



Semiannual Report to the Congress

April 1, 2003 - September 30, 2003

***Martin J. Dickman, Inspector General
Railroad Retirement Board***



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

October 31, 2003

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

Dear Mr. Schwartz:

I am pleased to submit the Semiannual Report to the Congress on the activities of the Office of Inspector General for the period April 1 through September 30, 2003. The report is submitted in accordance with section 5 of the Inspector General Act of 1978 (Public Law 95-452, 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 semiannual reporting period, we placed our audit emphasis on agency activities related to information systems. We continued to closely monitor agency efforts to complete corrective actions to eliminate identified weaknesses related to information system security. Our criminal investigators achieved 36 convictions, 25 indictments and informations, and \$1.1 million in recoveries, restitutions, fines, civil damages and penalties.

We sincerely appreciate the assistance and cooperation of management and agency personnel during the performance of our audits and investigations.

Sincerely,

A handwritten signature in black ink that reads "Martin J. Dickman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Martin J. Dickman
Inspector General

Enclosure

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E X E C U T I V E S U M M A R Y

This semiannual report summarizes the activities and accomplishments of the Office of Inspector General (OIG) for the period April 1, 2003 through September 30, 2003.

Significant Activities

During this six month reporting period, the Office of Inspector General (OIG) focused its efforts on the oversight and review of the Railroad Retirement Board's (RRB) activities related to information systems. OIG personnel performed the Fiscal Year 2003 evaluation of information system security, as required by the Federal Information Security Management Act of 2002 (FISMA). Review results indicate that weaknesses in information system security continue to exist. Significant deficiencies in access controls and program management remain. Although the agency has continued to address previously identified weaknesses, the corrective actions to address them have not been completed. We will continue to track identified vulnerabilities and closely monitor agency actions to eliminate all weaknesses.

Two additional audits related to information systems on the development and maintenance of end-user computing applications, and the agency's PIN/Password System used to validate users of the RRB's Internet services were conducted. Our monitoring efforts of the RRB's development and implementation of a new Internet-based employer reporting system revealed several problems regarding electronic data submission. The system is scheduled for implementation in April 2004.

Other Audit Efforts

Auditors also performed a review of the RRB's compliance with requirements for disclosure of supplementary information for social insurance programs, assessed agency actions to improve internal controls over fixed assets, and evaluated the sufficiency of existing data to estimate the impact of improper payments on the Railroad Retirement Act benefit program.

Investigative Accomplishments

During the past six months, the Office of Investigations (OI) achieved 36 convictions, 25 indictments and informations, and \$1,119,704 in recoveries, restitutions, fines, civil damages, and penalties.

OI criminal investigators conducted a special review of survivor annuitants over the age of 100 in the State of Illinois to determine if the RRB was erroneously paying benefits to any survivor annuitants after their date of death. The review identified a nursing home that had failed to report an annuitant's death and had received RRB benefits through electronic deposits. OI agents reported this information to agency officials, and recovery action was initiated.

As a result of information developed by OI agents, RRB program officials conducted a review of three cases that involved annuitants who returned to work in the rail industry but failed to notify the RRB. These annuitants were overpaid approximately \$300,000 over a period of nine years. A more extensive review identified weaknesses in systems and procedures that prevent detection of such cases. Programming changes are being developed to address the system deficiencies. The agency also identified an additional 751 annuitants with creditable service after their annuity beginning date and are examining the cases to determine any impact on benefit payments.

All reports are available on our website: <http://www.rrb.gov/oig/Rrboig.htm>

I N T R O D U C T I O N

25th Anniversary of the Inspector General Act of 1978

On October 14, 2003, President George W. Bush hosted a reception to celebrate the 25th anniversary of the Inspector General Act of 1978, legislation that created twelve Inspectors General (IGs) to improve the efficiency and effectiveness of Federal operations and identify fraud, waste and abuse in Federal programs. At present, there are 29 presidentially appointed, Senate confirmed IGs, and 28 statutory IGs who are appointed by their agency heads in certain designated Federal entities. The 57 IGs provide independent audit and investigative oversight of Federal agencies.

During the past 25 years, the IG community has served as an effective agent for improvement in Federal programs, and has strengthened accountability throughout government operations. Today, IGs are also responsible for directing critical annual reviews of financial statements of their respective agencies, assessments of agency performance and budget activities, and evaluations of information system security.

OIG audit and investigative efforts have identified significant potential savings in program operations and recoveries from violations of Federal criminal laws. In Fiscal Year 2002, the IG community identified nearly \$72 billion in potential savings from agency action on current and prior recommendations and through investigative recoveries, issued over 4,600 reports, recorded almost 11,000 in successful prosecutions, and processed over 234,000 complaints.

The IG community plans to build upon its past successes and remains committed to promoting improvements in government performance and accountability. OIGs will continue to play a pivotal role in ensuring economy, efficiency and effectiveness within the Federal government.

Railroad Retirement Board - Office of Inspector General

The Railroad Retirement Solvency Act of 1983 established the Office of Inspector General at the Railroad Retirement Board by naming the agency as “one of such establishments” identified under Section 2 of the Inspector General Act of 1978. The Inspector General Act Amendments of 1988 added the RRB to the list of agencies covered by the Inspector General Act.

In fiscal year 2003, the OIG had 53 employees assigned to three operational components: the immediate office of the Inspector General, the Office of Audit, and the Office of Investigations. The office conducts operations from two locations: the headquarters of the Railroad Retirement Board in Chicago, Illinois, and an investigative field office in Philadelphia, Pennsylvania.

Railroad Retirement Board

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal government that is headed by a three member Board appointed by the President of the United States, with the advice and consent of the Senate. One member is appointed upon the recommendation of railroad employers, one is appointed upon the recommendation of railroad labor organizations, and the third, who is the Chairman, is appointed to represent the public interest.

The agency administers comprehensive retirement-survivor and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts. The RRB also has administrative responsibilities under the Social Security Act for certain benefit payments and Medicare coverage for railroad workers.

During fiscal year (FY) 2002, the RRB paid \$8.6 billion in retirement and survivor benefits to approximately 684,000 beneficiaries, while net unemployment and sickness insurance benefits of \$99 million were paid to almost 39,000 claimants. The RRB also administers its own Medicare Part B program through a single carrier, Palmetto GBA. The carrier made payments totaling \$788 million to provide medical insurance benefits for 571,000 beneficiaries.

S I G N I F I C A N T A C T I V I T I E S

During this semiannual reporting period, the Office of Inspector General continued to place a high priority on the oversight of RRB activities related to information systems. OIG efforts included performance of the following reviews:

- conducting the Fiscal Year 2003 evaluation of information system security,
- monitoring of the agency's development and implementation of a new Internet-based employer reporting system,
- evaluating agency methodology for end-user computing applications, and
- auditing the current system for authentication of individuals using the agency's Internet services.

