

# OFFICE OF INSPECTOR GENERAL

## **Audit Report**

**Examination of Management's Assertion of Compliance  
with the Economic Recovery Payment Provisions of the  
American Recovery and Reinvestment Act of 2009**

**Report No. 10-04  
March 18, 2010**



**RAILROAD RETIREMENT BOARD**



## UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

To the Board Members:

The following report presents the results of the Office of Inspector General's (OIG) examination of the Railroad Retirement Board's (RRB) assertion that it has complied with sections 2201(a)(1)-(5) of the American Recovery and Reinvestment Act of 2009 (Recovery Act), which provide for a one-time \$250 economic recovery payment to qualifying beneficiaries of the railroad retirement program.

### AUDITOR'S OPINION

We have examined the RRB's assertion of compliance with sections 2201(a)(1)-(5) of the Recovery Act through May 29, 2009. In our opinion, management's assertion that the RRB complied with the aforementioned requirements, is fairly stated, in all material respects.

### CONSIDERATION OF INTERNAL CONTROL

In planning and performing our examination, we considered the RRB's internal control over compliance with sections 2201(a)(1)-(5) of the Recovery Act. We did this to determine our procedures for examining the RRB's assertion of compliance and not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over compliance with the aforementioned requirements.

Evaluation of internal control was not an objective of our examination and our internal control work would not necessarily disclose all deficiencies in internal control that might be material weaknesses or other significant deficiencies.<sup>1</sup>

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<sup>1</sup> A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect, or correct errors in assertions made by management on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the subject matter will not be prevented or detected. A significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria or framework such that there is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected.

We identified no material weaknesses. However, during our examination we observed that controls over economic recovery payments were weakened by a lack of documentation, which we classify as a significant deficiency.

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 and may be in paper or electronic form. All documentation and records should be properly managed and maintained.<sup>2</sup>

During our examination, we noted that agency management had not fully documented all of its control activities over payments made pursuant to sections 2201(a)(1)-(5) of the Recovery Act. As a result, agency management does not have adequate assurance that controls were properly designed, placed in operation, and effective as placed in operation.

#### Recommendation

We recommend that the Office of Programs remind responsible supervisors and managers to ensure that the design, operation and results of control activities are adequately documented.

### **OBJECTIVES, SCOPE, AND METHODOLOGY**

The Recovery Act appropriated funds for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and state and local fiscal stabilization. Within the Recovery Act, Title II — Assistance for Unemployed Workers and Struggling Families, provided for economic recovery payments to recipients of social security, supplemental security income, railroad retirement benefits, and veterans disability compensation or pension benefits. Sections 2201(a)(1)-(5) provided for payment of \$250 to certain railroad retirement beneficiaries who met certain eligibility requirements. The full text of the provisions of the law, upon which management asserted its compliance, is presented as Attachment 1 to this report.

RRB management is responsible for complying with the requirements of the Recovery Act as applicable to the RRB. Our responsibility is to express an opinion on the RRB's assertion of compliance based on our examination. In order to fulfill this responsibility, we:

- examined, on a test basis, evidence supporting economic recovery payments made by the RRB pursuant to the requirements in sections 2201(a)(1)-(5) of the Recovery Act, through May 29, 2009; and

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<sup>2</sup> Standards for Internal Control in the Federal Government, U.S. Government Accountability Office, November 1999, GAO/AIMD-00-21.3.1

- obtained an understanding of the RRB's operations as they pertain to compliance with sections 2201(a)(1)-(5) of the Recovery Act, including applicable internal controls.

We limited our assessment of internal control to selected controls over compliance with sections 2201(a)(1)-(5) of the Recovery Act. Because of inherent limitations in internal control, error, fraud or other losses may nevertheless occur and not be detected by our examination. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. We also caution that our internal control testing may not be sufficient for other purposes.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and U.S. generally accepted government auditing standards. Those standards require examining, on a test basis, evidence supporting the RRB's assertion of compliance with sections 2201(a)(1)-(5) of the Recovery Act, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the RRB's compliance with specified requirements.

## **RRB MANAGEMENT'S COMMENTS**

RRB management expressed appreciation for both the OIG's examination and our concurrence with management's assertion that the RRB complied with the \$250 economic recovery payment provisions of the Recovery Act. With respect to the significant deficiency described in this report and the related recommendation, management agreed with the recommendation and stated that they have taken corrective action.

