

SEMIANNUAL REPORT TO
THE CONGRESS

October 1, 2014 to March 31,
2015

Office of Inspector General

for the **U.S. Railroad Retirement Board**





UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

April 30, 2015

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

Dear Mr. Schwartz:

I am pleased to submit our *Semiannual Report to the Congress*. This report provides a descriptive summary of our activities and accomplishments during the period of October 1, 2014 through March 31, 2015. 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 audits regarding:

- RRB's Comparative Financial Statement for FYs ended September 30, 2014 and 2013 in conjunction with related reports on internal control and compliance
- RRB's Information Security Program
- RRB's Internal Controls covering creditable service and compensation months related to injury settlements.

We also published the following titled Management Information Reports: Management and Performance Challenges Facing the Railroad Retirement Board.

Our criminal investigators achieved 3 arrests, 19 criminal convictions, 11 indictments and informations, 13 civil judgments, and more than \$152 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 2014, the RRB paid approximately \$12 billion in retirement, survivor, unemployment, and sickness benefits to approximately 588,000 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 calendar year 2014, Palmetto processed more than 8.9 million Railroad Medicare claims, which represented approximately \$821 million in payments for Part B medical services.

Board Members

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

Office of Inspector General

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



Office of Inspector General for the Railroad Retirement Board

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

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

- Completed an annual audit of the RRB's Comparative Financial Statement for the Fiscal Years ended September 30, 2014 and 2013 in conjunction with related reports on internal control and compliance;
- Published their "Letter to Management" which detailed matters relating to internal control identified during an audit of the RRB's financial statements;
- Prepared the Inspector General's statement of *Management and Performance Challenges Facing the Railroad Retirement Board*;



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- Published the results of their annual audit of the RRB's Information Security Program; and
- Conducted an audit to determine if internal controls are adequate to ensure that railroad employers are reporting creditable service and compensation related to injury settlements including the proper allocation of service months, in accordance with RRB regulations.

OA's activities, during this reporting period, are discussed in further detail on pages 4 through 10 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 sanctions.

From October 1, 2014 through March 31, 2015, OI achieved:

- 3 arrests;
- 11 indictments and information's;
- 19 convictions;
- 13 civil judgments;
- 35 referrals to the Department of Justice; and
- Almost \$153 million¹ in financial accomplishments.

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, 2014 – MARCH 31, 2015 ACCOMPLISHMENTS

Office of Audit

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

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

Fiscal Year 2014 Financial Statement Audit (OA Reports 15-01 and 15-05)

Opinion on Financial Statement

During this reporting period, OA completed its annual audit of the RRB's comparative financial statements for Fiscal Years ended September 30, 2014, and 2013; the related statements of net cost, changes in net position, and budgetary resources for years ended; the statement of social insurance as of January 1, 2014, 2013, 2012, 2011, and 2010, the statement of changes in social insurance amounts for the two year period ended December 31, 2013, and the related notes to the financial statements.

Report on Internal Control

In planning and performing the audit of the agency's financial statements, OA considered the RRB's internal control over financial reporting and compliance. OA did this to determine its procedures for auditing the financial statements and to comply with



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Office of Management and Budget (OMB) audit guidance, and not to express an opinion on internal control. OA reported the following:

- With respect to the previously reported material weaknesses for information technology security, the RRB has taken the necessary corrective actions and both have been resolved. The RRB has strengthened controls to mitigate the previous material weaknesses for the risk management framework. The RRB's program now includes sufficient review of the deliverables obtained from their independent contractor, and coordination among the various system owners to ensure adequate coverage and consideration of inherited controls, which has strengthened the previously reported material weaknesses for the Risk Management Framework.
- The RRB has also taken appropriate actions for the previous material weaknesses for configuration management by removing unsupported servers and migrating away from the unsupported operating system.

Report on Compliance with Laws and Regulations

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

OA's tests of the RRB's compliance with selected provisions of laws and regulations for Fiscal Year 2014 disclosed no instances of noncompliance that are reportable under auditing standards generally accepted in the United States of America or OMB guidance. However, the objective of the audit was not to provide an opinion on overall compliance with laws and regulations and accordingly, OA did not express an opinion.



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Material Weaknesses

During OA's audit of the RRB's financial statements for the Fiscal Years ended September 30, 2014 and 2013, OA identified material weaknesses in financial reporting. Controls related to financial reporting were not effective during Fiscal Years 2014 and corrective actions for previously cited budgetary reported deficiencies have not been completed.

Material financial recording errors were discovered and internal control procedures were not always performed timely or effectively. OA also determined that various reconciliations were performed after yearend financial statements had been prepared and that the reconciliation for payroll was ineffective Fiscal Year 2014.