FISCAL YEAR 2003 EVALUATION OF INFORMATION SECURITY

The OIG performed its annual security evaluation of the RRB's information system security program and practices during FY 2003. The provisions of the Federal Information Security Management Act of 2002 require annual agency program reviews, Inspector General security evaluations, annual agency reports to the Office of Management and Budget (OMB), and annual OMB reports to Congress. The RRB and OIG forwarded their reports to OMB on September 22, 2003.

Reviews performed by information system security specialists under contract to the OIG in FY 2000 and FY 2001 disclosed the need for improvements in security controls in data processing and end-user computing support systems. OIG security evaluations in FY 2001 and FY 2002 identified weaknesses throughout the agency's information security program. In those reviews, auditors cited material weaknesses as a result of significant deficiencies in access controls in mainframe

and end-user computing environments and training provided to staff with security responsibilities.

In FY 2003, our oversight activities of the RRB's information security program included an assessment of the security procedures over the Internet DC-1 filing process (employer contributions under the Railroad Unemployment and Insurance Act), an evaluation of the agency's self-assessment process for information system security, and a review of the security in systems development life cycle for end-user computing. Auditors identified weaknesses in the administration of security features in the Internet-based system, inadequate use of the National Institute of Standards and Technology self-assessment guide, and the lack of a comprehensive certification and accreditation process.

Although RRB management continues to strengthen and improve the agency's information security, significant deficiencies in access controls and program management, the basis for the OIG's finding of material weakness, continue to exist. Corrective actions to address these previously reported weaknesses have not been completed.

We have continued to monitor agency efforts to complete corrective actions for all the recommendations contained in the above mentioned reports. The agency's Bureau of Information Services (BIS) has implemented or plans to implement the majority of the 119 recommendations issued to date. As of March 31, 2003, 61 items had been implemented and ten had been rejected.

Auditors reported that the RRB's plan of action with milestones does not provide adequate details on the weaknesses in the agency's information security program and planned corrective actions, as required by OMB. Although agency procedure requires program officials to furnish action plans to address control weaknesses identified during any program review, such plans are not consistently prepared and submitted to the Chief Security Officer for inclusion in the RRB's plan of action and milestones. Auditors recommended that BIS review and revise the agency's plan of action, and remind program officials to identify vulnerabilities and develop action plans. The agency declined to revise the plan of action, but agreed to issue a reminder to program officials concerning their responsibility to report any identified information security vulnerability and provide a corresponding plan of action for remediation.

The OIG evaluation did point out that the agency's chief security officer does maintain detailed records on the status of known vulnerabilities, and tracks related activities on a quarterly basis. The OIG also monitors the status of all pending corrective actions for information technology security weaknesses and provides status reports to responsible agency managers on a semiannual basis.

Auditors also identified security weaknesses in the access controls for the automated system that provides requests for earnings and computation records used in the payment of survivor benefits. As a result, the Chief Information Officer will request system owners to review the access granted to users, and will implement system changes to ensure access is based on an individual's specific job duties.

EMPLOYER REPORTING SYSTEM INTERNET PROJECT

The OIG continued its monitoring of the RRB's development and implementation of a new Internet-based employer reporting system (ERS). In February 2003, the agency used a small number of rail employers to test the filing of electronic copies of three reporting forms. However, the RRB had not received the approval of the Office of Management and Budget (OMB) for the use of the electronic forms. In addition, these employers did not complete an approved registration form to obtain access to the system since the form was not finalized and submitted to OMB until after the test period.

Auditors also determined that ERS did not track and record user identification information through the system for purposes of accountability and legal enforcement. The OIG alerted program managers that they were using an unapproved form as an agency record, and were processing data as though the system had been approved and was fully operational. Employers who participated in the test pilot continued to use the system to submit data electronically. Program managers decided to contact these employers to obtain paper certifications. We did not believe such action would correct the problem since OMB did not approve the electronic forms, and the submission of certification months after electronic data submission would not bind the certifying individual to the prior electronic submission.

In an April 2003 meeting, senior RRB officials assured OIG management that use of the ERS would not begin until appropriate OMB approval was obtained and sufficient audit trails developed. However, auditors determined that the RRB continued to allow a limited number of employers to use the ERS to file electronic forms. In June, we recommended that the agency discontinue use of the ERS until full OMB approval was obtained and sufficient audit trails were developed. We also recommended that ERS users complete an approved registration form and use an OMB-approved form or electronic process to submit information previously reported through ERS.

As a result, the agency ended its testing and agreed to make the system available only after OMB approval on those forms requiring clearance was obtained, and system improvements to generate audit trails were implemented. Completion is targeted for April 2004. The agency has decided to accept the records previously posted electronically and obtain new applications for employer internet access when the system becomes operational. In addition, OMB has now approved the appropriate forms.

REVIEW OF THE SYSTEMS DEVELOPMENT LIFE CYCLE FOR END-USER COMPUTING

The RRB's end-user computing system supports the agency's local and wide area networks, with access to all software applications through connections with personal computers on the networks. The purpose of this review was to assess the agency's methodology for the development and maintenance of end-user computing applications, and the RRB's efforts in incorporating security requirements into the system development life cycle. Auditors selected a non-random sample of 17 from 72 end-user computing development projects that were initiated or completed during fiscal years 2002 and 2003.

Auditors concluded that both the agency's methodology and efforts to incorporate security into the systems development life cycle were inadequate. They determined that the agency has an ineffective project management program, a limited quality assurance program, and cannot ensure all systems will be properly authorized prior to implementation.

During this review, the RRB's Bureau of Information Services was unable to provide documentation for critical activities. Nine projects were not supported by a general work plan detailing required tasks and staff resources, twelve projects lacked cost estimates, and reliable estimates of staff time expended to date were unavailable for two projects. As a result of their findings, auditors recommended the implementation of a new project management system, a project tracking system, and a comprehensive quality assurance program. Management agreed and has initiated appropriate corrective action.

Auditors also determined that management has not integrated security into the systems development life cycle. New systems exhibit a lack of applied audit trails, weak authentication methods and poor access controls. The RRB also lacks a certification and accreditation program that places responsibility for the acceptance of system security risk with higher levels of management. Management has agreed to revise procedures and designate an information system security officer for each major application and general support system.

Weaknesses were also identified in the internal controls for ensuring all systems are tested, accepted and properly authorized prior to implementation. Without adequate controls, unauthorized systems or systems that do not meet the user's needs may become operational. Auditors recommended the implementation of controls to address the identified weaknesses, and to ensure that the installation process for application software is properly documented and executed only by authorized individuals. Management concurred with the findings and has agreed to provide additional training to user analysts.

