesses in controls over the medical opinions decreased their value



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to the disability determination process. These weaknesses included: medical opinions that lacked an overall conclusion; old medical evidence that was cited in the medical opinion; conflicting evidence in the medical opinion that was not resolved; incomplete medical opinion forms that were accepted; medical files that were not prepared properly and inefficiencies that resulted; and improperly prepared medical opinion forms that were identified. The RRB also failed to monitor aspects of the contract, such as the confirmation of medical licenses and proof of medical liability insurance by the contractor for doctors preparing medical opinions, which exposed the RRB to unnecessary risk. In addition, timeliness aspects of the contract were not effectively monitored. Further, the RRB did not receive full value for the medical opinions paid for under this contract and weaknesses in the medical opinions diminish their value.

In total, OA made 18 recommendations to improve the effectiveness of controls associated with the medical services contract. Key recommendations included that RRB: modify the medical opinion form to require the doctor to provide a documented conclusion on the medical severity of the claimant's medical ailments; revise procedures for RRB claims examiners to ensure that medical evidence cited in the medical opinions is current; ensure that RRB claims examiners accept the medical opinions only when all conflicting medical evidence is appropriately resolved; improve procedures for RRB claims examiners when reviewing and accepting the medical opinions; modify the medical opinion form to elicit required information; develop controls to ensure that contract requirements concerning medical licenses and insurance are monitored properly; and develop controls to ensure timeliness of the medical opinions and to ensure that the contract is properly monitored.

RRB management agreed to take corrective action for 12 of the 18 recommendations made in this report. Fourteen recommendations were made to the Office of Programs (OP), which concurred with eight recommendations and did not concur with six recommendations. Regarding the six recommendations with which OP did not concur, these OIG recommendations were intended to improve the value of the medical opinions provided to the RRB's disability determination process based on the weaknesses identified in the 226 disability cases reviewed as part of the audit. For the eight recommendations with which they concurred, OP proposed corrective action to the address the recommendations.

Management Decisions and Implementation

As part of its oversight activities, the OIG tracks the agency's implementation of audit recommendations. Furthermore, the Office of Management and Budget Circular Number A-50 (Revised) and the Inspector General Act Amendments of 1988 require the



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reporting of management decisions and corrective actions for all audit recommendations.

Management Decisions	
Requiring Management Decision on October 1, 2015	9
Pending Management Decision for New Recommendations	0
Management Decision on Previous Recommendations	3
Recommendations Pending Management Decision on March 31, 2016	6

Corrective Action	
Recommendations Requiring Action on October 1, 2015	238
Recommendations Issued During Reporting Period	34
Corrective Actions Completed During Reporting Period	43
Recommendations Rejected During Reporting Period	0
Final Actions Pending on March 31, 2016	229

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.

Hotline Contacts

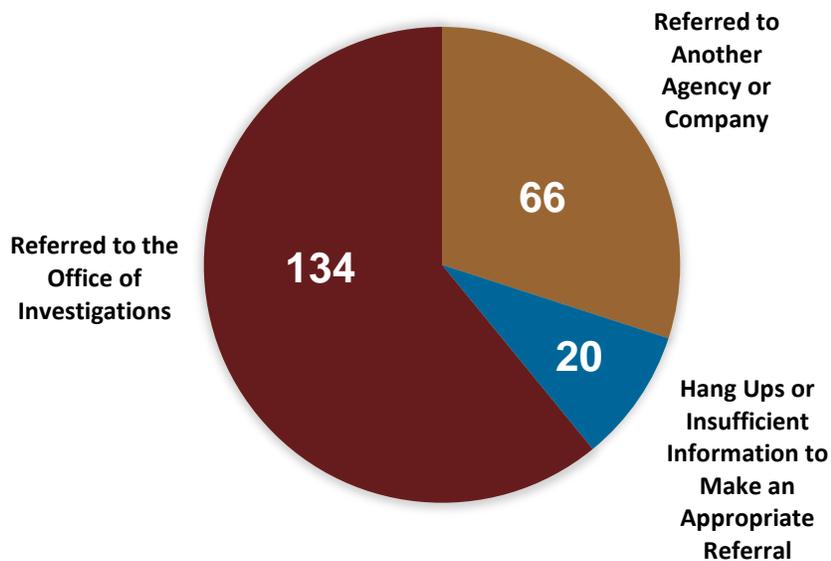
Our office established its hotline to receive complaints concerning suspected fraud, waste, and abuse in the RRB's programs and operations. The hotline provides an open



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line of communication for individuals to report suspected criminal activity and mismanagement/waste of RRB funds.

During this reporting period, our hotline received 220 contacts in the following manner: 55% by telephone, 36% by email, and 9% by mail. The following chart summarizes the disposition of hotline contacts received.





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Current Caseload

During this semiannual reporting period, OI opened 93 new cases.

