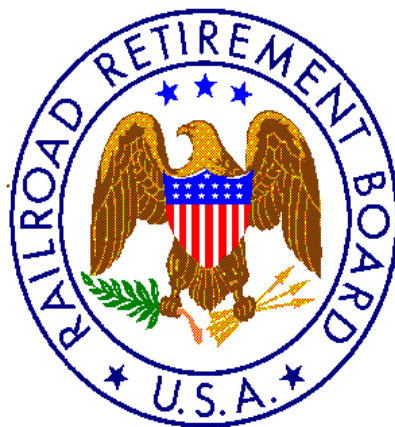


**OFFICE OF INSPECTOR GENERAL**

**Audit Report**

**Select Financial Management Integrated System  
Business Process Controls Need Improvement**

**Report No. 16-02  
November 30, 2015**



**RAILROAD RETIREMENT BOARD**

---

## EXECUTIVE SUMMARY

---

### Background

The Office of Inspector General 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. We conducted this performance audit in accordance with generally accepted government auditing standards.

### Findings

Our audit 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.

### Recommendations

In total, we made 11 detailed recommendations to RRB management related to:

- Removing inappropriate access and restricting the number of user accounts assigned to each user.
- Prohibiting approvers from applying more than one approval for each transaction and ensuring requisitions for procurement receive all required approvals.
- Issuing outstanding payments and removing an erroneous obligation.
- Improving the sampling methodology used for medical examination and consultative opinion quality assurance reviews.
- Completing a review of the FMIS override log and implementing procedures for regularly recurring reviews.
- Implementing a control to ensure program integrity of the FMIS key vendor data and addressing discrepant vendor data in FMIS.
- Implementing updated Accounts Payable procedures to coincide with the deployment of future FMIS enhancements.

### Management's Response

Agency management has agreed to take corrective action for all recommendations. The full texts of management's responses are included in the report in Appendices III, IV, and V.

# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	i
--------------------------------	---

## **INTRODUCTION**

Background .....	1
Objective.....	2
Scope .....	2
Methodology .....	2

## **RESULTS OF AUDIT**

Access Controls Are Not Sufficient.....	4
Inappropriate FMIS Access Exists .....	4
Recommendation .....	5
Management Response .....	5
Multiple FMIS User Accounts Allow for Circumvention of Proper Segregation of Duties.....	5
Recommendation .....	7
Management Response .....	7
FMIS User Accounts Allow for Multiple Levels of Approval.....	7
Recommendation .....	8
Management Response .....	8
Procurement Cost Increases Do Not Always Obtain Adequate Approvals .....	8
Recommendation .....	10
Management Response .....	10
Consultative Opinion Orders Not Processed Correctly.....	10
Recommendations.....	11
Management Response .....	12
Program Integrity Reviews of FMIS Overrides Are Not Being Performed.....	12
Recommendations.....	13
Management Response .....	13
Program Integrity Reviews of FMIS Key Vendor Data Are Inadequate .....	13
Recommendations.....	14
Management Response .....	15
Accounts Payable Procedures Need Updating.....	15
Recommendation .....	15
Management Response .....	16

## **APPENDICES**

Appendix I – Sampling Methodology and Results .....	17
Appendix II – Financial Impact of Incorrect Consultative Opinion Processing .....	19
Appendix III – Management’s Response – Bureau of Fiscal Operations.....	20
Appendix IV – Management’s Response – Office of Administration.....	22
Appendix V – Management’s Response – Office of Programs .....	24

## TABLES

Table 1: Transactions Using Multiple User Accounts.....	6
Table 2: Approvals Using Single User Account .....	8
Table 3: Requisition Approval Levels.....	9
Table 4: Requisition For Procurement One.....	9
Table 5: Requisition For Procurement Two.....	9

---

## INTRODUCTION

---

This report presents the results of the Office of Inspector General's (OIG) audit of selected procurement, accounts payable, medical examination, and consultative opinion business process controls in the Financial Management Integrated System (FMIS).

### Background

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal government. The RRB administers the retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. The RRB paid \$12.2 billion in retirement/survivor benefits and \$85.1 million in unemployment/sickness insurance benefits during fiscal year 2015.

Business process controls are the automated and manual controls applied to business transactions and relate to the completeness, accuracy, validity, and confidentiality of transactions and data during application processing. Guidance for conducting information system control audits, including audits of business process controls, is provided in the *Federal Information System Control Audit Manual* (FISCAM) developed by the Government Accountability Office (GAO). FISCAM identifies the following four critical elements of business process controls:

- transaction data input is complete, accurate, valid, and confidential;
- transaction data processing is complete, accurate, valid, and confidential;
- transaction data output is complete, accurate, valid, and confidential; and
- master data setup and maintenance is adequately controlled.

At the RRB, the Bureau of Fiscal Operations (BFO) is responsible for the financial management of the agency and owns FMIS, which is the system used to record financial transactions and to support the preparation of the agency's annual financial statements. It contains components for budget formulation and execution, general ledger, medical examinations, consultative opinions, procurement, accounts payable, accounts receivable, and related reporting. FMIS is a web-based system hosted on an Infrastructure as a Service Cloud operated by RRB's contractor, CGI Federal (CGI). The Office of Administration manages, coordinates, and controls the administrative operations of the RRB including acquisition management and the Office of Programs is responsible for administering provisions of the Railroad Retirement Act.