REVIEW OF THE RAILROAD RETIREMENT BOARD'S PERSONAL IDENTIFICATION NUMBER (PIN)/PASSWORD SYSTEM FOR ON-LINE AUTHENTICATION

In November 2002, the RRB implemented the PIN/Password system to validate users of the agency's Internet services. The RRB selected the system to protect the integrity and confidentiality of its electronic records and transactions. It serves as the gateway for agency Internet services and currently allows railroad employees and annuitants to view their railroad service and compensation records on-line. In the near future, the system will permit employees to obtain annuity estimates, and file unemployment applications and sickness claims on-line. An additional system component to allow individuals to apply for retirement annuities via the Internet is in the early stage of development.

Auditors reviewed the RRB's decision process in choosing this system as the authentication method for its Internet services. They found no evidence that agency personnel had adequately performed the Federally recommended risk analysis to support the decision to use this particular system or performed the recommended cost benefit analysis.

The Office of Management and Budget, the Department of Justice, and the National Institute of Standards and Technology all have provided separate guidance on the use and acceptance of electronic documents as well as the need to perform a risk analysis of any authentication method under consideration. The only documentation prepared by the RRB was a limited analysis of proposed Internet services. The agency failed to document its determination of the appropriate security levels, the inherent risks for proposed services, an assessment of strengths and weaknesses of the PIN/Password system or other alternatives, reasons for reducing the level of security for on-line unemployment and sickness applications and claims, or details to support its reconsideration for use of the highest level of security for benefit applications

The responsible RRB managers believed a cost and risk analysis was unnecessary because they believed they were following similar efforts of other Federal agencies. However, auditors could not identify any agencies that were using the PIN/Password system as an electronic signature for benefit applications.

Because the RRB did not adequately follow guidance before implementing the current system, it is the opinion of the auditors that the agency may not have chosen the most cost-effective, risk appropriate authentication method. Without a risk assessment, the agency has not fully demonstrated that the PIN/Password system provides a sufficient level of authentication to meet the agency's litigation and administrative needs.

Auditors recommended that management perform and document a risk and cost benefit analysis for each of its Internet services to determine if the PIN/Password system is the most appropriate authentication method. They also recommended that the analysis be completed prior to the implementation of the on-line unemployment, sickness and retirement applications. In addition, auditors recommended that the agency establish procedures that comply with Federal guidance on the selection and implementation of authentication methods for on-line services. Agency management agreed with all recommended actions.

OFFICE OF AUDIT

The Office of Audit (OA) conducts audits and reviews to promote economy, efficiency, and effectiveness in the administration of RRB programs, and to detect and prevent waste, fraud, and abuse in such programs. Through the Inspector General, the office ensures that the Board Members and Congress are informed of current and potential problems in the RRB's programs and operations, and advised of recommended improvements, as well as the status of corrective actions. OA examines programmatic, financial, and administrative aspects of RRB operations.

In addition to oversight and monitoring efforts of agency information technology systems and information system security described in the Significant Issues section of this report, OA performed three additional reviews. Auditors reviewed the RRB's compliance with requirements for disclosure of supplementary information for social insurance programs, assessed agency actions to improve internal controls over fixed assets, and evaluated the sufficiency of existing data to estimate the impact of improper payments on the Railroad Retirement Act benefit program.

Summaries of these reviews follow.

COMPLIANCE WITH STATEMENTS ON FEDERAL FINANCIAL ACCOUNTING STANDARDS (SFFAS) #17: “ACCOUNTING FOR SOCIAL INSURANCE”

SFFAS #17 presents accounting standards for Federal social insurance programs, including the benefit programs established under the Railroad Retirement Act. Under these standards, the RRB’s financial statements must include supplementary information concerning the long-term sustainability of the railroad retirement program, including actuarial projections. At this agency, the Chief Actuary prepares the social insurance disclosures required under the SFFAS #17, and provides them to the Bureau of Fiscal Operations for inclusion in the agency’s financial statements.

Prior OIG audits of the RRB’s financial statements identified areas of non-compliance in form and content of social insurance disclosures since the agency was first required to publish them with its FY 2000 financial statements. In this review, auditors determined that the agency’s FY 2002 social insurance disclosures for the railroad retirement program also did not fully comply with the requirements of SFFAS #17.

Based on their review of the document in draft, auditors advised the Bureau of the Actuary of their findings and recommended revisions be made to the document. However, the Bureau of the Actuary incorporated only those changes they considered appropriate prior to final publication.

Auditors advised management that proposed changes to the standard would make some of the currently required supplementary disclosures essential for fair presentation in conformance with generally accepted accounting principles. Under the proposed reclassification, any deficiencies in form and/or content could result in an adverse or qualified opinion on the financial statements. Auditors also noted that the limited procedures that they applied to supplementary information may not have disclosed all non-conformances that the agency will have to address to ensure future conformance under the proposed revisions. They recommended that the Bureau of Fiscal Operations begin planning immediately to ensure that the agency can comply with the proposed revised reporting standard.

The Chief Financial Officer agreed to work with the Bureau of the Actuary to comply with any new information from Federal Accounting Standards Advisory Board (FASAB).

In July 2003, FASAB issued SFFAS #25 that requires that selected social insurance data, previously classified as a supplementary disclosure under SFFAS #17, be presented as a basic financial statement beginning with FY 2005 financial reporting. This reclassification will subject data presented to more rigorous audit procedures.

INSPECTION REPORT - ACTIONS TAKEN TO IMPROVE INTERNAL CONTROL OVER FIXED ASSETS

In October 2000, OIG auditors conducted a review of the agency's internal control over fixed assets and determined that existing controls did not ensure the accuracy and usefulness of the agency's accountable property record. They recommended that the Bureau of Supply and Service (BSS) implement a new, comprehensive system of fixed asset accounting and internal control to distribute responsibility for record maintenance throughout the agency.

Auditors performed this inspection to assess the various actions that the agency had taken to address earlier OIG findings.

In May 2002, BSS introduced the WiseTrack system, a new dedicated computer application, designed to control and manage fixed assets. By September 2002, the new system had replaced the old fixed assets database, and BSS personnel continued to perfect the data in WiseTrack. They also initiated training of responsible staff in other offices, and received approval for revisions to the applicable agency administrative circular that defined revised policies and procedures.

During this inspection, auditors determined that BSS had implemented a new system of fixed asset management that addresses the issues raised in the prior review. However, auditors' testing of the data maintained on WiseTrack indicated that additional actions were required to ensure the accuracy of the accountable property record. Auditors recommended that BSS complete the process of reviewing and revising the historical data that initially loaded into the new system.

Management concurred with the finding and reported that they anticipate a 95% accuracy level when the data update and revision have been completed. They plan to complete the data update and revision by the close of this calendar year.