As a result, financial recording errors of \$4.5 billion were not detected in the June 30, 2014 Statement of Changes in Net Position and Recorded Transactions of approximately \$1.5 billion could not be validated for the period ending March 31, 2014.

Other Matters Involving Internal Control

During OA's audits of the RRB's general purpose and closing package financial statements, they also noted certain other matters involving the RRB's internal control structure and its operations. These matters did not rise to the level of a significant deficiency or material weakness, either individually or in the aggregate; however, they represent areas in which control weaknesses increase the risk of error or mishandling and OA made recommendations to the RRB to address these matters.

Management and Performance Challenges Facing the Railroad Retirement Board

(OA Report 15-02)

OA annually identifies *Management and Performance Challenges Facing the Railroad Retirement Board* and reports on them in the RRB's *Performance and Accountability Report*. This statement is prepared pursuant to the Reports Consolidation Act of 2000 and the requirements of OMB Circular A-136. This Circular requires OIGs to identify the



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most serious management challenges facing their parent agency and to briefly assess the agency's progress in addressing those challenges.

OA's identification of challenges facing RRB management is based on recent audits and evaluations; changes in auditing standards impacting the National Railroad Retirement Investment Trust (NRRIT); financial management system changes; current Long Island Railroad investigative developments; and congressional directives to prevent improper payments and fraud in government programs. The following challenges were identified during Fiscal Year 2014:

- Program Integrity to Strengthen Disability;
- Information Technology Security and Modernization;
- Oversight of Railroad Medicare;
- Preventing and Detecting Improper Payments;
- Oversight of RRB Contracts and Contracting Activity;
- Controls over Budgetary Reporting;
- Limited Transparency at the National Railroad Retirement Investment Trust.

Fiscal Year 2014 Audit of Information Security at the Railroad Retirement Board

(OA Report 15-04)

Background

The OIG conducted an audit of information security at the RRB for Fiscal Year 2014, which is mandated by the Federal Information Security Management Act of 2002 (FISMA).

Objectives

The objectives of this audit included testing the effectiveness of the information security policies, procedures, and practices of a representative subset of the agency's information systems; assessing agency compliance with FISMA requirements and related information security policies, procedures, standards and guidelines; and preparing a report on selected elements of the agency's information security program in compliance with the Department of Homeland Security's Fiscal Year 2014 FISMA reporting instructions.



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Findings

OA's audit determined that the RRB continues to make progress in implementing an information security program that meets the requirements of FISMA; yet a fully effective security program has not been achieved. In Fiscal Year 2014, the RRB strengthened controls in their risk management and continuous monitoring program to mitigate the significant deficiencies in the internal control structure over the review of the agency's contract or deliverables associated with the Risk Management Framework and the security configuration management program. However, we noted some lesser deficiencies in the RRB's security problem.

Recommendations

In total, OA made nine detailed recommendations to RRB management as a result of the FISMA audit.

Management's Responses

Agency management concurred with all recommendations.

Fiscal Year 2014 Audit of the RRB's Internal Controls Covering Creditable Service and Compensation Months Related to Injury Settlements

(OA Report 15-03)

Background

OA conducted an audit to determine if internal controls are adequate to ensure that railroad employers are reporting creditable service and compensation related to injury settlements, including the proper allocation of service months, in accordance with RRB regulations.

Findings

OA determined that internal controls over creditable service and compensation related to injury settlements are not accurate. The RRB does not track creditable compensation and service months reported as part of an injury settlement; does not require documentation to support the reported service and compensation; and does not have



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adequate controls to ensure that service and compensation are reported in compliance with agency regulation.

OA could not determine the total financial impact of this non-compliance due to the RRB's lack of monitoring, documentation, and controls. However, in each non-compliance instance identified by OA, such as awarding service months before the date of injury or awarding service months when the monthly allocation is not appropriate, the RRB trust fund lost between \$3,000 and \$11,000.

Each year, approximately 4,000 non-fatal on-the-job injuries are reported to the Federal Railroad Administration. OA determined that if all of these injuries resulted in injury settlements with reportable service compensation, the RRB trust funds could lose between \$12 and \$44 million per year due to non-compliance with RRB regulations related to the allocation of services and compensation in an injury settlement.

Key Recommendations

OA recommended that the Office of Programs:

- Track creditable compensation related to injury settlements, and the effect on benefit eligibility;
- Implement controls to ensure compliance with agency regulations related to service months credited from an injury settlement; at a minimum, the agency should require railroad employers to submit supporting documentation for any service and compensation reported as part of an injury settlement. The documentation should include both the legal settlement and an allocation worksheet. This documentation should be readily available for examination and periodically reviewed;
- Request adjustment reports from the Railroad employers to correct improperly reported service and compensation, recover the improper payment, and determine, what, if any actions can be taken to recover the lost taxes in the examples we have identified in our Audit Report No. 15-03.