This audit supports the OIG's mandated audit under the Federal Information Security Modernization Act of 2014 and provides an understanding of FMIS internal control for the purposes of the mandated annual financial statement audit.

## **Objective**

The audit objective was to assess the adequacy of the selected procurement, accounts payable, medical examination, and consultative opinion business process controls in FMIS.

## **Scope**

The scope of the audit included business process controls that may have been designed or operating since FMIS was first implemented in October 2013, as well as detailed transaction reviews for selected obligations with accounting entries processed from October 1, 2014 through December 31, 2014.

## **Methodology**

To accomplish the audit objective, we:

- reviewed applicable laws, regulations, and agency policies and procedures;
- tested policies and procedures for compliance with laws and regulations;
- selected a sample of 104 obligations from accounting events processed from October 1, 2014 through December 31, 2014 (see Appendix I). For each of our sample items, we:
  - tested obligating documents including requisitions, procurements, medical examinations, consultative opinions, and payment vouchers. This testing included the verification of supporting documentation, appropriate access controls and segregation of duties, and proper approvals;
  - reviewed 70 disability award applications for annuitants who received 17 medical examinations and 53 consultative opinions selected in our sample;
  - examined all consultative opinions orders (orders) for the annuitants who received the 17 medical examinations and 53 consultative opinions selected in our sample to identify potential duplicative orders;
  - reviewed the posting of 17 procurements selected in our sample to the Federal Procurement Data System;
- tested procurement solicitations and announcements processed from October 1, 2014 through December 31, 2014, including the verification of supporting documentation, appropriate approvals, and the posting of announcements to the Federal Business Opportunities website;
- examined the FMIS payment voucher approval log for all payment vouchers processed from October 1, 2014 through December 31, 2014;

- examined FMIS user access for roles associated with medical examinations, consultative opinions, and medical examination payment vouchers;
- examined FMIS user accounts to identify users with multiple accounts and compared the FMIS user identification (ID) to user IDs for other RRB systems;
- examined the FMIS approval log for obligating documents processed from October 1, 2013 through March 18, 2015;
- examined the FMIS override log from October 1, 2014 through December 31, 2014 to identify the number and reasons for which overrides were performed; and
- examined FMIS vendor file reports reflecting the integrity of the vendor master data file.

To assess the reliability of the data in FMIS utilized in this audit, we:

- reviewed existing documentation regarding FMIS certifications and authorizations;
- interviewed responsible agency personnel that are knowledgeable of the data and the system; and
- identified the relevant controls for preparation and approval of transactions.

We determined that the data was sufficiently reliable for the purposes of this report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We conducted our fieldwork at RRB headquarters in Chicago, Illinois from January 2015 through August 2015.

---

## RESULTS OF AUDIT

---

Our audit 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.<sup>1</sup> Lastly, accounts payable procedures require updates.

The details of the audit findings and recommendations for corrective action follow. Agency management has agreed to take corrective action for all recommendations. The full texts of management's responses are included in Appendices III, IV, and V.

### **Access Controls Are Not Sufficient**

Access controls are intended to assure that access to computer resources and data is reasonable and restricted to authorized individuals. Such restrictions define the extent to which an individual can access the computer system and use or modify the programs and data. Effective access controls can enforce proper segregation of duties by ensuring assignment of incompatible duties is split among separate individuals. The access controls found to be insufficient included the existence of inappropriate FMIS access; individual multiple FMIS user accounts, which circumvent segregation of duties, and FMIS user accounts that allow the user to perform multiple levels of approval within the system.

#### Inappropriate FMIS Access Exists

Our review of FMIS access granted to all users with privileges to process medical examinations, consultative opinions, and medical examination payment vouchers disclosed five individuals with inappropriate access. Four of the five individuals work outside of the Office of Programs' Disability Benefits Division but have FMIS roles that allow them to perform the same duties as claims examiners or clerks in that division. One of the five individuals is no longer an RRB employee yet her FMIS user account was not deactivated when employment ceased. Inappropriate access privileges increase the risk of unauthorized or potentially fraudulent changes to records in the system. When key duties and responsibilities are not divided amongst individuals, the risk of error, misuse, or fraud increases.

Upon notification from the OIG, RRB management took action to remove the inappropriate user access from three of the five individuals; however, one individual still has inappropriate access and the non-RRB employee is still listed as "Active" in FMIS.

The RRB's access control policy employs the concept of least privilege by allowing only authorized accesses that are necessary to accomplish assigned tasks in accordance

---

<sup>1</sup> While we identified payment errors in our sample of consultative opinions, no payment errors were identified in our sample of medical examinations.



with organizational missions and business functions.<sup>2</sup> The access control procedures state that access privileges are to be set to the most restrictive level of access (least privilege) based on user duty requirements.<sup>3</sup>

According to the Government Accountability Office *Standards for Internal Control in the Federal Government* (GAO Standards) transactions and other significant events should be authorized and executed only by persons acting within the scope of their authority. Access to resources and records should be limited to authorized individuals, and accountability for their custody and use should be assigned and maintained.<sup>4</sup>

When the RRB migrated from their prior financial management system in October 2013, staff access controls in FMIS were prepared and assigned by CGI based on the access rights held in the prior system. The OIG previously recommended that BFO review and revise FMIS security roles (the access an individual has been assigned in FMIS) to ensure that the principle of segregation of duties is established and to ensure that only authorized personnel can initiate and view appropriate transactions.<sup>5</sup> BFO notified the OIG that they contracted with CGI to generate a report that can be reviewed by RRB business managers to facilitate a review of access.