EVALUATION OF THE SUFFICIENCY OF EXISTING DATA TO ESTIMATE THE IMPACT OF IMPROPER PAYMENTS ON THE RAILROAD RETIREMENT ACT BENEFIT PROGRAM

The Improper Payments Information Act of 2002 requires agency heads to annually review all programs and identify those that may be susceptible to significant improper payments. The legislation also requires the Office of Management and Budget (OMB) to issue guidance to Federal agencies for implementing the Act. In May 2003, OMB defined “significant improper payments” as annual erroneous payments exceeding both 2.5% of program payments and \$10 million. For programs susceptible to significant improper payments, the guidance instructed agencies to use statistical sampling to estimate annual improper payment experience based on the gross total of overpayments and underpayments.

OIG auditors performed this review to determine if the data available in the RRB’s benefit payment and accounting systems is sufficient to support the annual review cited above. They were able to develop a general estimate that would permit an evaluation under OMB’s criteria. Limitations on the data available restricted their ability to develop a more precise estimate of any monetary impact. Auditors recommended that the agency pursue system enhancements or alternative sources of data that would provide more precise data to support the annual determination. Management has initiated the development of a new methodology for future determinations.

The review indicated that the agency’s experience with improper payments did not exceed the OMB threshold of 2.5% of program payments. Auditors estimated actual improper payments in the RRA program did not exceed \$127 million in FY 2002; the RRB’s threshold was \$217 million, 2.5 % of approximately \$8.7 billion in benefits paid under the provisions of the RRA. The RRB, therefore, is not required to perform statistical sampling to measure and monitor improper payments in the RRA program.

Auditors also reported several findings concerning the overpayment experience in the RRA program when accounts receivables are established due to the death of an annuitant or concurrent entitlement to Social Security benefits. Payments released after the death of an annuitant are the largest single cause of overpayments recognized by the agency each year. Auditors projected that, in FY 2002, approximately \$16 million (or 50%) of such overpayments were associated with notices on death received after the cut-off date for monthly payment processing. The RRB is currently working with the Department of the Treasury to implement a payment intercept process that would permit the agency to intercept payments between the release of instructions to pay and the actual issue of payment by check or electronic fund transfer.

An assessment of overpayments that resulted from concurrent entitlement to Social Security benefits indicated that certain routine adjustments are recognized as debt, some overpayments may be avoidable and the automated payment transactions history does not always report complete information. Auditors recommended that program managers review current procedures and controls to reduce this type of overpayment and ensure the payment history records accurate data. Management concurred and plans to complete reviews by the close of the year.

AUDITS: MANAGEMENT DECISIONS AND IMPLEMENTATION

The Office of Inspector General maintains the open audit follow-up system to track the status of corrective actions for all audit recommendations. 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 for Recommendations

Requiring a management decision on April 1, 2003	4
Pending management decisions for new recommendations	0
Management decisions for previous recommendations	<u>4</u>
Recommendations pending a management decision on September 30, 2003	0

Corrective Actions

Recommendations requiring action on April 1, 2003	89
Recommendations issued during this period	22
Corrective actions completed during the period	<u>15</u>
Final actions pending on September 30, 2003	96

O F F I C E O F I N V E S T I G A T I O N S

The Office of Investigations (OI) focuses on RRB benefit program fraud. OI's primary objective is to identify and investigate cases of waste, fraud and abuse in RRB programs and refer them for prosecution and monetary recovery action. Through its investigations, OI also seeks to prevent and/or deter program fraud. In order to maximize the effect of its resources, OI continues to pursue cooperative investigative activities and coordination with other Inspectors General and law enforcement agencies, which include the Social Security Administration-Office of Inspector General, the Office of Personnel Management-Office of Inspector General, the Federal Bureau of Investigation (FBI), the U.S. Secret Service, the Internal Revenue Service, and the Postal Inspection Service.

Fraud Detection - Illinois Survivor Annuitants Over the Age of 100

During this reporting period, OI special agents conducted a review of survivor annuitants over the age of 100 in the State of Illinois. The purpose was to determine if the RRB was erroneously paying benefits to any survivor annuitants after their date of death. Utilizing a database that the OIG recently developed to assist special agents in analyzing annuitant data, OI identified 67 survivor benefit annuitants over the age of 100 who were in pay status in the month of July 2003 in Illinois. For sixty annuitants, agents either personally contacted them or determined they had submitted Medicare claims within the previous three months.

OI determined that the remaining seven annuitants had recently died. The RRB had received information related to six deaths, had terminated their benefits and established debts for any benefits issued after the date of death. None of the annuity overpayments exceeded \$1,000. For the remaining annuitant, special agents identified a nursing home that did not report the annuitant's death on

June 9, 2003, and received \$2,400 in RRB benefits in electronic deposits. OI reported this information to an RRB program official, and recovery action was initiated with the nursing home.

Agency Actions in Response to Systemic Implication Report

In the Semiannual Report to Congress for the period ending September 30, 2002, OI reported on a potential agency systemic issue concerning annuitants who return to work in the railroad industry but fail to notify the RRB. Regulations do not permit annuitants to receive an annuity for any month in which they return to service for a railroad employer. Although the RRB does use computer matches to identify violators, OI identified three annuitants who were not detected and were overpaid approximately \$300,000 over nine years. OI expressed concern that there may be weaknesses in agency systems that prevent the timely detection of individuals who continue to receive their annuities after they return to railroad service.

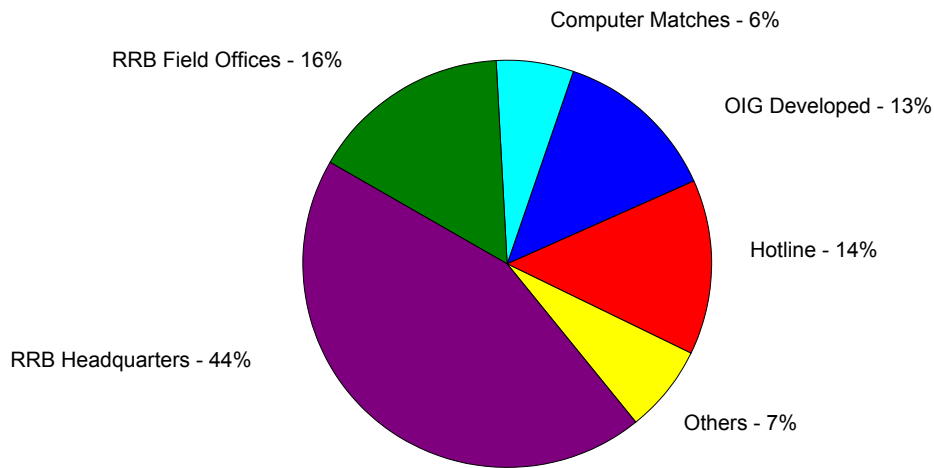
As a result of the information developed by OI, program officials conducted a review of the three cases and concluded that an extensive review of the situation should be performed. The more thorough review identified weaknesses in both systems and procedures that prevent detection of such cases. The study also revealed an additional 751 annuitants with creditable service after their annuity beginning date that the agency is currently reviewing to determine any impact on benefit payments.