Investigative Caseload Data	
Investigative Cases Open as of October 1, 2015	294
Investigative Cases Closed During Reporting Period	121
Investigative Cases Opened During Reporting Period	93
Investigative Cases Open as of March 31, 2016	265

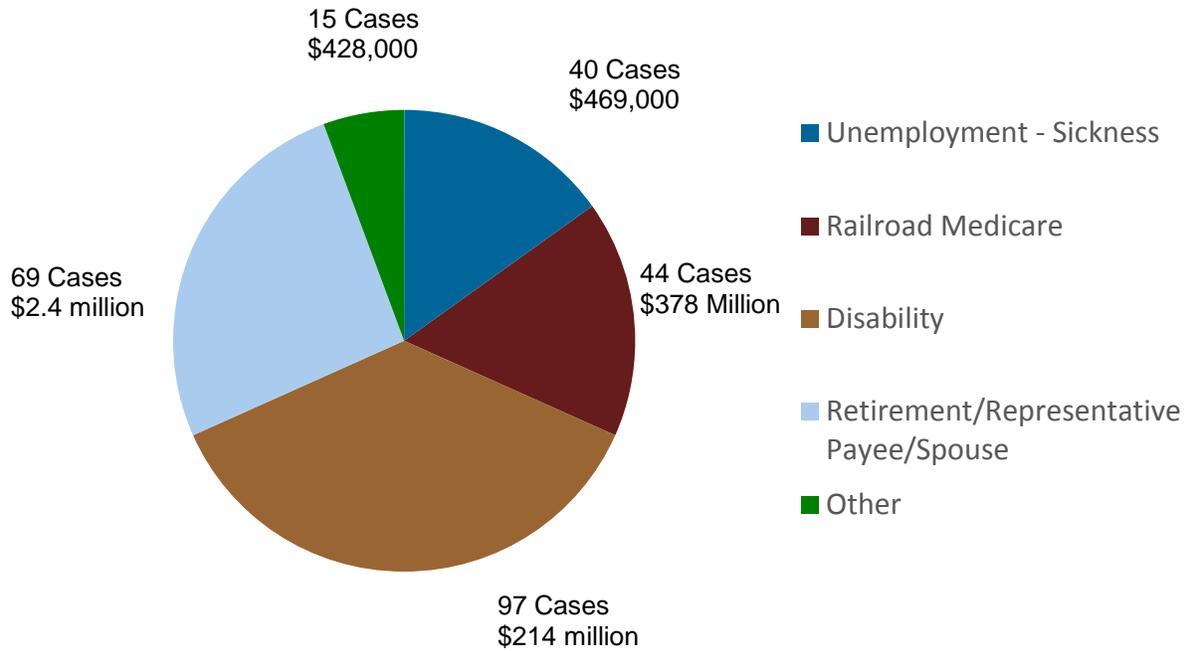
As of March 31, 2016, OI's investigative case load totaled 265 matters which represent approximately \$595 million in potential fraud losses.² The chart located on the next page reflects the distribution of OI cases and potential fraud losses by RRB major program area.

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, 2015 – March 31, 2016
Referrals to the Department of Justice	20
Indictments/Informations	10
Arrests	6
Convictions	23
Civil Complaints	4
Civil Judgments	9
Restitution and Fines ³	\$5.5 million
Civil Damages and Penalties ⁴	\$2.9 million
Investigative Recoveries ⁵	\$674,516
Community Service Hours	180

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, 2015 – March 31, 2016 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 reporting period, OI obtained 10 disability fraud convictions. The defendants received, in the aggregate, sentences totaling more than 30 months of prison, 34 years of probation, and were ordered to pay more than \$1.2 million in restitution, fines, and recoveries.

Descriptions of representative cases completed during this reporting period follow.

Local Landscaper Defrauds the RRB

OI investigated allegations that an RRB annuitant was working while receiving disability benefits. During the course of the investigation, it was discovered that the annuitant incorporated a landscaping business in January of 2004 and continued to claim disability funds through December of 2015 under false pretenses. It was further revealed that when the annuitant completed a self-employment questionnaire in 2003, he claimed his services as a landscaper were ending effective April of 2003. The annuitant was criminally prosecuted by the U.S. Attorney's Office for the District of South Carolina and sentenced to 24 months of probation. In light of the conviction, OIG recommended that the RRB administratively recover approximately \$318,000 in annuity payments received from January 2004 to December 2015 as well as terminate the annuitant's disability annuity to prevent further improper payments.

Multiple Businesses Led to Criminal Conviction

An RRB disability annuitant was sentenced to 5 years of probation after failing to disclose and report to the RRB multiple businesses, including payroll services and workers compensation insurance sales. It was further ordered by the Court that the annuitant pay over \$118,000 as restitution. The case was criminally prosecuted by U.S. Attorney's Office for the Middle District of Florida.