Management's Response

The Office of Programs did not concur with the first two recommendations. In reference to our third recommendation, the Office of Programs reported that they had reviewed the errors cited in our Audit report and would make the following changes:



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- They stated they will contact the Railroad employers and request the corrections to the employee records based on our Audit findings;
- They indicated that, after the corrections to the employee accounts have been received, they would then determine if adjudicative actions are needed;
- They also stated they would refer any tax related information to the Internal Revenue Service.



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Management Decisions and Implementation

As part of its oversight activities, the OIG tracks the agency’s implementation of audit recommendations. Additionally, Office of Management and Budget Circular No. A-50 (Revised) and the Inspector General Act Amendments of 1988 require the reporting of management decisions and corrective actions for all audit recommendations.

Management Decisions	
Requiring Management Decision on October 1, 2014	7
Pending Management Decision for New Recommendations	0
Management Decision on Previous Recommendations	1
Recommendations Pending Management Decision on March 31, 2015	6

Corrective Action	
Recommendations Requiring Action on October 1, 2014	218
Recommendations Issued During Reporting Period	31
Corrective Actions Completed During Reporting Period	23
Recommendations Rejected During Reporting Period	0
Final Actions Pending on March 31, 2015	226



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Office of Investigations

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

Current Caseload

During this semiannual reporting period, OI opened 89 new cases.

Investigative Caseload Data	
Investigative Cases Open as of October 1, 2014	321
Investigative Cases Opened During Reporting Period	89
Investigative Cases Closed During Reporting Period	113
Investigative Cases Open as of March 31, 2015	297

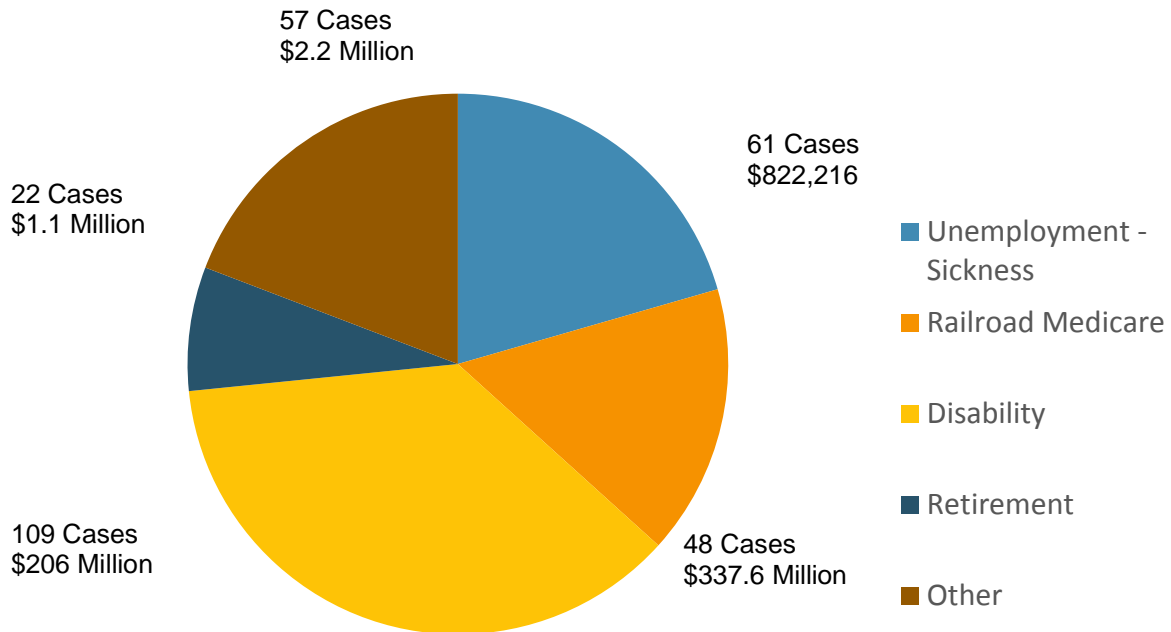
As of March 31, 2015, OI's investigative case load totaled 297 matters which represent approximately \$547 Million in potential fraud losses.² The chart located on the next page reflects the distribution of OI cases and potential fraud losses by RRB major program area.

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, 2014 March 31, 2015
Referrals to the Department of Justice	35
Indictments/Informations	11
Arrests	3
Convictions	19
Civil Complaints	9
Civil Judgments	13
Restitution and Fines ³	\$2,082,119.92
Civil Damages and Penalties ⁴	\$150,354,467.00
Investigative Recoveries ⁵	\$452,157.17
Community Service Hours	60

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.