Program officials and representatives from the agency's Bureau of Information Services are collaborating on necessary programming changes to correct the current situation and prevent future cases of this type from remaining undetected.

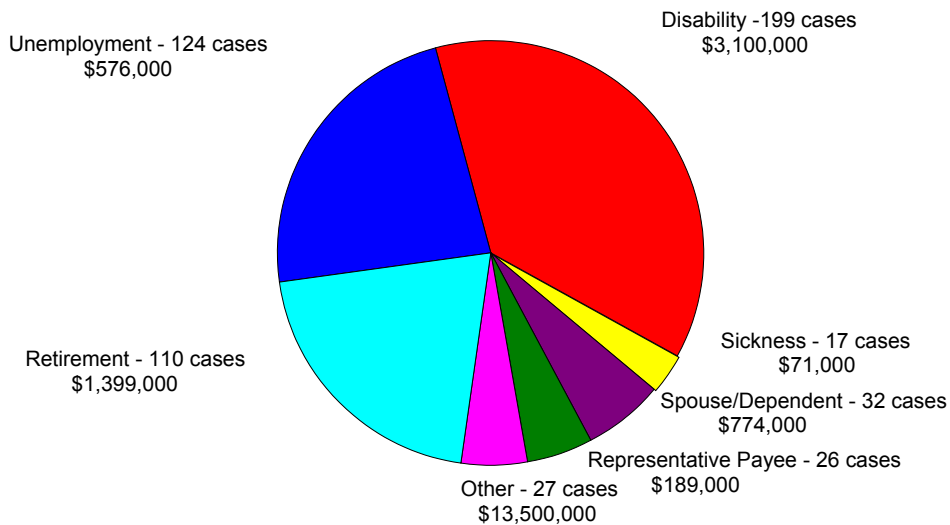
INVESTIGATIVE ACCOMPLISHMENTS	04/01/03-09/30/03	FY 2003
Convictions	36	55
Civil Judgements	2	23
Indictments/Informations	25	50
Investigative Recoveries	\$ 533,368	\$ 1,253,025
Restitutions and Fines	\$ 563,580	\$ 901,376
Civil Damages and Penalties	\$ 22,756	\$ 366,175
Potential Economic Loss Prevented (PELP)	\$ 265,400	\$ 265,400
Community Service Hours	240	540
Disciplinary/Administrative Action	0	0
Civil Complaints	3	10
Criminal Complaints	0	3
Arrests	1	2
Subpoena Service:		
Inspector General	13	17
Federal Grand Jury	77	134
Trial	0	0
Program Fraud Civil Remedies Act Referrals	0	0
U.S. Attorney Referrals	117	239

INVESTIGATIVE CASES

During this semiannual period, OI opened 138 investigations and closed 118 cases. The major sources of case referrals are illustrated below.



OI's current caseload totals 535 criminal matters, representing approximately \$19.6 million in fraud against the RRB.



DISTRIBUTION OF CASES

The Office of Investigations (OI) conducts its investigations throughout the United States in response to complaints or allegations regarding violations of Federal law.

The map below indicates the number of open investigations that OI currently has in each state; there are no open cases in Alaska or Hawaii. Two additional investigations are underway in Canada.



REPRESENTATIVE INVESTIGATIONS

Retirement Benefit Investigations

RRB retirement fraud typically involves the theft and fraudulent cashing of U.S. Treasury checks, or the illicit conversion of U.S. Treasury electronic fund transfers, by someone other than the authorized RRB annuitant. During this reporting period, OI obtained ten convictions for retirement fraud. Defendants received 34 years, six months probation; 10 years, two months suspended sentences; 14 years, two months imprisonment; four months house arrest; and were ordered to pay \$150,965 in restitution and \$1,170 in fines. The RRB will recover an additional \$269,944 in overpayments as a result of OIG investigations of retirement benefit programs.

OI routinely receives referrals from the RRB's Debt Recovery Division that involve the fraudulent negotiation of RRB retirement benefit checks, usually by a relative of a deceased annuitant.

Examples of recent retirement cases follow.

- One referral indicated that a woman may have fraudulently taken RRB benefit checks after the death of her grandmother. When interviewed, the subject claimed that a contractor working in the house had stolen her grandmother's checkbook, and that she had reported the incident to the local police. However, a check of the police records showed no police report had been filed.

A review of the annuitant's bank records by special agents revealed that the subject had continued to write checks on her grandmother's account after the woman's death on June 3, 2000. In fact, she withdrew the retirement benefits by writing 112 checks for 14 months following the death. She dated each check prior to the death even though they were actually written as late as August 2001. From July 1, 2000 through August 25, 2001, she withdrew

\$9,018 in RRB retirement benefits from the account. When interviewed again, she admitted to writing and pre-dating the checks.

In April 2003, an information was filed in the U.S. District Court for the Western District of Missouri, charging the subject with violation of 18 U.S.C. §641, Theft of Government Funds. She signed a Plea Agreement and pleaded guilty to violation of 18 U.S.C. §641. On June 12, 2003, she was sentenced to three years probation and ordered to make restitution of \$9,018.

- Another referral involved the fraudulent cashing of RRB benefit checks by an annuitant's son who was an RRB appointed representative payee for his mother. Special agents determined that the son had cashed 12 U.S. Treasury checks totaling \$13,428 following his mother's death. When interviewed, he admitted to cashing the checks, and stated he used the funds for his expenses. He was indicted on one count of 18 U.S.C. §641, Theft of Public Money, and subsequently pleaded guilty. He was sentenced to five years probation and ordered to pay restitution of \$13,428.
- Special agents initiated another investigation based on a referral that indicated that an annuitant had died in August 2000, but for whom the RRB had issued ten annuity payments totaling \$12,542 after that date. A review of the checks revealed they were fraudulently negotiated by the annuitant's son. The son forged his father's signature on the checks and cashed them at several local businesses.

The RRB ordered a reclamation and recovered all funds. A judgement in a criminal case was entered by the Commonwealth of Virginia, Circuit Court for the City of Lynchburg against the subject for forgery and uttering a forged check. He was sentenced to twelve years imprisonment, of which ten years and two months were suspended, four years probation and ordered to make full restitution to the local businesses.

Unemployment and Sickness Insurance Investigations

Unemployment Insurance (UI) and Sickness Insurance (SI) benefit fraud involves individuals claiming and receiving UI or SI benefits while working and receiving wages from an employer, in violation of Federal law. OI receives the majority of these cases for followup investigation from the RRB's Disability, Sickness and Unemployment Benefits Division as a result of information developed from state wage matching programs. These programs match RRB annuitants with individuals who earned compensation in each state.