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Home Confinement and Probation for Disability Fraud

OI investigated allegations that an RRB annuitant was working as an auto parts delivery driver while receiving disability benefits from the RRB between the period of January 1, 2010 and December 31, 2013. The annuitant was criminally prosecuted by the U.S. Attorney's Office for the Northern District of Georgia and sentenced to five years of probation, as well as four months of home confinement. It was further ordered by the Court that the annuitant pay over \$60,000 as 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 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, over half of OI's current UI fraud cases involve extended UI benefits.

During this reporting period, OI obtained 9 convictions and 6 civil judgments for UI-SI fraud cases. Defendants in these cases received, in the aggregate, 12 months of prison, 16 years of probation, 30 hours of community service, and were ordered to pay more than \$565,000 in restitution, fines, recoveries, and civil damages/penalties.

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

UI Claimant Prosecuted for Theft of Government Funds

OI investigated an RRB claimant based upon an agency referral. OI's investigation determined that during the period of July 1, 2013 through January 5, 2014, the claimant applied for RRB UI benefits on the same days he was working. The claimant was sentenced to 2 years of probation and ordered to repay over \$8,000 in restitution.



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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 16, 2014 through January 31, 2015, the annuitant was working while receiving unemployment benefits. The claimant agreed to settle this matter for more than \$12,000.

Unemployment-Stimulus Fraud Leads to State Criminal Charges

OI investigated an RRB claimant based upon an agency referral. OI's investigation determined that during the period of October 2012 through August 2013, a UI claimant who was receiving extended unemployment stimulus benefits was working. The annuitant was criminally prosecuted and ordered to pay over \$14,000 as restitution.

Retirement-Survivor Benefits

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 one retirement-survivor benefit fraud conviction.

Failure to Disclose Remarriage Leads to Criminal Conviction

OI investigated allegations that an annuitant receiving a survivor disability benefit was remarried. During the course of the investigation it was discovered that the annuitant knowingly and intentionally failed to notify the RRB of the remarriage in order to continue to receive these benefits. The case was criminally prosecuted by the U.S. Attorney's Office for the District of Oklahoma, wherein the annuitant was sentenced to four years of probation and ordered to pay the RRB restitution exceeding \$24,000.



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Railroad Medicare Investigations

During this reporting period, OI obtained two convictions and three civil judgments in Railroad Medicare fraud cases. Defendants in these cases received, in the aggregate, seven years of prison, five years of probation, and were ordered to pay more than \$7 million in restitution, fines, and civil damages/penalties.⁶

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.

The description of a representative case completed during this reporting period follows.

Dermatologist Sentenced for Medicare Fraud

OI Special Agents worked cooperatively as members of a multi-agency team investigating allegations that a dermatologist was billing for medically unnecessary services. The case was criminally prosecuted by the U.S. Attorney's Office for the Northern District of Illinois, where the defendant was convicted and sentenced to seven years of prison, two years of probation, and ordered to pay restitution exceeding \$3.7 million dollars.

OTHER OVERSIGHT ACTIVITIES

OIG Alerts

OIG Alerts supplement our current investigative and audit processes by providing the Inspector General with a quick and efficient mechanism to suggest recommendations for agency improvement. During this semiannual reporting period, the Inspector General issued two OIG Alerts that addressed deficiencies within the RRB's disability and unemployment insurance programs.

⁶ This total reflects the full amount of restitution, fines, and civil damages/penalties ordered. Because OI's Railroad Medicare fraud cases are joint investigations, the total dollar amount includes losses to other health care programs.



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American Recovery and Reinvestment Act of 2009

During this semiannual period, we continued our efforts to investigate fraud in extended unemployment benefits paid as a result of the enactment of the American Recovery and Reinvestment Act of 2009 and various other benefit extending legislation. Following the enactment of this legislation, OI has seen a substantial increase of UI fraud referrals. In fact, over half 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.

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.⁷ 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 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 independent performance audit requirements that will strengthen administrative and financial oversight and ensure fund transparency.

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

⁷ As of September 30, 2015, the RRB's investments in the NRRIT were valued at approximately \$24.5 billion.



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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. The agency included the following five legislative proposals in its FY 2017 Budget Proposal. Three of these proposals, numbered one, three and four below, are also included in the FY 2017 President's Budget and FY 2017 Congressional Justification.

1. Amend the Railroad Retirement Act to provide that, notwithstanding any other law, employees of covered employers shall be issued social security numbers;
2. Amend the Railroad Retirement Act to allow the Railroad Retirement Board to utilize various hiring authorities available to other federal agencies;
3. Amend the Railroad Retirement Act and the Railroad Unemployment Insurance Act to include a felony charge for individuals committing fraud against the agency;
4. Amend the Social Security Act to provide access for the Railroad Retirement Board to the National Directory of New Hires; and
5. Clarification of Limitation on Administration for attorney hiring.