### Recommendation

We recommend that the Bureau of Fiscal Operations:

1. Remove the inappropriate FMIS access roles for the remaining two individuals identified.

### Management Response

The Bureau of Fiscal Operations concurred with this recommendation and has taken action to remove the inappropriate FMIS access roles for the two individuals identified in this report.

### Multiple FMIS User Accounts Allow for Circumvention of Proper Segregation of Duties

Our review of all FMIS accounts identified eight individuals who possess, or previously possessed, multiple user accounts in FMIS. The multiple accounts allow them to circumvent proper segregation of duties. By signing into FMIS using the different user

---

<sup>2</sup> *Railroad Retirement Board Information Systems Security Policy: Access Control*, (Chicago, IL: December 2010).

<sup>3</sup> *Railroad Retirement Board Access Control Processes and Procedures*, (Chicago, IL: December 2010).

<sup>4</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999). A newer version, effective beginning in fiscal year 2016 has been published, GAO 14-704G (Washington, D.C.: September 2014).

<sup>5</sup> *Audit of the Business Process Controls in the Financial Management Integrated System*, Railroad Retirement Board Office of Inspector General, OIG Audit Report No. 14-10 (Chicago, IL: August 1, 2014).

accounts, these individuals are able to prepare and approve a single transaction or apply multiple levels of approval to a single transaction, such as the first and second levels of approval.

Our sample testing disclosed eight instances where users either prepared and approved a single transaction or were able to apply multiple levels of approval using more than one FMIS user account. Our review of the payment voucher approval log also disclosed six additional instances in which multiple user accounts were used to apply multiple levels of approval. Additionally, our review of the obligating document approval log disclosed one other instance in which multiple user accounts were used to apply multiple levels of approval, as shown in Table 1 below.

**Table 1: Transactions Using Multiple User Accounts**

Document Type	Dollar Amount	Transactions Performed	
		User Account # 1	User Account # 2
Requisition	\$ 64,178.00	Prepare	Approval Level 1
Requisition	\$ 5,240.00	Prepare	Approval Level 1
Requisition	\$ 2,881.50	Prepare	Approval Level 1
Requisition	\$ 75,139.43	Prepare	Approval Level 1
Requisition	\$ 1,100.00	Prepare	Approval Level 1
Simple Order	\$ 22,500.00	Prepare	Approval Level 2
Payment Voucher	\$ 164,813.34	Approval Level 1	Approval Level 2
Payment Voucher	\$ 203,627.45	Approval Level 1	Approval Level 2
Payment Voucher	\$ 56,756.63	Approval Level 1	Approval Level 2
Payment Voucher	\$ 52,469.00	Approval Level 1	Approval Level 2
Payment Voucher	\$ 52,884.00	Approval Level 1	Approval Level 2
Payment Voucher	\$ 57,642.00	Approval Level 1	Approval Level 2
Payment Voucher	\$ 54,890.00	Approval Level 1	Approval Level 2
Payment Voucher	\$ 60,443.00	Approval Level 1	Approval Level 2
Simple Order	\$ 2,800.00	Approval Level 1	Approval Level 2

As a result of this weakness, potential fraudulent transactions could be initiated and there is no assurance that only valid transactions to exchange, transfer, use, or commit Federal financial resources and other events are initiated or entered into.

According to GAO Standards control activities are an integral part of an entity's accountability for stewardship of government resources and achieving effective results. One such control activity is segregation of duties, which requires key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.<sup>6</sup>

<sup>6</sup> GAO/AIMD-00-21.3.1.

The RRB has recognized that requisitions for procurement and payment vouchers with a higher dollar value present greater risk to the agency and has implemented a procedure that requires multiple levels of transaction approvals based on the dollar value.

RRB's Accounts Payable procedures require a second level of approval by employees in designated positions within BFO for payment vouchers that equal or exceed \$50,000.<sup>7</sup>

The RRB has also recognized the need for segregating duties associated with the preparation and approval of a single transaction and has implemented controls within FMIS which prevent such occurrences when a single user account is used.

At the time of migration to FMIS in October 2013, user accounts and access were prepared and assigned by CGI based on access rights held in the prior financial management system. With regard to multiple user accounts in the prior financial management system, the OIG previously recommended that BFO work with agency management to eliminate the user privileges that violate the principles of segregation of duties.<sup>8</sup> Agency management eliminated some, but not all multiple accounts; instead, they implemented a compensating control for the review of requisitions for procurement that met the higher dollar value for additional approvals.

Our review disclosed that the RRB is no longer performing that compensating control and some individuals with multiple accounts are actively using those accounts to circumvent proper segregation of duties.

### Recommendation

We recommend that the Bureau of Fiscal Operations:

2. Prohibit the use of multiple FMIS user accounts and ensure the removal of all but one FMIS user account for all individuals.

### Management Response

The Bureau of Fiscal Operations concurred with this recommendation and will remove the multiple FMIS user accounts and prohibit this practice in the future.

### FMIS User Accounts Allow for Multiple Levels of Approval

We identified three instances in our sample where users were able to apply the first and third levels of approval with a single user account. Furthermore, our review of the

---

<sup>7</sup> *Railroad Retirement Board Accounts Payable Procedures*, (Chicago, IL: June 19, 2012).