During this reporting period, OI obtained 19 convictions and two civil judgements for UI and SI fraud. Defendants in these cases received, in the aggregate, one year imprisonment; 40 years, six months probation; one year suspended sentence; and one month house arrest. They were ordered to pay \$100,736 in restitution, \$10,472 in damages, \$300 in fines, \$12,284 in civil penalties and to perform 240 hours of community service. The RRB will also be able to recover an additional \$22,038 as a result of OI investigations.

Examples of several cases completed this reporting period follow.

- A referral from an agency program division identified a claimant who was employed as a tennis instructor in Amagansett, NY while collecting unemployment insurance benefits. The subject worked from July 1998 through January 1999, and failed to inform the RRB of his employment. He collected unemployment benefits for 96 days, resulting in the theft of \$5,720.

On April 28, 2003, a settlement agreement was entered against the subject by the U.S. Attorney's office for the Eastern District of New York. He was ordered to make restitution totaling \$8,500 to the RRB, which included benefits, all RRB administrative costs, disqualification penalty fees and damages.

- A state wage match with the State of California identified a package handler employed by United Parcel Service who was receiving unemployment benefits from the RRB. The subject submitted 23 unemployment claims to the agency, and indicated she was not receiving any other wages or pay. As a result of her false claims, the RRB erroneously paid the woman a total of \$8,124 in benefits.

A Federal criminal information was filed against the subject in the Northern District of California for violating Title 18, U.S.C. §641, Theft of Public Money or Property. On August 22, 2003, the subject pleaded guilty to the information and was placed on probation for three years and ordered to make full restitution to the RRB.

- OI initiated another investigation based on a referral from the RRB that indicated an unemployment claimant possibly claimed benefits while employed in the same calendar quarter. An investigation by OI special agents determined that the subject had, in fact, worked as a janitor for the YMCA while collecting RRB benefits. His action resulted in an overpayment of \$4,374.

An information was filed in Washington County Superior Court in Indiana charging the man with theft. He was subsequently sentenced for violations of the Indiana Criminal Code 35-43-4-2, Theft (Misdemeanor) to one year in jail (suspended), one year probation, and ordered to perform 40 hours of community service and pay full restitution to the RRB.

- An Illinois state wage computer match identified an individual who was employed in two restaurants while receiving RRB unemployment insurance benefits. The subject was employed from May - November 2000, and from June 2001 through January 2002. During these time periods, he submitted 22 false claim forms to the RRB indicating he was unemployed. As a result, the RRB erroneously paid \$7,530 to the subject. He pleaded guilty in Cook County, IL to violation of Chapter 720 ILCS, Section 5, 16-1a21A, Felony Theft. He was sentenced to 2½ years probation and ordered to pay full restitution to the RRB on or before December 20, 2005 at the rate of \$251 per month.

Disability Investigations

The OIG also conducts fraud investigations relating to the RRB's disability program, which typically involves larger financial amounts and more sophisticated schemes. An individual who receives a disability annuity is restricted to earning not more than \$400 in one month. An earnings cap of \$4,999 per year also applies. Disability annuitants must report all work activity to the RRB.

During this reporting period, OI obtained six criminal convictions for disability fraud. Defendants in these cases were collectively sentenced to five months imprisonment; two years, five months house arrest; and 17 years probation. In addition, they were ordered to pay \$291,181 in restitution and \$5,000 in fines. The RRB will recover \$231,727 as a result of OI disability-related investigations.

- OI received an anonymous complaint that an RRB disability annuitant was employed as a real estate agent in California. An investigation by OI and the FBI confirmed the complaint information, and determined that the subject had formed a corporation through which he received his commissions and wages. This business arrangement allowed the annuitant to hide his work and earnings from RRB routine policing activities.

The annuitant also worked as a bookkeeper for the real estate firm and had a part ownership in the company. OI agents reviewed business records of the firm and the annuitant's corporation, both indicating significant payments to the annuitant. His failure to report his work or earnings on an RRB form G-254, Continuing Disability Report, became the basis for the criminal charge in this case. When OI agents attempted to interview the subject, he refused to speak with agents on the advice of his counsel.

On May 27, 2003, a criminal information was filed in U.S. District Court, Northern District of California, San Francisco, charging the subject with making a false statement to the U.S. RRB. He pleaded guilty to one count of 18 U.S.C. §1001, Making a False Statement to a Government Agency. He was sentenced to three years probation, one year home confinement, and ordered to pay a fine of \$5,000 and make restitution of \$77,645 to the RRB.

He paid the monies in full at the time of his sentencing. This case is also being reviewed for additional action under the False Claims Act by the Civil Division of the U.S. Attorney's Office for the Eastern District of California at Sacramento.

- OI received a referral from the RRB's district office in Denver, CO in which a complainant indicated that an individual was employed full-time as a security screener for Denver International Airport (DIA) while receiving an RRB disability annuity. The subject was initially awarded benefits beginning in July 1988.

OI's investigation determined that the subject began working for DIA beginning in October 2001. OI then requested that the annuity be suspended because the annuitant continued to have earnings in excess of the RRB's disability limitation. Although his DIA employment ceased in the last quarter of 2002, the subject was overpaid \$16,484.

On October 24, 2002, a Federal Grand Jury indicted the subject for violation of 18 U.S.C. §1001, False Statements, 18 U.S.C. §641, Theft of Government Funds and 45 U.S.C. §231 (l), Failure to Furnish Information to the U.S. RRB. In May 2003, he was found guilty in the U.S. District Court, District of Colorado on the first and third counts, and placed on probation for five years and required to pay reduced restitution of \$12,268. The remaining funds will be collected administratively by the RRB.

- OI initiated an investigation of another disability annuitant in Texas based upon a referral from the U.S. Attorney's Office, Western District of Texas at El Paso. The referral indicated that the RRB annuitant was employed full-time by a law firm. The FBI detected this information during a Medicare fraud investigation.

The annuitant, a former railroad union official, was working as a "runner" or investigator for the law firm. Interviews with the personnel and records at the law firm as well as corporate/personal bank accounts showed significant payments were made to the subject. He was paid in excess of \$3,000 a month, a percentage of each suit the law firm filed based on his referral of a client. Reimbursements were also made to him for telephone, car and travel expenses. The law firm had masked these payments by using the name and

social security number of the annuitant's wife. This action was taken to avoid the RRB's detection of the annuitant's employment and earnings through the RRB's program policing mechanisms.

OI agents determined that the annuitant has been overpaid \$71,823 in RRB disability benefits during the period 1997 through 2000. His failure to report his employment and earnings as required resulted in a false statement to the government. Special agents attempted to interview the subject, but he refused to speak with them based on the advice of his counsel. In July 2002, he pleaded guilty to one count of 18 U.S.C. §1001, Making a False Statement to a Government Agency. On May 27, 2003, he was sentenced to five months in prison, five months home confinement, three years probation, and ordered to pay full restitution. The U.S. Attorney declined prosecution of the attorney involved in the scheme since he is currently serving a Federal prison term based upon a separate conviction for Medicare fraud.