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APPENDICES

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Appendix A – Office of Inspector General Reports and Other Publicly Available Papers Issued

- Audit of the Railroad Retirement Board's Fiscal Year 2015 Financial Statements (OA Report 16-01)
- Select Financial Management Integrated System Business Process Controls Need Improvement (OA Report 16-02)
- Management Information Report - Management and Performance Challenges Facing the Railroad Retirement Board (OA Report 16-03)
- Fiscal Year 2015 Financial Statement Audit Letter to Management (OA Report 16-04)
- Control Weaknesses Diminish the Value of Medical Opinions in the Railroad Retirement Board Disability Determination Process (OA Report 16-05)

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



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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, 2015	2	\$13,800,000	\$3,800,000
B. Which were issued from October 1, 2015 through March 31, 2016	1	\$557,630,943	\$557,630,943
Subtotal (A + B)	3	\$571,430,943	\$561,430,943
C. For which a management decision was made between October 1, 2015 through March 31, 2016	2	\$567,630,943	\$557,630,943
(i) dollar value of disallowed costs (agreed to by management)		\$557,630,943	\$557,630,943
(ii) dollar value of costs not disallowed (not agreed to by management)		\$10,000,000	\$0
D. For which no management decision had been made by March 31, 2016	1	\$3,800,000	\$3,800,000
E. Report for which no management decision was made within six months of issuance	1	\$3,800,000	\$3,800,000



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

	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, 2015	1	\$11,900,000
B. Which were issued from October 1, 2015 through March 31, 2016	1	\$6,914
Subtotal (A + B)	2	\$11,906,914
C. For which a management decision was made between October 1, 2015 through March 31, 2016	1	\$6,914
(i) dollar value of recommendations agreed to by management		\$6,914
(ii) dollar value of recommendations not agreed to by management		\$0
D. For which no management decision had been made by March 31, 2016	1	\$11,900,000
E. Report for which no management decision was made within six months of issuance	1	\$11,900,000



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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 OIG’s activities.

Office of Audit

Report	Funds to Be Put to Better Use	Funds Agreed by Management	Receivables Established	Waivers	Recoveries to Date ⁸
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	\$24,500,000
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	\$4,455,207	\$339,244	\$3,187,190
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	\$31,455	\$0	\$31,728
09-02	\$600,000	\$600,000	\$320	\$0	\$2,114,129
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

⁸ Both overpayments and underpayments are included in this column.



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Report	Funds to Be Put to Better Use	Funds Agreed by Management	Receivables Established	Waivers	Recoveries to Date ⁹
13-09	\$9,927 ¹⁰	\$9,927	\$4,330 ¹¹	\$0	\$10,004
14-04	\$866,000	\$866,000	\$51,490	\$51,490	\$0
14-08	\$11,900,000 ¹²	\$0	\$0	\$0	\$0
15-03	\$11,148	\$11,148	\$0	\$0	\$0
16-02	\$6,914	\$6,914	\$0	\$0	\$210

⁹ Both overpayments and underpayments are included in this column.

¹⁰ Amount includes additional monies reported by the RRB.

¹¹ Amount reflects correction of previously reported receivables by the RRB.

¹² Amount is associated with an unresolved audit recommendation.



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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
2014	\$1,021,544
2015	\$904,400
October 1, 2015 – March 30, 2016	\$434,810



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Appendix D – Significant Matters

The OIG has identified deficiencies in RRB management controls as a significant matter. A summary of the issues and related recommendations for corrective action follow.

Financial Controls and Reporting

Ineffective Controls

In FY 2014, we reported ineffective controls as part of an overall material weakness in financial reporting and made recommendations for improvements. Since that time, management revised their documented controls for the general ledger and provided training for reconciliations. RRB management continues to work toward addressing the remaining recommendations.

In FY 2015, we reported that internal controls were not adequate to ensure that obligations were recorded and reported in accordance with applicable laws and regulations, and were inadequately documented to support open obligations.

In FY 2016, we reported that selective financial management business process controls need improvement to ensure proper access, segregation of duties, appropriate approvals, proper payments, vendor data, and processing overrides.

Communication with the NRRIT’s Auditor

This portion of the overall material weakness in financial reporting continues to exist. Communication between the OIG and National Railroad Retirement Investment Trust (NRRIT) auditors is required to achieve compliance with American Institute of Certified Public Accountants standards. RRB management continues to cite statutory limitations as the basis for not permitting OIG auditors to communicate with NRRIT auditors, and therefore, did not concur with the recommendation for corrective action. We continue to look for resolution of this issue.

Financial Controls and Reporting Issue Area	Date of Report	Report and Recommendations
Ineffective Controls	January 31, 2012 August 1, 2014 March 31, 2015 August 14, 2015	OIG Report 12-04, 2 OIG Report 14-10, 1-2 OIG Report 15-05, 2, 5-7



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Financial Controls and Reporting Issue Area	Date of Report	Report and Recommendations
	November 30, 2015	OIG Report 15-08, 1-6, 8-12, 16 OIG Report 16-02, 4, 6, 8-11
Communication with the NRRIT's Auditor	March 31, 2015	OIG Report 15-05, 8

Program Integrity over RRB Disability Programs

In 2007, the OIG initiated a joint investigation with the Federal Bureau of Investigation that unraveled a complex occupational disability fraud scheme perpetrated by a number of Long Island Rail Road (LIRR) retirees, doctors, and disability facilitators. Foundational flaws that leave the RRB's occupational disability program susceptible to fraud and abuse, including an agency culture that focuses on paying benefits quickly; thereby increasing the likelihood of erroneous payments due to a lack of thorough review.