<sup>8</sup> *Audit of Internal Control Over Accounts Payable*, Railroad Retirement Board Office of Inspector General, OIG Audit Report No. 09-03 (Chicago, IL: March 31, 2009).

payment voucher and obligating document approval logs disclosed two additional instances in which a single user account was used to apply multiple levels of approval, as shown in Table 2 below.

**Table 2: Approvals Using Single User Account**

Document Type	Dollar Amount	Approvals Performed	
Requisition	\$ 64,178.00	Approval Level 1	Approval Level 3
Requisition	\$ 37,499.00	Approval Level 1	Approval Level 3
Requisition	\$ 122,235.00	Approval Level 1	Approval Level 3
Payment Voucher	\$ 88,869.38	Approval Level 1	Approval Level 2
Simple Order	\$ 21,462.63	Approval Level 1	Approval Level 2

All five of these instances represent a breakdown in segregation of duties because the users involved have been granted the access privileges and ability to circumvent the additional levels of approval that management expressly require for higher dollar value/greater risk transactions.

As previously stated, FMIS is designed to restrict a single user from both preparing and approving a single transaction. FMIS is also capable of restricting a single user from applying multiple levels of approval however, the RRB has not implemented the configuration setting necessary to enforce this restriction. Until proper segregation of duties can be enforced, the potential for fraud exists.

Recommendation

We recommend that the Bureau of Fiscal Operations:

3. Configure FMIS to enforce the “Prohibit Duplicate Approver” setting on all document types.

Management Response

The Bureau of Fiscal Operations concurred with this recommendation and will ensure that the configuration in FMIS is set to enforce the “Prohibit Duplicate Approver” setting.

**Procurement Cost Increases Do Not Always Obtain Adequate Approvals**

Obligations are binding agreements that result in immediate or future payment. Many obligations begin with a requisition.

Requisitions are used to request the procurement of goods or services through the Division of Acquisition Management before the obligation is incurred. The RRB has implemented dollar value thresholds on requisitions that require a specific number of approvals based on the requisition’s dollar amount. RRB Basic Board Order 5 requires all requisitions to receive an approval by the user organization and a second approval by the Chief of Acquisition Management. With few exceptions, a third approval is required by the

Executive Committee when a requisition equals or exceeds \$25,000, and a fourth approval is required by the Board Members when a requisition equals or exceeds \$100,000, as shown in Table 3 below.<sup>9</sup>

**Table 3: Requisition Approval Levels**

Requisition Dollar Amount	Approval Levels Required			
	User Organization	Chief of Acquisition Management	Executive Committee	Board Members
\$ 24,999.99 and under	X	X		
\$ 25,000.00 - \$ 99,999.99	X	X	X	
\$ 100,000.00 and over	X	X	X	X

Our review of 104 sample obligations disclosed 2 instances in which the related requisition did not receive the appropriate number of approvals based on the cumulative dollar value of the requisition. These requisitions are shown in Tables 4 and 5 below.

**Table 4: Requisition For Procurement One**

Requisition	Date of Transaction	Incremental Amount of Requisition	Cumulative Amount of Requisition	Approval Levels Received				Additional Approvals Needed
Original Requisition	06/24/14	\$ 7,776.00	\$ 7,776.00	X	X			No
Amendment 1	09/09/14	\$ 20,000.00	\$ 27,776.00	X	X			Yes

**Table 5: Requisition For Procurement Two**

Requisition	Date of Transaction	Incremental Amount of Requisition	Cumulative Amount of Requisition	Approval Levels Received				Additional Approvals Needed
Original Requisition	10/23/13	\$ 8,487.50	\$ 8,487.50	X	X			No
Amendment 1	10/30/13	\$ 0.00	\$ 8,487.50	X	X			No
Amendment 2	02/06/14	\$ 3,700.00	\$ 12,187.50	X	X			No
Amendment 3	03/03/14	\$ 17,006.00	\$ 29,193.50	X	X			Yes
Amendment 4	03/31/14	\$ 3,015.00	\$ 32,208.50	X	X			No

GAO Standards highlight the importance of control activities as an important part of an entity's ability to achieve effective results. One such control activity is review by management in order to compare actual performance to planned or expected results and analyze significant differences.<sup>10</sup> Reviewing amendments that increase the cost of requisitions allow for such a control activity to be properly conducted and prevent the circumvention of appropriate reviews.

<sup>9</sup> *Basic Board Order 5 – Procurement, Property, Supplies, and Service*, (Chicago, IL: February 25, 2011).

<sup>10</sup> GAO/AIMD-00-21.3.1.

FMIS is configured to allow processing of requisitions only when the required number of approvals has been received; however, the RRB often processes multiple amendments to requisitions that increase the dollar value of the overall approved procurement amount. When the initial requisition does not equal or exceed the threshold amounts requiring the additional approvals upfront, the appropriate number of approvals is not obtained when the dollar amount exceeds the initial threshold. Processing multiple lower dollar value amendments circumvents the FMIS control designed to reduce the RRB's overall risk posture, and may prevent senior management from being fully informed of the true dollar value of the procurement.

### Recommendation

We recommend that the Office of Administration:

4. Implement controls to ensure that all requisitions receive the appropriate approval based on the cumulative dollar value of the requisition when an amendment increases the dollar value of the requisition to an amount that equals or exceeds the threshold for additional approvals.

### Management Response

The Office of Administration concurred with this recommendation and will set up controls for FMIS requisition amendment approvals when cumulative dollar values of amended requisitions exceed the RRB policy/procedural approval thresholds.