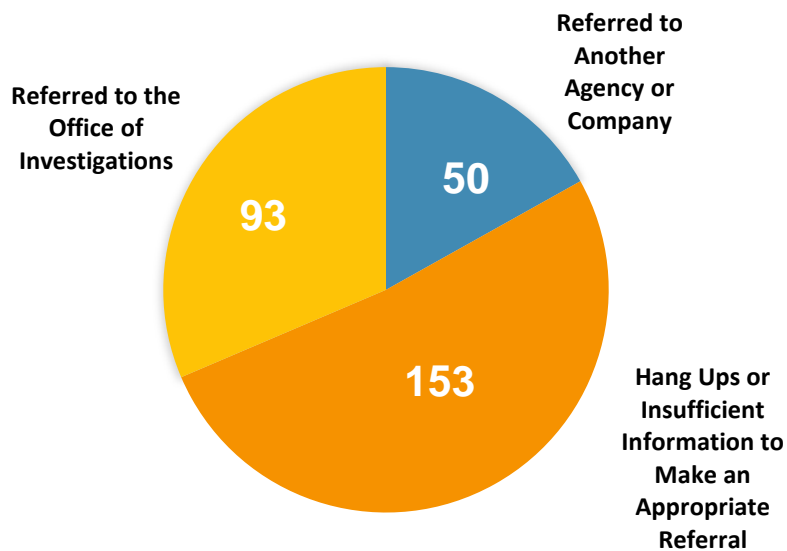
⁵ RRB benefits that are overpaid due to fraud and can be recouped through RRB administrative recovery action are expressed as investigative recoveries.



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Hotline Contacts

Our office's hotline provides an open line of communication for individuals to report suspected criminal activity and mismanagement/waste of RRB funds. During this reporting period, our hotline received 296 contacts in the following manner: 80% by telephone, 14% by email, and 6% by mail. The following chart summarizes the disposition of hotline contacts received.





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OCTOBER 1, 2014 – MARCH 31, 2015 REPRESENTATIVE INVESTIGATIONS

Disability Investigations

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

During this semiannual reporting period, OI obtained three disability fraud convictions. The defendants received, in the aggregate, sentences totaling nine years' probation and were ordered to pay over \$407,000 in restitutions, recoveries, and fines. In addition, several large scale disability fraud schemes are still being investigated.

Descriptions of representative cases completed during this reporting period follow.

RRB Disability Annuitant Prosecuted After Failure to Report Employment at Hospital

A referral from the RRB initiated an OI investigation into allegations of theft of government funds. The referral and subsequent investigation revealed that the RRB annuitant was working multiple jobs, including self-employment. The failure to report this information, allowed the annuitant to continue to receive RRB benefits they were not entitled to. This case was criminally prosecuted in the Western District of Missouri, in which restitution exceeding \$78,000 and a probation term of five years was ordered.

Self-Employed Disability Annuitant Criminally Prosecuted for Theft of Government Funds

OI investigated allegations that a disability annuitant was self-employed while receiving annuity benefits from the RRB. This case was criminally prosecuted in the Northern District of Ohio and restitution exceeding \$66,000 and three years' probation was ordered.



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Disability Annuitant Working for Family Business as President, Pleads Guilty

The OIG identified this case after comparing RRB disability annuitants that were reported as being affiliated with a business. The investigation revealed that the subject was the president of a company and failed to notify the RRB of this employment. The subject violated earning restrictions for six years. The subject received approximately \$262,000 in disability benefits. The case was criminally prosecuted in the District of South Carolina.

Unemployment-Sickness Insurance Investigations

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

Since the enactment of the American Recovery and Reinvestment Act of 2009 and various other benefit extending legislation, OI has seen a substantial increase of UI fraud referrals. In fact, almost 86% of OI's current UI fraud cases involve extended UI benefits.

During this reporting period OI obtained six convictions, nine civil judgments for UI-SI fraud cases. Defendants in these cases received, in the aggregate, 2 months of jail, more than 2 years of house arrest, 19 years' probation, and 60 hours of community service. Defendants were also ordered to pay more than \$300,000 in restitution, fines, and civil damages/penalties.

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

UI Claimant Prosecuted in District of New Jersey

OI investigated allegations that a RRB annuitant was working for cash in order to continue to receive unemployment benefits from the RRB. A civil settlement agreement



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was reached with the District of New Jersey and restitution was ordered in the amount of over \$10,000.

Northern District of Illinois Prosecutes Unemployment Beneficiaries

OI investigated allegations that a RRB annuitant was gainfully employed while receiving unemployment benefits. The case was prosecuted criminally in the Northern District of Illinois and the subject was sentenced to two years' probation and ordered to pay over \$20,000 in restitution.

OI investigated allegations that a RRB annuitant knowingly and fraudulently received unemployment benefits while working. The United States Attorney for the Northern District of Illinois entered into a deferred prosecution agreement with the subject, who was ordered to pay over \$16,000 in restitution.