In FY 2013, we reported that the RRB did not always verify job duty information before granting occupational disability annuities, and RRB policies and procedures were inadequate to ensure such verifications were obtained. Job duty information is used to determine the job duties normally performed by the applicant, and to consider impairment-related restrictions. Such information is used to support whether the applicant is unable to perform his or her railroad occupation, a requirement for the awarding of occupational disability benefits. According to the RRB, they continue to adjudicate more than 80% of occupational disability cases without these job verification forms.

In FY 2014, we reported that a provision of the Railroad Retirement Act allows railroad employees to purchase their service eligibility for an occupational disability annuity through injury settlements with their railroad employer, and without the RRB as a party to the settlement. The RRB is then obligated to pay the annuity from the Railroad Retirement Act trust fund, which could potentially impact the trust fund by as much as \$2.2 billion if all annuitants who barely qualified for an occupational disability had purchased some of the qualifying service months through an injury settlement. Additionally, under the law, such settlements are not always taxable as railroad compensation.

In FY 2016, we reported that medical opinions used in the decision to award disability annuities added limited value to the disability determination process. Medical opinions



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used by the RRB were found to be inaccurate, and incorrectly presumed to have been based on all medical evidence in the file when the opinion did not support that assumption. Controls were also ineffective in ensuring that contract requirements were met, and that medical licenses, insurance requirements, and timeliness was effectively monitored by the RRB.

Program Integrity Over RRB Disability Programs Issue Area	Date of Report	Report and Recommendations
Job Duty Verifications	January 15, 2013	OIG Report 13-02, 1-5
Injury Settlements	July 18, 2014	OIG Report 14-08, 1-2
Medical Opinions	March 9, 2016	OIG Report 16-05, 1-18

Oversight of Railroad Medicare

In FY 2015, we determined that controls were not sufficient to ensure that payments for Railroad Medicare chiropractic services complied with Medicare requirements. Inadequate contract oversight resulted in vulnerabilities exposing approximately \$14 million in payments for unnecessary and improper chiropractic services from 2009 through 2013. In addition, the reviews performed by the RRB's Medicare contractor did not validate the medical necessity for billed chiropractic services, nor did the contractor's procedures adequately identify ongoing risks associated with chiropractic service claim payments. Such risks include the frequency of chiropractic visits, the use of dual modifiers, commonly upcoded chiropractic services, and high risk chiropractic services.

Oversight of Railroad Medicare Issue Area	Date of Report	Report and Recommendations
Chiropractic Services	June 4, 2015	OIG Report 15-07, 1-4, 6-11

Information Technology

As with all Federal agencies, the RRB faces the challenge of how to modernize its information technology and safeguard sensitive data, while accomplishing the agency's mission. In FY 2015, we reported on the information security at the RRB as mandated by the Federal Information Security Management Act of 2002 (FISMA).¹³ Our audit determined that the RRB continues to make progress in implementing an information

¹³ The Federal Information Security Management Act of 2002 has since been modified by the Federal Information Security Modernization Act of 2014 in December 2014.



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security program that meets the requirements of FISMA, yet a fully effective security program has not been achieved. With the issuance of our report, the RRB had 130 open audit recommendations from OIG audit reports issued since 2002, and another 204 open recommendations from other evaluators.

Information Technology Issue Area	Date of Report	Report and Recommendations
Information Security	March 16, 2015	OIG Report 15-04

For more information on major management challenges identified by our office, see *Management and Performance Challenges Facing the Railroad Retirement Board*, OIG Management Information Report No. 16-03, January 11, 2016.



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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 recently completed peer review for the period ending March 31, 2015, was transmitted on September 23, 2015. OA received a peer review rating of pass. This peer review did not contain any recommendations.

During this semiannual reporting period, OA did not participate in any peer review activities.

Office of Investigations

During the peer review process, Federal OIG investigative organizations may receive a peer review rating of fully compliant, 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 recently completed peer review for the period ended September 30, 2013 was conducted during April and May of 2014.

During this semiannual reporting period, OI did not complete any peer reviews of other offices.



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Appendix F – Reports Prepared by Management

	<u>Number of Audit Reports</u>	<u>Disallowed¹⁴ Costs</u>
For the 6-Month Period Ending March 31, 2016		
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	5	\$ 142,573,500 ¹⁵
B. Audit reports on which management decisions were made during the period.	1	\$ 557,630,943 ¹⁶
C. Total audit reports pending final action during the period. (A + B)	6	\$ 700,204,443
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	1	\$ 116,457,000 ¹⁷
2. Recovery Waived	0	\$ 0
3. Total of 1 and 2	1	\$ 116,457,000
E. Audit reports needing final action at the end of the period (C - D.3).		\$ 583,747,443

¹⁴ RRB's understanding that the determination of a *Disallowed Cost* is based on RRB's administrative agreement with the finding, questioned cost and recommendation. However, the *Disallowed Cost* administratively agreed to may not necessarily be the amount realized.