### **Consultative Opinion Orders Not Processed Correctly**

Our review of 53 sampled consultative opinions disclosed 2 consultative opinion orders (orders) that were not processed correctly in FMIS. One was not processed for payment and another had an erroneous obligation established. We also identified one additional order through our analysis of potential duplicate consultative opinions that was not processed for payment. Each of the above three orders were valued at \$104.78.

The Office of Programs maintains paper claim folders for each disability beneficiary. These folders contain the application for disability benefits, medical evidence used in determining eligibility to disability benefits, and records of orders requested and received by RRB claims examiners. Obligations for consultative opinions are established when the request for an order is entered into FMIS. Each request for an order should be entered only once. When the RRB claims examiner receives and accepts the resulting consultative opinion from their medical contractor, they enter a payment transaction in FMIS. When the payment transaction is processed, the obligation is liquidated. On occasion, multiple orders may be requested. For example,

a claim for benefits may be denied based on one consultative opinion and then additional medical evidence is received prompting another order. Both orders are valid and should be paid.

On two occasions, the RRB claims examiners failed to enter a payment transaction in FMIS when they received the consultative opinion from the medical contractor. As a result, no payment transaction was ever processed and the respective obligations were never liquidated. On another occasion, a request for an order was erroneously entered into FMIS twice, establishing two FMIS obligations. Only one consultative opinion was ordered and subsequently received, resulting in a single FMIS payment transaction that liquidated one of the two obligations.

The Prompt Payment Act requires that payment is due 30 days after a proper invoice is received or goods/services are accepted. Interest on late payments should be calculated from the day after the payment due date and ending on the date on which payment is made to the vendor.<sup>11</sup>

The estimated dollar value of errors, projected from the two errors in our sample, is \$6,805.05. Additionally, the estimated interest calculated through the end of fiscal year 2015 for the two consultative opinions that were not paid is \$4.48. Therefore, the total financial impact of all three incorrectly processed orders is \$6,914.31 (see Appendix II).

In Audit Report 15-08, we recommended that the Office of Programs increase the quantity of cases reviewed in their quality assurance review for medical examinations and consultative opinions to ensure that the number of cases reviewed are more representative of the total number of cases processed each quarter. The Office of Programs rejected our recommendation stating their existing judgmental sample is meant to help provide reasonable assurance that, among other things, the documentation in file shows “the examiner ordering and accepting the report (setting it up for payment) ... is functioning as intended.” They further state that a “statistically representative sample size would be an excessive management control.”<sup>12</sup> The findings in our prior report and the three errors identified in our sample testing show that the intended functionality of the judgmental sample used by the Office of Programs is not providing adequate program integrity. A statistically representative and reliable sampling methodology would provide more effective program integrity.

### Recommendations

We recommend that the Office of Programs:

5. Take action to correct the three FMIS errors identified in this report.

---

<sup>11</sup> Title 31, United States Code, Chapter 3902.

<sup>12</sup> *Audit of the Internal Controls Over Obligations at the Railroad Retirement Board*, Railroad Retirement Board Office of Inspector General, OIG Audit Report No. 15-08 (Chicago, IL: August 14, 2015).

6. Reconsider the sampling methodology used for the quality assurance reviews of medical examinations and consultative opinions and increase sampling to a statistically representative sample size.

### Management Response

The Office of Programs concurred with recommendation 5 and has taken corrective action. Documentation was submitted to support their corrective action, but is omitted from Appendix V due to the confidential beneficiary data it contains. The Office of Programs also concurred with recommendation 6 and will determine the level of effort and time required to produce either a standard or ad-hoc report to support the data requirements needed to reconsider their sampling methodology.

### **Program Integrity Reviews of FMIS Overrides Are Not Being Performed**

The RRB does not currently review FMIS transactions processed with overridden errors. The FMIS error override log identifies occurrences in which a user applied an override to an error that would otherwise have prevented the transaction from being processed. Our review of the FMIS error override log for the period October 1, 2014 through December 31, 2014 revealed 2,766 overrides were processed.

Entity procedures should provide for the automatic logging of all edit overrides/bypasses and include subsequent routine analysis of these logs to assess their appropriateness and correctness by entity management. FMIS edits can produce three classification levels of error messages: warning/informational, override, and hard/reject.

A warning or informational error notifies the user of situations that require additional attention, but does not prevent the transaction from being processed. An override error notifies the user of situations that require additional attention and must be addressed prior to processing. Some errors can be overridden by an approver if the approver has permission to do so. When this is done, the error message becomes informational and the transaction proceeds with processing. Hard errors reject the transaction and must always be corrected prior to processing.

GAO Standards discuss the importance of controls over information processing as a control activity.<sup>13</sup>

Specifically, information system edits are intended to ensure all input are received and valid and outputs are correct. Thus, assuring that edits are functioning properly is a key control and extensive overrides should be assessed.

Some FMIS edits produce error messages based on data conditions, interaction with other applications or business practices that are not supported by the underlying software used by the FMIS application. Some edits are subject to user design and can

---

<sup>13</sup> GAO/AIMD-00-21.3.1.



be implemented or reclassified on a case-by-case basis. Reclassifications should only be accomplished through review and analysis of the error override log and the situations that caused the error messages.