OI investigated allegations that a RRB annuitant knowingly and fraudulently received unemployment benefits while working. This case was prosecuted civilly by the Northern District of Illinois and the subject was ordered to pay almost \$14,000 in restitution and damages.

State of Georgia Criminally Prosecutes RRB Unemployment Beneficiary

OI investigated allegations that an unemployment beneficiary was working while receiving benefits. The case was criminally prosecuted by the state of Georgia and the subject was ordered to pay \$7,500 in restitution as well as serve 5 years' probation and complete 40 hours of community service.

State Employee Prosecuted for Receiving RRB Unemployment Benefits While Working

OI investigated allegations that an unemployment beneficiary fraudulently received RUIA benefits while working for a state agency. The subject entered into a civil settlement agreement with the District of Colorado where approximately \$33,000 in restitution was agreed.



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Retirement-Survivor Benefits and Representative Payee Investigations

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

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

During this reporting period, OI obtained two retirement-survivor benefit fraud convictions and two civil judgments. Defendants in these cases received, in the aggregate, 15 months of jail, 6 months home confinement, 9 years of probation, and were ordered to pay more than \$165,000 in restitution, fines, and damages.

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

Former Railroad Police Officer Prosecuted for Failing to Report Earnings Information to the RRB

OI investigated allegations that a former Railroad Police Officer was working for short line railroads without reporting his earnings and employment information to the RRB. During the course of the investigation, it was revealed that the suspect and his wife were officers of a company that received income from a separate company owned by their daughter, which received its income from a company owned by their friend. This practice of alternative compensation was intentional and impeded detection of the subject's employment and wages by the RRB. A settlement agreement was reached with the Western District of Virginia, and restitution was ordered in the amount of \$50,000.

Beneficiary Fails to Report Marriage in Order to Continue to Receive Disabled Widow's Benefits



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OI investigated allegations that a former spouse of a deceased railroad worker falsified documents in order to obtain disabled widow benefits. The subject pled guilty to one count of Theft of Government Funds and was sentenced to six months home confinement, five years' probation, and ordered to pay restitution in the amount of almost \$57,000. This case was prosecuted in the Eastern District of Kentucky.

Representative Payee Fails to Report Beneficiary's Death; Continues to Collect Benefits on Annuitant's Behalf

OI investigated this case based on a referral from the agency. Allegations indicated that the representative payee of one of their annuitants falsified information when they reported the annuitant as still living in order to continue to receive the annuitant's funds. Through the course of their investigation, it was determined that the annuitant had in fact died. The case was prosecuted by the Middle District of Georgia. The subject was ordered to pay restitution exceeding \$13,000, serve six months' imprisonment, as well as one year probation.

Individual Defrauds Multiple State and Federal Agencies to Receive Benefits

OI and SSA OIG cooperatively investigated allegations that an individual was receiving both survivor RRB benefits as well as SSA benefits based on fraudulent information. During the course of the investigation, it was determined that the individual used multiple names and social security numbers to file for numerous federal and state benefits. The individual was criminally prosecuted by the District of Colorado and sentenced to nine months of prison, three years of probation, as well as ordered to reimburse the RRB over \$45,000 and the SSA over \$89,000.

Railroad Medicare Investigations

During this reporting period, OI obtained six convictions and two civil judgments. Defendants in these cases received, in the aggregate, 15 years' probation, and over \$150 million in criminal restitution, fines, civil settlements were ordered. ⁶

⁶ The total amount of damages and penalties listed reflects fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other Federal programs such as Medicare or Social Security which were included in the disposition resulting from the investigation.



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

Descriptions of representative cases completed during this reporting period follow.

President of City Hospital and Three Others Convicted in \$158 Million Medicare Fraud

OI worked cooperatively on a multi-agency team investigating allegations that indicated the president of a large city hospital, his son, and two others participated in Medicare fraud which deceptively deprived Medicare of \$158 million in funds. The period of fraud continued for over six years, and consisted of billing Government sponsored insurance for primary health practitioners and related similar services for Medicare patients who did not qualify for these services, and whose participation in the treatments was obtained through illegal kickbacks.

To date, ten defendants have been convicted in connection with this case and are awaiting sentencing.

District of Wyoming Prosecutes Medical Provider for Medicare Fraud

OI worked cooperatively as members of a multiagency team to investigate allegations that a medical provider was billing claims for multiple beneficiaries in 6 different states, and that these claims showed more than 13 hours billed on the same dates of services, based on the procedure codes billed. The District of Wyoming adjudicated the defendant guilty of Health Care Fraud, a violation of Title 18 U.S.C. 1347. The provider was sentenced to three years of probation and ordered to pay over \$83,000 in restitution.