- The RRB's Debt Recovery Division referred a case that indicated that a disability annuitant was employed by Amtrak while receiving RRB disability benefits. This referral resulted from policing efforts of the RRB's District Office in Covina, CA. RRB representatives repeatedly attempted to contact the subject to complete a Continuing Disability Report, and discovered that he was employed by Amtrak.

The subject originally worked as a porter at Union Station in Los Angeles, but returned to work as an Amtrak reservation agent in the Riverside reservation center. He was overpaid a total of \$94,885. Special agents from OI and Amtrak's Office of Inspector General interviewed the subject. He admitted to defrauding the RRB, stating he was using the money to pay lawyer fees for his son who was being prosecuted for murder. Following the interview, the subject was terminated from Amtrak.

On May 7, 2003, he pleaded guilty to one count of U.S.C. §641, Theft of Public Money, and was sentenced to three years probation, six months home confinement, and ordered to make full restitution to the RRB.

- OI received another anonymous telephone call alleging that an RRB disability annuitant was working as a police officer in one Georgia town, and running for an elected office of sheriff. The RRB's District Office staff in Jacksonville, FL requested that the annuitant complete a Continuing Disability Report. The annuitant completed the form and indicated he was working for the police department and earning exactly \$400 a month.

OI special agents determined that the subject had earnings that exceeded the monthly and annual earnings limitation amounts during calendar years 1999 and 2000. His earnings totaled approximately \$2,000, \$10,000, \$7,500 and \$1,400 for calendar years 1998, 1999, 2000, and 2001, respectively. The investigation revealed that the subject had worked as a police chief in one town, a police officer in another town, and a truck driver from August 1998 through March 2001. The RRB calculated that he had fraudulently received \$26,324 in disability benefits. When interviewed, the subject denied any employment other than his position as a police officer.

The subject was charged in a six count indictment by a Federal Grand Jury in the District of Georgia for violation of Title 18, U.S.C. §1001, False Statements, and Title 45 U.S.C. §231I, Failure to make a report or furnish information required by the U.S. RRB. He pleaded guilty to four counts of Title 45 U.S.C. §231I. He was ordered to pay full restitution of \$26,324 to the RRB and a \$100 special assessment to the U.S. Department of Justice.

AFFIRMATIVE CIVIL ENFORCEMENT (ACE) PROGRAM

OI continues to pursue prosecution of cases under the Department of Justice's Affirmative Civil Enforcement Program. This program involves "fast track" civil prosecution of cases under the provisions of the Title 31, U. S. Code, Sections 3729-3733, The Civil False Claims Act. This statute allows the government to recover up to triple damages as well as \$5,000 to \$10,000 for each false claim submitted.

The Department of Justice is frequently obtaining double damages through these civil false claims prosecutions. The judgements obtained in these cases also provide the agency with an efficient and effective basis to pursue their collection activities.

The ACE Program continues to provide an efficient means to address fraud against agency programs, particularly where the fraud losses are below the financial guidelines for criminal prosecution. It also is an effective way to return fraud losses to the RRB's trust funds and create a deterrent against future fraud.

During this reporting period, two civil judgements under the ACE program were entered by Federal district courts which will result in the return of \$22,756 to the government when the funds are collected.

HOTLINE CALLS

The Office of Inspector General established its Hotline to receive complaints concerning suspected fraud, waste and abuse in RRB programs and operations. The Hotline provides an open line of communication for individuals to report suspected criminal activity, conflict of interest, mismanagement, and waste of RRB funds.

	<u>04/01/03-</u> <u>09/30/03</u>	<u>FY 2003</u>
Total Contacts: (Telephone Calls and Letters)	681	1263
Referred to: RRB-OIG, Office of Investigations	43	68
RRB Bureaus/Offices	340	632
Other Federal Agencies	11	27
RRB Medicare Carrier/Durable Medical Equipment Regional Carriers	6	13
Other (misdirected calls, follow up calls to agents, etc.)	225	402
Calls for which there was insufficient information to substantiate an allegation or to make a referral	56	121

LEGISLATIVE & REGULATORY REVIEW

The Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the agency, and to make recommendations in the semiannual report concerning the impact on the economy and efficiency of the agency's administration of its programs and on the prevention of fraud and abuse.

During this reporting period, the agency issued a regulation concerning the account benefits ratio calculation. The Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) requires the agency to calculate the account benefits ratio which will be used to determine the tier II tax rate for calendar years after 2003. The agency issued regulations explaining how it will compute the account benefits ratio and has interpreted terms used in the computation. The purpose of computing the account benefits ratio is to ensure that there are adequate funds to pay benefits due under the Railroad Retirement Act. The agency's regulations were issued to ensure compliance with the RRSIA. The OIG may review compliance with the RRSIA as part of its ongoing monitoring efforts.

A P P E N D I X A

REPORTS ISSUED

- Management Information Report - Compliance with SFFAS #17: "Accounting for Social Insurance," May 22, 2003
- Inspection Report - Actions Taken to Improve Internal Control Over Fixed Assets, August 20, 2003
- Review of the RRB's PIN/Password System for On-Line Authentication, September 8, 2003
- Review of the Systems Development Life Cycle for End-User Computing, September 8, 2003
- Fiscal Year 2003 Evaluation of Information Security at the Railroad Retirement Board, September 15, 2003
- Evaluation of the Sufficiency of Existing Data to Estimate the Impact of Improper Payments on the Railroad Retirement Act Benefit Program, September 17, 2003

A P P E N D I X B

OIG REPORTS WITH RECOMMENDATIONS THAT QUESTIONED COSTS

No activity during this reporting period.

OIG REPORTS WITH RECOMMENDATIONS FOR BETTER USE OF FUNDS

No activity during this reporting period.

A P P E N D I X C

REPORT ON RECEIVABLES, WAIVERS, AND RECOVERIES

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

Office of Audit

<u>Report</u>	<u>Funds to be put to better use</u>	<u>Funds Agreed by Management</u>	<u>Receivables Established</u>	<u>Waivers</u>	<u>Recoveries to date</u>
99-03	\$ 50,850	\$ 50,850	\$ 50,580	\$ 50,490	\$ 360
99-14	83,000	83,000*	34,423		30,584
99-16	48,000,000	48,000,000			
99-17	11,000,000	11,000,000			1,604,535**
00-16	235,000	235,000			253,846***

* This figure includes monies owed to the agency and overpayments which must be refunded.

** This figure represents case corrections that resulted in receivables, annuitant payments, employer tax credits and liabilities.