Overrideable errors that are inconsequential and do not adversely impact accurate and complete processing may allow for reclassification as an informational error. Overrideable errors that are consequential and adversely impact accurate and complete processing may indicate additional user training is needed. When the error override log is not regularly reviewed by the system administrator, sufficient and competent decisions cannot be made regarding the nature of the error and the best implementation practices for future processing.

Currently, the RRB does not have procedures to review the error override log. After our request for information about the existence of procedures for the review and follow-up of overrides, BFO advised us that the system administrator was asked to “take a close look” at the overrides because of the large volume that occurred. The system administrator has since been working with CGI to identify and possibly reclassify some of the edits that currently require an override.

### Recommendations

We recommend that the Bureau of Fiscal Operations:

7. Complete the current review of the FMIS error override log and assess whether any overrideable errors can be reclassified without increasing agency risk.
8. Implement procedures for regularly recurring reviews of the error override log to better assure strong controls and appropriate business practices.

### Management Response

The Bureau of Fiscal Operations concurred with these recommendations. They will complete their review of the FMIS error override log and determine whether any reclassifications can be made. They will also develop a periodic report containing error overrides and send it to each user Bureau or Office for review and approval.

### **Program Integrity Reviews of FMIS Key Vendor Data Are Inadequate**

Program integrity over the FMIS key vendor data needs improvement. Key vendor data serves as the basis for transaction processing; thus, it is critical that adequate controls exist over the integrity and quality of the data. Because of its significant impact on transactional data, key vendor data such as vendor name and vendor taxpayer identification numbers (TIN) should be carefully controlled through reviews and approval by designated data owners.

As part of the control of key vendor data, the organization should have an effective auditing and monitoring capability that allows changes to key vendor data records to be recorded and reviewed where necessary. Ideally, monitoring should be built into the normal recurring responsibilities of the data owner. Further, GAO Standards state that information should be recorded and communicated in a way that enables management to carry out the internal control and other responsibilities.<sup>14</sup>

FMIS provides three built-in reports for monitoring vendor table integrity:

- *Vendor Name Discrepancy Report*: identifies transactions that may have out-of-date vendor information and displays obligation documents that have a vendor name that does not match the corresponding vendor name in the vendor tables;
- *Duplicate Vendors Report*: provides a list of all entries in the vendor maintenance table that have identical names and/or TINs; and
- *TIN Discrepancy Report*: identifies vendors for which the vendor line level TIN differs from the Header TIN in the FMIS record.

Our review of these reports from October 2013 through June 2015 shows a large number of exceptions. For example, the *Vendor Name Discrepancy Report* identifies 3,404 instances of discrepant vendor names and the *TIN Discrepancy Report* identifies 17 discrepant TINs.

The RRB does not currently use or review these vendor table integrity reports. Instead, we were advised by the Office of Administration that vendor management is performed by reconciling FMIS vendor records to the System for Award Management (SAM).<sup>15</sup> When the FMIS vendor file is not linked to SAM, additional manual action is required by staff in the Office of Administration to verify and enter the vendor information. Such manual activities increase the inherent risk associated with making mistakes like name or TIN discrepancies. Currently, all RRB vendors are not linked to SAM and the Office of Administration has not been able to devote resources to this task since the middle of fiscal year 2014. When program integrity reviews are not being performed, the risk that these errors will go undetected, or may be fraudulent in nature, further increases.

## Recommendations

We recommend that the Office of Administration:

9. Implement a control to ensure program integrity of the FMIS key vendor data files on an ongoing basis.

---

<sup>14</sup> GAO/AIMD-00-21.3.1.

<sup>15</sup> SAM is used to register contractors who wish to do business with the federal government. When the FMIS vendor file is linked to SAM and the SAM records are updated by the vendor, the Internal Revenue Service, and other sources, those updates are automatically updated to FMIS.

10. Correct the discrepant vendor information identified during the ongoing program integrity reviews.

### Management Response

The Office of Administration concurred with these recommendations and will increase the integrity of FMIS vendor data by linking it to the government-wide Master Vendor data files in SAM.gov and by ongoing program integrity reviews of the FMIS vendor file. The Office of Administration will also establish a process and timeline to correct the discrepant data found during the periodic FMIS vendor file program integrity reviews.

### **Accounts Payable Procedures Need Updating**

The RRB's Accounts Payable procedures are outdated and require updates. When the RRB migrated to FMIS in October 2013, they did not update the Accounts Payable procedures to reflect that system. This is a minor change because the overall operational procedures performed by the Accounts Payable section did not change. More importantly, the Accounts Payable procedures will require updates for a new U.S. Treasury initiative for processing vendor invoices over the internet, also referred to as the Invoice Processing Platform.

GAO Standards state that internal control and all transactions and other significant events need to be clearly documented and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals. Additionally, management is responsible for developing the detailed policies, procedures, and practices to fit their agency's operations and to ensure that they are built into and are an integral part of operations.<sup>16</sup>

BFO advised that FMIS is currently being redesigned for compatibility with the Invoice Processing Platform. Updates are expected to be completed around May 2016 and the Accounts Payable procedures will be modified at that time.

Management's assertions cannot be validated without documented or updated policies and procedures. Whenever operational procedures are out of date, employees may not be informed about how to handle issues that may arise or the full aspects of their responsibilities, all of which may have negative impact on the agency. Timely updates are critical to ensuring employees are fully informed.

### Recommendation

The Bureau of Fiscal Operations should:

11. Implement updated Accounts Payable procedures to coincide with the deployment of the FMIS enhancements for the Invoice Processing Platform.