Southern District of Georgia Reaches Settlement Agreement with Medical Provider



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OI special agents worked cooperatively as members of a multi-agency team to investigate allegations that indicated a medical provider was purchasing and administering counterfeit/adulterated oncology drugs. The medical provider then billed certain Federal health benefit programs (Medicare, FEHBP, RRB) for the drugs and the administration of the drugs. The Southern District of Georgia reached a settlement agreement with the provider, who agreed to reimburse over \$92,000 to all defrauded Federal entities.

Civil Enforcement Results

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

During this semiannual reporting period, a total of 13 civil judgments were entered by U.S. District Courts for RRB fraud cases totaling more than \$150 million in damages and penalties.⁷ Some of these civil actions are pursued under the Department of Justice's Affirmative Civil Enforcement program which provides an efficient and effective means to address fraud against the RRB's programs including the unemployment-sickness insurance program and the disability program.

OTHER OVERSIGHT ACTIVITIES

American Recovery and Reinvestment Act of 2009

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

⁷ The total amount of damages and penalties listed reflects fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other Federal programs such as Medicare or Social Security which were included in the disposition resulting from the investigation.



Office of Inspector General for the Railroad Retirement Board

Since the enactment of the American Recovery and Reinvestment Act of 2009 and various other benefit extending legislation, OI has seen a substantial increase of UI fraud referrals. In fact, almost 86% of OI's current UI fraud cases involve extended UI benefits.

Seven Day Letter to Congress

During the last reporting period, the Inspector General issued a seven-day letter to Congress, pursuant to Section 5(d) of the Inspector General Act alerting the RRB to serious deficiencies in the administration of the RRB's occupational disability program. Failure to properly address these deficiencies continues to unnecessarily expose the RRB's trust funds to fraud and increases the likelihood of improper payments among the RRB's \$2.3 billion in annual disability payments. As of the end of this reporting period, the agency's response to these issues amounts to little more than a veneer of program improvement.

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.⁸ 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

⁸ As of February 28, 2015, the RRB's investments in the NRRIT were valued at approximately \$26.4 billion.



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interests of the program's beneficiaries and tax-paying public. To ensure the integrity, economy, and long-term viability of the NRRIT, RRB management must establish performance audit requirements that will strengthen administrative and financial oversight and ensure fund transparency.

Additionally, as discussed on page 30, the OIG is not able to comply with the new AICPA auditing standards (section 600) and are compelled to disclaim on the RRB's financial statements this year and in future years until legislative changes are made regarding the relationship between the OIG, the NRRIT, and its auditors.

LEGISLATIVE & REGULATORY REVIEW

The Inspector General Act of 1978, as amended, requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the agency. The agency did not propose any legislation during this reporting period.

APPENDICES

<i>Appendix</i>	<i>Title</i>	<i>Page No.</i>
A	Office of Inspector General Reports and Other Publicly Available Papers Issued	26
B	Audit Reports with Questioned Costs or with Recommendations that Funds be Put to Better Use	27
C	Report on Receivables, Waivers, and Recoveries	28
D	Significant Matters	30
E	Peer Reviews	31
F	Reports Prepared by Management	32
G	Reporting Requirements	40
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I	Legal References	42

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

- Fiscal Year 2014 Financial Statement Audit Letter to Management (OA Report 15-05)
- Fiscal Year 2014 Audit of Information Security at the Railroad Retirement Board- Abstract (OA Report 15-04)
- Audit of Railroad Retirement Board Controls over Creditable Compensation Related to Injury Settlements (OA Report 15-03)
- Management Information Report: Management and Performance Challenges Facing the Railroad Retirement Board (OA Report 15-02)
- Report on the Railroad Retirement Board's Fiscal Year 2014 Financial Statements (OA Report 15-01)

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

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

	Audit Reports With Questioned Costs	Amount of Questioned Costs	Amount of Unsupported Costs
A. For which no management decision had been made by October 1, 2014	1	\$3,800,000	\$3,800,000
B. Which were issued from October 1, 2014 through March 31, 2015	2	\$116,463,500	\$116,463,500
Subtotal (A + B)	3	\$120,263,500	\$120,263,500
C. For which a management decision was made between October 1, 2014 through March 31, 2015	2	\$116,463,500	\$116,463,500
(i) dollar value of disallowed costs (agreed to by management)		\$116,463,500	\$116,463,500
(ii) dollar value of costs not disallowed (not agreed to by management)		\$0	\$0
D. For which no management decision had been made by March 31, 2015	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

	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, 2014	1	\$11,900,000
B. Which were issued from October 1, 2014 through March 31, 2015	1	\$11,148
C. Subtotal (A + B)	2	\$11,911,148
(i) dollar value of recommendations agreed to by management		\$11,148
(ii) dollar value of recommendations not agreed to by management		\$0
D. For which no management decision had been made by March 31, 2015	1	\$11,900,000
E. Report for which no management decision was made within six months of issuance	1	\$11,900,000