***This figure represents returned payments credited to debtor accounts.

Office of Investigations

Recoveries realized by the RRB resulting from court-ordered restitution and civil damages:

October 1, 1998 - March 31, 1999	\$ 344,465
April 1, 1999 - September 30, 1999	\$ 511,190
October 1, 1999 - March 31, 2000	\$ 495,402
April 1, 2000 - September 30, 2000	\$ 542,732
October 1, 2000 - March 31, 2001	\$ 457,015
April 1, 2001 - September 30, 2001	\$ 533,341
October 1, 2001 - March 31, 2002	\$ 403,384
April 1, 2002 - September 30, 2002	\$ 382,459
October 1, 2002 - March 31, 2003	\$ 533,346
April 1, 2003 - September 30, 2003	\$ 414,530

APPENDIX D

RRB MANAGEMENT REPORTS*

MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH DISALLOWED COSTS FOR THE SIX MONTH PERIOD ENDING SEPTEMBER 30, 2003

	<u>Number</u>	<u>Disallowed Costs</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	0	0
B. Audit reports on which management decisions were made during the period.	0	0
C. Total audit reports pending final action during the period.	0	0
D. Audit reports on which final action was taken during the period.		
1. Recoveries		
(a) Collections	0	0
(b) Property	0	0
(c) Other	0	0
2. Write-offs	0	0
3. Total of 1 and 2	0	0
E. Audit reports needing final action at the end of the period.	0	0

* The information contained in this section has been provided by RRB management.

**MANAGEMENT REPORT ON FINAL ACTION ON AUDITS
WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
FOR THE SIX MONTH PERIOD ENDING SEPTEMBER 30, 2003**

	<u>Number</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 end	3	\$ 59,136,196 *
B. Audit reports on which management decisions were made during the period.	0	0
C. Total audit reports pending final action during the period.	3	\$ 59,136,196
D. Audit reports on which final action was taken during the period.		
1. Value of recommendations implemented.	1	\$ 10,606,200
2. Value of recommendations that management concluded should not or could not be implemented.	0	0
3. Total of 1 and 2.	1	\$ 10,606,200
E. Audit reports needing final action at the end of the period.	2	\$ 48,529,996

* Comprised of the following amounts: \$48,000,000 from Audit Report 99-16, "Financial Interchange: Status of Prior Recommendations for Change;" \$10,606,200 from Audit Report 99-17, "Review of Supplemental Annuities;" and \$529,996 from Audit Report 01-11, "Review of the Quality of the Debt Recognition and Collection Process for Railroad Retirement Act Overpayments."

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING
AS OF SEPTEMBER 30, 2003**

<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Review of Quality Assurance Activities (97-06)	1/22/97	None	None	The remaining recommendation will be addressed as the agency develops a long-term quality assurance plan.
Review of Non-Priority Correspondence Handling (97-09)	3/13/97	None	None	The remaining recommendation will be addressed following conversion to new imaging software in fiscal year 2004.
Review of Duplicate Postings of Railroad Compensation (97-19)	7/31/97	None	None	Programming changes to suppress duplicate earnings referrals should be completed in fiscal year 2004 to close the remaining open recommendation.
Vested Dual Benefits Appropriations (98-15)	6/16/98	None	None	The agency will review the feasibility of benefit component accounting as part of its strategic planning for information technology and enterprise architecture.
Review of Computer Problem and Change Management Process (99-05)	2/12/99	None	None	The Bureau of Information Services has developed a service level agreement to monitor internal customer satisfaction.
Review of Railroad Unemployment Insurance Act Contributions (99-14)	9/21/99	None	None	The agency is completing programming changes needed to automate the reconciliation process for unemployment insurance reports and payments.

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING
AS OF SEPTEMBER 30, 2003**

<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Financial Interchange: Status of Prior Recommendations for Change (99-16)	9/28/99	None	\$48,000,000	The agency is awaiting a decision by the Social Security Administration on the method for reflecting unrecovered overpayments in Financial Interchange calculations.
Information Systems Security (INFOSEC) Assessment Report	6/28/00	None	None	The agency has implemented nine recommendations, and is working to close out the remaining six.
Review of Information Technology Contracts (00-15)	9/06/00	None	None	A post-implementation review of upgrades to the agency's wide-area network will close the remaining recommendation.
Review of Document Imaging - Railroad Unemployment Insurance Act Programs (01-01)	11/17/00	None	None	The agency hopes to close the remaining recommendation in fiscal year 2004 as backup capabilities are enhanced for all local area network servers.
Audit of the RRB's FY 2000 Financial Statements (01-03)	2/23/01	None	None	The Bureau of Information Services will address the remaining recommendation on problem reports pending availability of funds.
Timeliness of Desk Audit and Vacancy Announcement Processing by the Bureau of Human Resources (01-08)	6/28/01	None	None	The Bureau of Human Resources is developing a database system for tracking performance.

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING
AS OF SEPTEMBER 30, 2003**

<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Site Security Assessment for the RRB	7/20/01	None	None	The Bureau of Information Services has closed out nine recommendations, and is in the process of addressing the three remaining ones.
Review of the RRB's Contract with Comprehensive Health Service, Inc. For Disability Examinations and Services (01-10)	8/07/01	None	None	Final action on the remaining open recommendation requires completion of requested programming changes.
Review of the Quality of the Debt Recognition and Collection for RRA Overpayments (01-11)	8/09/01	None	\$ 529,996	The agency hopes to implement added quality control measures in fiscal year 2004 to address the report's last open recommendation.
Security Controls Analysis for the Office of Inspector General	8/17/01	None	None	The Bureau of Information Services closed 31 recommendations and is currently addressing the remaining 7.
Review of Information Security at the Railroad Retirement Board (02-04)	2/05/02	None	None	The Bureau of Information Services has closed 12 recommendations and is currently addressing the remaining 16.
Valuation of RRA Accounts Receivable (02-10)	8/19/02	None	None	The financial statements for fiscal year 2003 will reflect an adjustment for prematurely recorded receivables.
FY 2002 Evaluation of Information Security at the RRB (02-12)	8/27/02	None	None	This recommendation will stay open until all activities related to documenting the disaster recovery contract have been performed once and reviewed by the Office of Inspector General.

A P P E N D I X E

REPORTING REQUIREMENTS

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Section 5(a)(3) - Prior Significant Recommendations Not Yet Implemented	5
Section 5(a)(4) - Matters Referred to Prosecutive Authorities	20
Section 5(a)(5) - Instances Where Information Was Refused	None
Section 5(a)(6) - List of Audit Reports	34
Section 5(a)(7) - Summary of Each Significant Report	5
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs	35
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	35
Section 5(a)(10) - Summary of Each Audit Report Over 6 Months Old For Which No Management Decision Has Been Made	None
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	None

Management Requirements

Section 5(b)(1) - Comments Deemed Appropriate	Transmittal Letter
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REPORT

FRAUD, WASTE AND ABUSE



**Call the OIG Hotline:
1-800-772-4258**

E-mail: Hotline@oig.rrb.gov

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

**Write: RRB-OIG Hotline Officer
844 North Rush Street
Chicago, IL 60611-2092**