---

<sup>16</sup> GAO/AIMD-00-21.3.1.

### Management Response

The Bureau of Fiscal Operations concurred with this recommendation and will change the Accounts Payable procedures to reflect the deployment of the Invoice Processing Platform once it is implemented.

## Sampling Methodology and Results

This appendix presents the methodology and results for the sampling conducted during this audit. We selected a statistically valid random sample of obligations processed in FMIS.

### Sample Objective

Our sampling objective was to assess the adequacy of selected business process controls for the financial management activities of accounts payable, medical examinations, consultative opinions, and procurement.

### Scope

We selected obligation transactions with recorded accounting events during the period October 1, 2014 through December 31, 2014, resulting in a universe of 3,895 obligating documents.

### Universe/Sampling Unit

The universe of obligations consisted of 3,895 obligating documents, of which our sampling unit was one distinct obligating document in FMIS.

### Sample Selection Methodology

We used one step attribute acceptance sampling with a 90 percent confidence level and a critical error rate of 5 percent, which directed a sample size of 104 obligating documents. The threshold for acceptance of deviations was two. Therefore, if two or less errors exist in our sample, we can infer with 90 percent confidence that the selected business process controls for the financial management activities of accounts payable, medical examinations, consultative opinions, and procurement are adequate. All sampling units were randomly selected.

### Error Defined

An error was defined as:

Sampling Error	Definition of Error
Transaction is not valid.	Document is not supported.
Source document is not approved.	Supporting documentation is not approved.
Transaction is not approved by an authorized individual.	Approver of transaction is not from the appropriate division/bureau where transaction originated/occurred.
Transaction does not contain required approvals.	Transaction does not conform to authorization requirements.

## Results of Sample

Our review of 104 sample obligations resulted in 15 errors in the following attributes.

Test Attributes	Number Tested	Number of Non-Exceptions	Number of Exceptions
<u>Transaction Is Valid</u> Document is supported.	104	103	1
<u>Source Document Is Approved</u> Supporting documentation is approved.	104	104	0
<u>Transaction Is Approved By Authorized Individual</u> Approver of transaction is from appropriate division/bureau where transaction originated/occurred.	104	102	2
<u>Transaction Contains Required Approvals</u> Transaction conforms to authorization requirements.	104	92	12
<b>Total Number of Exceptions</b>			<b>15</b>

## Auditor's Conclusion

Based on our sample review, we conclude that the selected business process controls assessed for the financial management activities of accounts payable, medical examinations, consultative opinions, and procurement need improvement.

### Financial Impact of Incorrect Consultative Opinion Order Processing

Our statistically valid random sample of 53 consultative opinions was selected from a population of 1,722 consultative opinions with recorded accounting events during the period October 1, 2014 through December 31, 2014.

Rate of sample within population. (53 / 1722)	.030778
--	---------

Of the 53 consultative opinions, 52 had been ordered in fiscal year 2015 with a relative cost of \$104.78, each; and one was ordered in fiscal year 2014 at a cost of \$101.73.

Actual dollar value of sample. (\$104.78 x 52) + (\$101.73 x 1)	\$ 5,550.29
--	-------------

Estimated dollar value of population. (\$ 5,550.29 / .030778)	\$ 180,333.03
--	---------------

Errors were identified in 2 of the 53 sampled consultative opinions; one order was not processed for payment, and one order had an erroneous obligation established.

Sample error rate. (2 / 53)	.037736
--------------------------------	---------

<b>Estimated dollar value of errors projected to population.</b> (\$ 180,333.03 x .037736)	<b>\$ 6,805.05</b>
---	--------------------

One additional error was identified through our analysis for duplicate consultative opinion orders. No payment was processed for one order.

<b>Actual dollar value of non-sampling error.</b>	<b>\$ 104.78</b>
---	------------------

Delay in payment of two consultative opinion orders results in interest penalties under the Prompt Payment Act.

<b>Interest due on unpaid consultative opinion orders.</b>	<b>\$ 4.48</b>
--	----------------

**Total financial impact of incorrect consultative opinion orders with recorded accounting events processed during the period October 1, 2014 through December 31, 2014 is \$6,914.31.**



UNITED STATES GOVERNMENT

**MEMORANDUM**

FORM G-1151 (1-92)

RAILROAD RETIREMENT BOARD

November 10, 2015

**TO** : Heather J. Dunahoo  
Assistant Inspector General for Audit

**FROM** : George V. Govan  
Chief Financial Officer

GEORGE  
GOVAN

Digitally signed by GEORGE GOVAN  
DN: cn=George V. Govan, o=RRB, ou=RRB, email=GOVAN.GV@RRB.GOV, c=US

**SUBJECT:** Draft Report - Select Financial Management Integrated System Business Process Controls Need Improvement

This is in response to your request for comments on the above draft report. Following are my comments on the recommendation addressed to the Bureau of Fiscal Operations.

The Bureau of Fiscal Operations should:

- 1. Remove the inappropriate FMIS access roles for the remaining two individuals identified.***

We concur. The FMIS administrator has removed the inappropriate FMIS access roles for the two individuals identified by this report. This recommendation is considered implemented.

- 2. Prohibit the use of multiple FMIS user accounts and ensure the removal of all but one FMIS user account for all individuals.***

We concur. We will remove the multiple FMIS user accounts and prohibit this practice in the future. Prior to removal of the currently assigned multiple FMIS user accounts, we will need to notify the affected Bureaus and Offices of our decision to allow them time to change their processes.