Appendix C – Report on Receivables, Waivers, and Recoveries

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

Office of Investigations

Recoveries realized by the RRB resulting from court ordered restitution and civil damages	
Fiscal Year	Amount Recovered
1999	\$ 855,655
2000	\$1,038,134
2001	\$ 990,356
2002	\$ 785,843
2003	\$ 947,876
2004	\$ 646,273
2005	\$ 844,183
2006	\$1,281,680
2007	\$1,347,049
2008	\$1,389,489
2009	\$1,097,227
2010	\$1,118,256
2011	\$2,293,530
2012	\$1,417,125
2013	\$1,922,166
2014	\$1,021,544
October 1, 2014 to March 31, 2015	\$430,690.57

Office of Audit

Report	Funds to Be Put to Better Use	Funds Agreed by Management	Receivables Established	Waivers	Recoveries to Date ⁹
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	\$23,600,000
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	\$3,071,698
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	\$30,874
09-02	\$600,000	\$600,000	\$320	\$0	\$1,888,624
10-09	\$3,355,408	\$3,355,408	\$0	\$0	\$3,355,408
10-13	\$212,038	\$92,412	\$0	\$0	\$18,614
12-03	\$3,483	\$3,483	\$0	\$0	\$3,483
13-03	\$112,600	\$112,600	\$0	\$0	\$0
13-08	\$2,440	\$2,440	\$0	\$2,440	\$0
13-09	\$9,927 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

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.

Appendix D – Significant Matters

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

Financial Reporting

Ineffective Controls

Controls related to financial reporting were not effective during Fiscal Year 2014 and corrective actions for previously cited budgetary reporting deficiencies have not been completed. Material financial recording errors were discovered and internal control procedures were not always performed timely or effectively. We also found that various reconciliations were performed after the year-end financial statements had been prepared and that the reconciliation for payroll was ineffective in Fiscal Year 2014. Other significant audit concerns regarding the RRB's financial management system were noted in a separate audit, including: partial or no supporting documentation for many recorded transactions, and policies and procedures for internal controls and transactions had not been clearly documented or maintained.

Communication with the NRRIT's Auditor

RRB management has not permitted the NRRIT's auditor (component auditor) to communicate with the RRB OIG auditors, as required by AICPA standards. RRB management has identified legal circumstances that it believes preclude communication between the RRB OIG and the component auditor. Further, RRB management has indicated that the legal precedent is overriding; thus, has not developed a legislative proposal to amend the legislation or established a functional workaround that would enable the audit to be performed in compliance with AICPA standards. Without direct communication with the component auditor, undetected material misstatements could exist. Until communication with the component auditor is established, the RRB will continue to receive a disclaimer opinion, which also directly impacts the government wide financial statements. Of the 37 significant reporting entities included in the government wide financial statements for Fiscal Year 2014, the RRB was 1 of 4 agencies that received a disclaimer of opinion on its financial statements.

<u>Issue Area</u>	<u>Date of Report</u>	<u>Report and Recommendations</u>
Financial Reporting		
• Ineffective Controls	January 31, 2012 August 1, 2014 March 31, 2015	Report OIG 12-04, 2 Report OIG 14-10, 1-2 Report OIG 15-05, 1-7
• Communication with the NRRIT's Auditor	March 31, 2015	Report OIG 15-05, 8

Appendix E – Peer Reviews

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

Office of Audit

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

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

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

Appendix F – Reports Prepared by Management Final Action on Audits with Disallowed Costs

For the 6-Month Period Ending March 31, 2015	<u>Number of Audit Reports</u>	<u>Disallowed¹³ Costs</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	2	\$ 17,510,000 ¹⁴
B. Audit reports on which management decisions were made during the period.	2	\$ 116,463,500 ¹⁵
C. Total audit reports pending final action during the period. (A + B)	4	\$ 133,973,500
D. Audit reports on which final action was taken during the period.		
1. Recoveries		
(a) Collections and offsets	0	\$ 0
(b) Property	0	\$ 0
(c) Other	0	\$ 0
2. Recovery Waived	0	\$ 0
3. Total of 1 and 2	0	\$ 0

¹³ 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.

¹⁴ Comprised of the following amounts: \$210,000 from Audit Report 14-07, *Audit of Payment Controls over Railroad Medicare Claims Submitted by Physical Therapists* and \$17,300,000 from Audit Report 14-10, *Audit of Business Process Controls in the Financial Management Integrated System*

¹⁵ Comprised of the following amounts: \$6,500 from Audit Report 15-03, *The Railroad Retirement Board Lacks Adequate Controls over Creditable Compensation Related to Injury Settlements* and \$116,457,000 from Audit Report 15-05, *Fiscal Year 2014 Financial Statement Audit Letter to Management*.