¹⁵ Comprised of the following amounts: \$210,000 from Audit Report 14-07, *Audit of Payment Controls over Railroad Medicare Claims Submitted by Physical Therapists*; \$17,300,000 from Audit Report 14-10, *Audit of Business Process Controls in the Financial Management Integrated System*; \$6,500 from Audit Report 15-03, *The Railroad Retirement Board Lacks Adequate Controls over Creditable Compensation Related to Injury Settlements*; \$116,457,000 from Audit Report 15-05, *Fiscal Year 2014 Financial Statement Audit Letter to Management*; and \$8,600,000 from Audit Report 15-06, *Audit of the Railroad Retirement Board's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2014 Performance and Accountability Report*

¹⁶ Audit Report 16-04, *Fiscal Year 2015 Financial Statement Audit Letter to Management*. The amount cited is not recoverable. The amount reflects administrative accounting actions that were corrected prior to Fiscal Year 2016 Financial Statement preparation.

¹⁷ Audit Report 15-05, *Fiscal Year 2014 Financial Statement Audit Letter to Management*. The amount cited is not recoverable. The amount reflects administrative accounting actions that were reconciled/corrected.



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**Management Report on Final Action on Audits with Recommendations
to Put Funds to Better Use for the 6-Month Period Ending
March 31, 2016**

	<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	\$ 1,677,148 ¹⁸
B. Audit reports on which management decisions were made during the period.	1	\$ 6,914 ¹⁹
C. Total audit reports pending final action during the period. (A + B)	5	\$ 1,684,062
D. Audit reports on which final action was taken during the period.		
1. Value of recommendations implemented (completed).	1	\$ 6,914
2. Value of recommendations that management concluded should not or could not be implemented (completed).	0	\$ 0
3. Total of 1 and 2.	1	\$ 6,914
E. Audit reports needing final action at the end of the period.	4	\$ 1,677,148

¹⁸ Comprised of the following amounts: \$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*; \$866,000 from Audit Report 14-04, *Audit of Railroad Retirement Act Dual Spouse Annuity Adjustments*; and \$11,184 from Audit Rep15-03 *The Railroad Retirement Board Lacks Adequate Controls over Creditable Compensation Related to Injury Settlements*.

¹⁹ Audit Report 16-02, *Select Financial Management Integrated System Business Process Controls Need Improvement*



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**Management Statement on Resolved Audit Reports Over 12 Months Old
with Final Action Pending as of
March 31, 2015**

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 continues to review work plan prior to submission to OIG.
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	No change in status. Resources diverted to higher priority project.
Review of Incident Handling and Reporting at the Railroad Retirement Board (06-09)	08/24/06	NONE	NONE	Agency currently reviewing documentation, and will submit to OIG for closeout in FY15.
Audit of the DAISY/CHICO Component Application of the RRA Benefit Payment Major Application System (07-02)	03/9/07	NONE	NONE	Resources were diverted to higher priority projects on one recommendation. On the other, contract was awarded with work underway on requirement definitions and project plan.
Audit of Federal Income Taxes Withheld from Railroad Retirement Annuities (07-07)	07/30/07	NONE	NONE	Coordination is required with another organization. Five of the six recommendations have been closed, with the remaining one targeted for completion in FY15.
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 FY15.
Audit of Controls to Safeguard Sensitive Personally Identifiable Information (07-09)	09/27/07	NONE	NONE	Work and coordination continues with outside contractor. Target for completion is FY15.



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**Management Statement on Resolved Audit Reports Over 12 Months Old
with Final Action Pending as of
March 31, 2015**

Report	Date	Disallowed Costs	Funds to be Put to Better Use	Reason Action Not Completed
Evaluation of Information Security for the RRB's Financial Interchange Major Application (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 prior to 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.
Audit of the Railroad Medicare Integrity Program at Palmetto Government Benefits Administrators (09-04)	09/25/09	NONE	NONE	Coordination continues 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 is near completion on worksheet to validate self-processed transactions for one recommendation, and work continues on the other recommendation with target completion in FY15.
Fiscal Year 2009 Evaluation of Information Security (10-01)	11/12/09	NONE	NONE	Documentation currently being reviewed for submission to OIG. Target completion in FY15.
Review of Statistical Methods Employed in the Financial Interchange Determination (10-06m)	05/04/10	NONE	NONE	The Bureau of Actuary is reviewing documentation and will take the necessary action(s). They will 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).