The full text of management's response follows as Attachment 2 to this report. We did not perform examination procedures on the RRB's written response to the significant deficiency and, accordingly, we express no opinion on the response.

*Original Signed by...*

Martin J. Dickman  
Inspector General  
February 9, 2010

**American Recovery and Reinvestment Act of 2009  
Provisions Subject to Management's Assertion**

**SEC. 2201. ECONOMIC RECOVERY PAYMENT TO RECIPIENTS OF SOCIAL SECURITY, SUPPLEMENTAL SECURITY INCOME, RAILROAD RETIREMENT BENEFITS, AND VETERANS DISABILITY COMPENSATION OR PENSION BENEFITS.**

**(a) AUTHORITY TO MAKE PAYMENTS.—**

**(1) ELIGIBILITY.—**

**(A) IN GENERAL.—**Subject to paragraph (5)(B), the Secretary of the Treasury shall disburse a \$250 payment to each individual who, for any month during the 3-month period ending with the month which ends prior to the month that includes the date of the enactment of this Act, is entitled to a benefit payment described in clause (i), (ii), or (iii) of subparagraph (B) or is eligible for a SSI cash benefit described in subparagraph (C).

**(B) BENEFIT PAYMENT DESCRIBED.—**For purposes of subparagraph (A):

**(i) TITLE II BENEFIT.—**A benefit payment described in this clause is a monthly insurance benefit payable (without regard to sections 202(j)(1) and 223(b) of the Social Security Act (42 U.S.C. 402(j)(1), 423(b)) under—

**(I) section 202(a) of such Act (42 U.S.C. 402(a));**

**(II) section 202(b) of such Act (42 U.S.C. 402(b));**

**(III) section 202(c) of such Act (42 U.S.C. 402(c));**

**(IV) section 202(d)(1)(B)(ii) of such Act (42 U.S.C. 402(d)(1)(B)(ii));**

**(V) section 202(e) of such Act (42 U.S.C. 402(e));**

**(VI) section 202(f) of such Act (42 U.S.C. 402(f));**

**(VII) section 202(g) of such Act (42 U.S.C. 402(g));**

**(VIII) section 202(h) of such Act (42 U.S.C. 402(h));**

**(IX) section 223(a) of such Act (42 U.S.C. 423(a));**

**(X) section 227 of such Act (42 U.S.C. 427);**  
or

**(XI) section 228 of such Act (42 U.S.C. 428).**

**(ii) RAILROAD RETIREMENT BENEFIT.—**A benefit payment described in this clause is a monthly annuity or pension payment payable (without regard to section

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5(a)(ii) of the Railroad Retirement Act of 1974 (45 U.S.C. 231d(a)(ii)) under—

(I) section 2(a)(1) of such Act (45 U.S.C. 231a(a)(1));

(II) section 2(c) of such Act (45 U.S.C. 231a(c));

(III) section 2(d)(1)(i) of such Act (45 U.S.C. 231a(d)(1)(i));

(IV) section 2(d)(1)(ii) of such Act (45 U.S.C. 231a(d)(1)(ii));

(V) section 2(d)(1)(iii)(C) of such Act to an adult disabled child (45 U.S.C. 231a(d)(1)(iii)(C));

(VI) section 2(d)(1)(iv) of such Act (45 U.S.C. 231a(d)(1)(iv));

(VII) section 2(d)(1)(v) of such Act (45 U.S.C. 231a(d)(1)(v)); or

(VIII) section 7(b)(2) of such Act (45 U.S.C. 231f(b)(2)) with respect to any of the benefit payments described in clause (i) of this subparagraph.

(iii) **VETERANS BENEFIT.**—A benefit payment described in this clause is a compensation or pension payment payable under—

(I) section 1110, 1117, 1121, 1131, 1141, or 1151 of title 38, United States Code;

(II) section 1310, 1312, 1313, 1315, 1316, or 1318 of title 38, United States Code;

(III) section 1513, 1521, 1533, 1536, 1537, 1541, 1542, or 1562 of title 38, United States Code;

or

(IV) section 1805, 1815, or 1821 of title 38, United States Code,

to a veteran, surviving spouse, child, or parent as described in paragraph (2), (3), (4)(A)(ii), or (5) of section 101, title 38, United States Code, who received that benefit during any month within the 3 month period ending with the month which ends prior to the month that includes the date of the enactment of this Act.