Target Completion Date: December 31, 2015

- 3. Configure FMIS to enforce the "Prohibit Duplicate Approver" setting on all document types.***

We concur. We will ensure that the configuration in FMIS is set to enforce the "Prohibit Duplicate Approver" setting.



Target Completion Date: December 31, 2015

- 7. Complete the current review of the FMIS error override log and assess whether any overrideable errors can be reclassified without increasing agency risk.**

We concur. We will complete our review of the FMIS error override log and determine “errors” that can be reclassified to “cautions” to remind the user of the action they are about to take.

Target Completion Date: February 28, 2016

- 8. Implement procedures for regularly recurring reviews of the error override log to better assure strong controls and appropriate business practices.**

We concur. After our review of the error override log is complete and changes are made, we will develop a periodic report containing “error overrides” to send to each of the user Bureaus and Offices for their review and approval.

Target Completion Date: March 31, 2016

- 11. Implement updated Accounts Payable procedures to coincide with the deployment of the FMIS enhancements for the Invoice Processing Platform.**

We concur. We will change the Accounts Payable procedures to reflect the deployment of the Invoice Processing Platform once it is implemented.

Target Completion Date: May 31, 2016

If there is any additional information you need, please advise me.

cc: Tom McCarthy, Chief of TDSD  
Kris Garmager, Financial Systems Manager  
David Miller, Finance Officer  
Susan Leszkowicz, Supervisory Auditor



UNITED STATES GOVERNMENT  
**MEMORANDUM**

Appendix IV  
FORM G-115f (1-92)  
RAILROAD RETIREMENT BOARD

November 20, 2015

**TO** : Heather J. Dunahoo  
Assistant Inspector General for Audit

**FROM** : Keith B. Earley *Keith B. Earley*  
Director of Administration

**SUBJECT:** Draft Report – Select Financial Management Integrated System Business Process Controls Need Improvement

Thank you for the opportunity to review the Office of Inspector General's draft audit report entitled "Select Financial Management Integrated System Business Process Controls Need Improvement." We have reviewed the draft report and concur with the recommendations. Accordingly, we are providing the following comments to the recommendations directed to the Office of Administration:

**OIG Recommendation #4**

*Implement controls to ensure that all requisitions receive the appropriate approval based on the cumulative dollar value of the requisition when an amendment increases the dollar value of the requisition to an amount that equals or exceeds the threshold for additional approvals.*

The Office of Administration concurs with the recommendation. Acquisition Management will work with the FMIS contract COR in BFO, and FMIS contractor CGI Federal, to set up the controls for FMIS requisition amendment approvals when cumulative dollar values of amended requisitions exceed the RRB policy/procedural approval thresholds.

Target Completion Date: January 31, 2016

**OIG Recommendation #9**

*Implement a control to ensure program integrity of the FMIS key vendor data files on an ongoing basis.*

The Office of Administration concurs with the recommendation. Acquisition Management will set up a program to increase the integrity of FMIS vendor data by linking it to the government-wide Master Vendor data files in SAM.gov, as well as a system for FMIS vendor file program integrity reviews on an ongoing basis in FMIS. Acquisition Management will also research and determine the parameters for determining the integrity of the FMIS vendor file data.

Target Completion Date: June 30, 2016

**OIG Recommendation #10**

*Correct the discrepant vendor information identified during the ongoing program integrity reviews.*

The Office of Administration concurs with the recommendation. Acquisition Management will establish a process and timeline to correct the discrepant data found during the periodic FMIS Vendor file program integrity reviews.

Target Completion Date: June 30, 2016

If there are any additional information you need, please do not hesitate to contact me.

Cc: Jeffrey Baer, Director of Audit Affairs  
Paul Ahern, Chief of Acquisition Management



UNITED STATES GOVERNMENT

**MEMORANDUM**

November 20, 2015

TO: Heather J. Dunahoo  
Assistant Inspector General for Audit

FROM: Michael A. Tyllas, Ph.D., LCSW *Michael A. Tyllas, Ph.D.*  
Director of Programs

SUBJECT: Draft Report – Select Financial Management Integrated System  
Business Process Controls Need Improvement

This is in response to your memorandum of November 5, 2015 requesting comments on the subject report. The Office of Programs' comments to Recommendations #5 and #6 in the subject report are below:

Recommendation #5

The Office of Programs concurs. Corrective action by Programs staff was taken on October 1, 2015 for three consultative opinion orders identified through the Office of Inspector General's (OIG) audit on select FMIS business process controls, that were not processed correctly in FMIS. Programs notified OIG staff on October 1, 2015 that the corrective actions were taken. Please see the attached documentation from FMIS showing the corrective actions, which was submitted to OIG on October 1, 2015.

Recommendation #6

The Office of Programs concurs. The FMIS COR will work with CGI staff to determine the level of effort and time required to produce either a standard or ad-hoc report to support the data requirements. We will need to modify our current contract to fund the work and then CGI will have to allocate technical support to create the report(s). Once we have the necessary data we shall reconsider our sampling methodology used in our quality assurance reviews of medical examinations and consultative opinions. Target completion date: 03/31/16.

If you have any questions regarding the above comments, please contact Vivian Cerbin of my staff at extension 4587.

Attachment

cc: John Coleman, Director of Disability Benefits Division  
Janet Hallman, Director of Program Evaluation and Management Services  
Karl T. Blank, General Counsel