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**Management Statement on Resolved Audit Reports Over 12 Months Old
with Final Action Pending as of
March 31, 2015**

Report	Date	Disallowed Costs	Funds to be Put to Better Use	Reason Action Not Completed
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	Work continues. Target completion in FY15.
Audit of the Account Benefits Ratio (10-12)	09/29/10	NONE	NONE	The Bureau of Actuary is reviewing and will take the necessary action(s).
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.
Audit of Controls Over Railroad Medicare Contract Costs (11-06)	04/20/11	NONE	NONE	Coordination with outside organization is required.
Audit of Railroad Retirement Act Benefits Overpayments and Internal Controls (11-07)	06/29/11	NONE	NONE	Chart of controls for RBD and SBD to be updated and tested prior to submission to OIG for closeout on one recommendation, and on the other, a review of planned changes is required to address recommendation.
Review of the Railroad Retirement Board's Security Patch Management Process (11-08)	07/07/11	NONE	NONE	Work continues on five recommendations, and documentation was submitted to OIG for implementation on the other.
Inspection of the Railroad Retirement Board's Agency Enterprise General Information Support System Certification and Accreditation (11-10)	09/28/11	NONE	NONE	Documentation is currently being reviewed and finalized for submission to OIG.
Fiscal Year 2011 Evaluation of Information Security at the Railroad Retirement Board (12-02)	01/05/12	NONE	NONE	Documentation is currently being reviewed and finalized for submission to OIG.



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**Management Statement on Resolved Audit Reports Over 12 Months Old
with Final Action Pending as of
March 31, 2015**

Report	Date	Disallowed Costs	Funds to be Put to Better Use	Reason Action Not Completed
Fiscal Year 2011 Financial Statement Audit Letter to Management (12-04)	02/31/12	NONE	NONE	Work continues on review of procedures.
Inspection of the Railroad Retirement Board's Representative Payee Monitoring (12-07)	07/27/12	NONE	NONE	Work continues on five recommendations, and documentation will be submitted to OIG for closeout on two other recommendations.
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 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 Audit of Information Security at the Railroad Retirement Board (13-04)	02/12/13	NONE	NONE	Documentation is being reviewed and finalized for seven recommendations, and work continues on remaining.
Audit of the Railroad Retirement Board's Internal Controls over Widow(er) Annuities (13-09)	07/31/2013	NONE	NONE	Currently reviewing information required to address recommendation, and finalizing outline to conduct refresher training.
Audit of the Railroad Retirement Board's Compliance with the Government Charge Card Abuse Prevention Act of 2012 (13-10)	09/19/2013	NONE	NONE	In the process of reviewing policies and procedures to develop control for when and how often for reviews of charge card holders.
Audit of the Railroad Retirement Board's Privacy Program (13-11)	09/20/2013	NONE	NONE	Documentation is currently being reviewed and finalized for submission to OIG.
Fiscal Year 2013 Financial Statement Audit Letter to Management (14-02)	02/20/2014	NONE	NONE	Bureau of Fiscal Operations staff updating Accounting Procedures Guide and developing training.



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**Management Statement on Resolved Audit Reports Over 12 Months Old
with Final Action Pending as of
March 31, 2015**

Report	Date	Disallowed Costs	Funds to be Put to Better Use	Reason Action Not Completed
Fiscal Year 2013 Audit of Information Security at the Railroad Retirement Board (14-03)	03/04/2014	NONE	NONE	Corrective action underway, Bureau of Information Services is coordinating internally to review procedures and identify resources to address necessary corrective action.
Audit of Railroad Retirement Act Dual Spouse Annuity Adjustments (14-04)	3/20/2014	NONE	\$866,000	Office of Programs reviewing procedures related to final open recommendation in order to determine further corrective action.
Audit of the General and Application Controls in the Railroad Retirement Board's Financial Management Information System (14-06)	05/06/2014	NONE	NONE	Office of Administration and the Bureau of Information Services are working to implement corrective action and have submitted close out requests to the OIG
Audit of Payment Controls over Railroad Medicare Claims Submitted by Physical Therapists (14-07)	05/16/2014	NONE	NONE	Office of Programs working to implement corrective action and have submitted close out requests to the OIG
Management Information Report - Railroad Medicare Progress and Challenges (14-09)	07/25/2014	NONE	NONE	Coordination with external organization is required.
Audit of Business Process Controls in the Financial Management Integrated System (14-10)	08/01/2014	NONE	NONE	Bureau of Fiscal Operations staff have re-written Accounting Procedures Guide and are coordinating close-out of recommendations.
Audit of the Data Management Application Controls and Selected General Controls in the Financial Management Integrated System (14-12)	09/30/2014	NONE	NONE	Bureau of Information Services staff currently reviewing and revising policy and procedures.
The Railroad Retirement Board Lacks Adequate Controls over Creditable Compensation Related to Injury Settlements (15-03)	01/29/2015	NONE	NONE	Office of Programs reviewed cases cited in the audit report, coordinated with industry to request corrections to employee records and determined adjudicative actions.