E. Audit reports needing final action at the end of the period (C - D.3).	0	\$
		133,973,500

**Management Report on Final Action on Audits with
Recommendations to Put Funds to Better Use for the
6-Month Period Ending March 31, 2015**

	<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.	3	\$ 1,666,000 ¹⁶
B. Audit reports on which management decisions were made during the period.	1	\$ 11,148 ¹⁷
C. Total audit reports pending final action during the period. (A + B)	4	\$ 1,677,148
D. Audit reports on which final action was taken during the period.		
1. Value of recommendations implemented (completed).	0	\$ 0
2. Value of recommendations that management concluded should not or could not be implemented (completed).	0	\$ 0
3. Total of 1 and 2.	0	\$ 0
E. Audit reports needing final action at the end of the period.	4	\$ 1,677,148

¹⁶ 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*; and \$866,000 from Audit Report 14-04, *Audit of Railroad Retirement Act Dual Spouse Annuity Adjustments*

¹⁷ Comprised of the following amounts: \$11,184 from 15-03 *The Railroad Retirement Board Lacks Adequate Controls over Creditable Compensation Related to Injury Settlements*.

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.
Fiscal Year 2005 Evaluation of Information Security at the Railroad Retirement Board (05-11)	09/28/05	NONE	NONE	Contractor for Bureau of Information Services is currently developing Plan of Action & Milestones process for implementation. Target for completion is FY2015.
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.

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 2007 Financial Statement Audit Letter to Management (08-01)	03/6/08	NONE	NONE	Bureau of Fiscal Operations implemented enhanced controls in FY10. FMIS implemented changes in financial statement preparation. New procedures developed in FY14. Work continues.
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).

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.
Inspection of the Railroad Retirement Board's Financial Management System's Continuous Monitoring Program (11-11)	09/28/11	NONE	NONE	Contract has been awarded and work is in progress with outside contractor. Target completion for last recommendation is FY15.
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.

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.
Audit of the Application Express (APPLE) System's Date of Death Reliability (12-06)	03/30/12	NONE	NONE	Policies and procedures are in final stages of review on one recommendation, and a review of resource availability to be done for the other.
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.

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 Railroad Retirement Board's Fiscal Year 2013 Compliance with the Improper Payments Elimination and Recovery Act of 2010 (14-05)	3/28/2014	NONE	NONE	Programs coordinating with CMS on current procedures to address final open recommendation.

Appendix G – Reporting Requirements

Act Reference	Inspector General Reporting Requirements	Page(s)
Section 4(a) (2)	Review of Legislation and Regulations	24
Section 5(a) (1)	Significant Problems, Abuses, and Deficiencies	22, 30
Section 5(a) (2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	23, 30
Section 5(a) (3)	Prior Significant Recommendations Not Yet Implemented	30
Section 5(a) (4)	Matters Referred to Prosecutive Authorities	3, 14
Section 5(a) (5)	Instances Where Information Was Refused	None
Section 5(a) (6)	List of Audit Reports	26
Section 5(a) (7)	Summary of Each Significant Report	4-10
Section 5(a) (8)	Statistical Tables on Management Decisions on Questioned Costs	27
Section 5(a) (9)	Statistical Tables on Management Decisions on Recommendations That Funds be Put to Better Use	27
Section 5(a) (10)	Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	11
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	22-24
Act Reference	Management Reporting Requirements	Page(s)
Section 5(b) (1)	Management Comments	Management's Transmittal
Section 5(b) (2)	Statistical Table on Final Action on Disallowed Costs	32
Section 5(b) (3)	Statistical Table on Final Action to Put Funds to Better Use	34
Section 5(b) (4)	Statement on Audit Reports With Final Action Pending	35-39

Appendix H – Acronyms

Acronym	Explanation
AICPA	American Institute of Certified Public Accountants
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
OMB	Office of Management and Budget
RRA	Railroad Retirement Act
RRB	Railroad Retirement Board
RRSIA	Railroad Retirement and Survivors' Improvement Act of 2001
RUIA	Railroad Unemployment Insurance Act
SI	Sickness Insurance
UI	Unemployment Insurance

Appendix I – Legal References

Federal:

American Recovery and Reinvestment Act of 2009 – P.L. 111–5

Dodd-Frank Wall Street Reform and Consumer Protection Act – P.L. 111-203

False Claims Act – 31 U.S.C. §§ 3729 – 3733

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

Improper Payments Elimination and Recovery Act of 2010 – P.L. 111-204

Inspector General Act of 1978, as amended – 5 U.S.C. App. 3

Railroad Retirement Act – 45 U.S.C. § 231, et. seq.

Railroad Unemployment Insurance Act – 45 U.S.C. § 351, et. seq.

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

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

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

Theft of Public Money/Government Funds/Government Property – 18 U.S.C. § 641

REPORT FRAUD, WASTE, AND ABUSE



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