(C) **SSI CASH BENEFIT DESCRIBED.**—A SSI cash benefit described in this subparagraph is a cash benefit payable under section 1611 (other than under subsection (e)(1)(B) of such section) or 1619(a) of the Social Security Act (42 U.S.C. 1382, 1382h).

(2) **REQUIREMENT.**—A payment shall be made under paragraph (1) only to individuals who reside in 1 of the 50 States,

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Provisions Subject to Management's Assertion**

the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, American Samoa, or the Northern Mariana Islands. For purposes of the preceding sentence, the determination of the individual's residence shall be based on the current address of record under a program specified in paragraph (1).

(3) **NO DOUBLE PAYMENTS.**—An individual shall be paid only 1 payment under this section, regardless of whether the individual is entitled to, or eligible for, more than 1 benefit or cash payment described in paragraph (1).

(4) **LIMITATION.**—A payment under this section shall not be made—

(A) in the case of an individual entitled to a benefit specified in paragraph (1)(B)(i) or paragraph (1)(B)(ii)(VIII) if, for the most recent month of such individual's entitlement in the 3-month period described in paragraph (1), such individual's benefit under such paragraph was not payable by reason of subsection (x) or (y) of section 202 the Social Security Act (42 U.S.C. 402) or section 1129A of such Act (42 U.S.C. 1320a-8a);

(B) in the case of an individual entitled to a benefit specified in paragraph (1)(B)(iii) if, for the most recent month of such individual's entitlement in the 3 month period described in paragraph (1), such individual's benefit under such paragraph was not payable, or was reduced, by reason of section 1505, 5313, or 5313B of title 38, United States Code;

(C) in the case of an individual entitled to a benefit specified in paragraph (1)(C) if, for such most recent month, such individual's benefit under such paragraph was not payable by reason of subsection (e)(1)(A) or (e)(4) of section 1611 (42 U.S.C. 1382) or section 1129A of such Act (42 U.S.C. 1320a-8a); or

(D) in the case of any individual whose date of death occurs before the date on which the individual is certified under subsection (b) to receive a payment under this section.

(5) **TIMING AND MANNER OF PAYMENTS.**—

(A) **IN GENERAL.**—The Secretary of the Treasury shall commence disbursing payments under this section at the earliest practicable date but in no event later than 120 days after the date of enactment of this Act. The Secretary of the Treasury may disburse any payment electronically to an individual in such manner as if such payment was a benefit payment or cash benefit to such individual under the applicable program described in subparagraph (B) or

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(C) of paragraph (1).

(B) DEADLINE.—No payments shall be disbursed under this section after December 31, 2010, regardless of any determinations of entitlement to, or eligibility for, such payments made after such date.





UNITED STATES GOVERNMENT  
**MEMORANDUM**

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

March 16, 2010

**TO:** Diana Kruei  
Acting Assistant Inspector General for Audit

**FROM:** Catherine A. Leyser *C. Leyser/MLP*  
Director of Assessment and Training

**THROUGH:** Dorothy Isherwood *D. Isherwood/MLP*  
Director of Programs

**SUBJECT:**  
**Draft Report – Examination of Management's Assertion of Compliance with the Economic Recovery Payment Provisions of the American Recovery and Reinvestment Act of 2009**

**EXAMINATION OF MANAGEMENT'S ASSERTION OF COMPLIANCE WITH THE ECONOMIC RECOVERY PAYMENT PROVISIONS OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009**

**Overall Comments**

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We appreciate the OIG's examination and their concurrence with our assertion that the RRB complied with the requirements of the American Recovery and Reinvestment Act of 2009 with regard to \$250 Economic Recovery Payments.

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**Recommendation 1**

We recommend that the Office of Programs remind responsible supervisors and managers to ensure that the design, operation and results of control activities are adequately documented.

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**OP Response**

We agree. We completed training on the information technology systems development life cycle for all Policy and Systems analysts on March 3, 2010. The topics included developing project plans, test matrices, project documentation and reviewing daily systems. We also released a reminder to the analysts in Policy and Systems on March 12, 2010 reminding them of proper documentation techniques. We believe this recommendation can be considered as implemented.

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**cc:** Director of Policy and Systems