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**Management Statement on Resolved Audit Reports Over 12 Months Old
with Final Action Pending as of
March 31, 2015**

Report	Date	Disallowed Costs	Funds to be Put to Better Use	Reason Action Not Completed
Fiscal Year 2014 Audit of Information Security at the Railroad Retirement Board (15-04)	03/16/2015	NONE	NONE	Corrective action underway, Bureau of Information Services is coordinating internally to review procedures and identify resources to address corrective action.



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Appendix G – Reporting Requirements

Act Reference	Inspector General Reporting Requirements	Page(s)
Section 4(a) (2)	Review of Legislation and Regulations	18
Section 5(a) (1)	Significant Problems, Abuses, and Deficiencies	16-18, 26-29
Section 5(a) (2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	16-18, 26-29
Section 5(a) (3)	Prior Significant Recommendations Not Yet Implemented	26-29
Section 5(a) (4)	Matters Referred to Prosecutive Authorities	3, 12
Section 5(a) (5)	Instances Where Information Was Refused	None
Section 5(a) (6)	List of Audit Reports	20
Section 5(a) (7)	Summary of Each Significant Report	4-8
Section 5(a) (8)	Statistical Tables on Management Decisions on Questioned Costs	21
Section 5(a) (9)	Statistical Tables on Management Decisions on Recommendations That Funds be Put to Better Use	22
Section 5(a) (10)	Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	8
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	16-17, 26-29
Section 5(b) (1)	Management Comments	Management's Transmittal
Section 5(b) (2)	Statistical Table on Final Action on Disallowed Costs	31
Section 5(b) (3)	Statistical Table on Final Action to Put Funds to Better Use	32
Section 5(b) (4)	Statement on Audit Reports With Final Action Pending	33-38



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Appendix H – Acronyms

Acronym	Explanation
BFO	Bureau of Fiscal Operations
FISMA	Federal Information Security Management Act of 2002
FY	Fiscal Year
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
PII	Personally Identifiable Information
RRA	Railroad Retirement Act
RRB	Railroad Retirement Board
RRSIA	Railroad Retirement and Survivors' Improvement Act of 2001
RUIA	Railroad Unemployment Insurance Act
SSA	Social Security Administration
SI	Sickness Insurance
UI	Unemployment Insurance



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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. 111-5

Federal Information Security Management Act of 2002 – 44 U.S.C. § 3531, et. seq.

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.

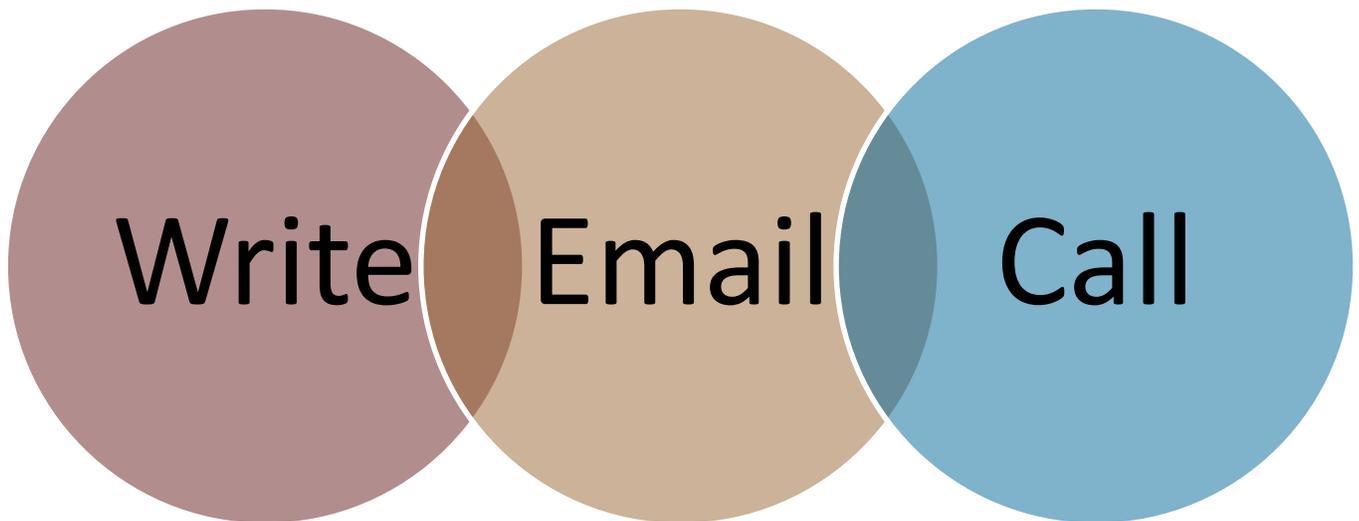
Railroad Retirement and Survivors' Improvement Act of 2001 – P.L. 107–90

Railroad Retirement Solvency Act of 1983 – P.L. 98–76

Social Security Act – 42 U.S.C. § 301, et seq.

REPORT

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