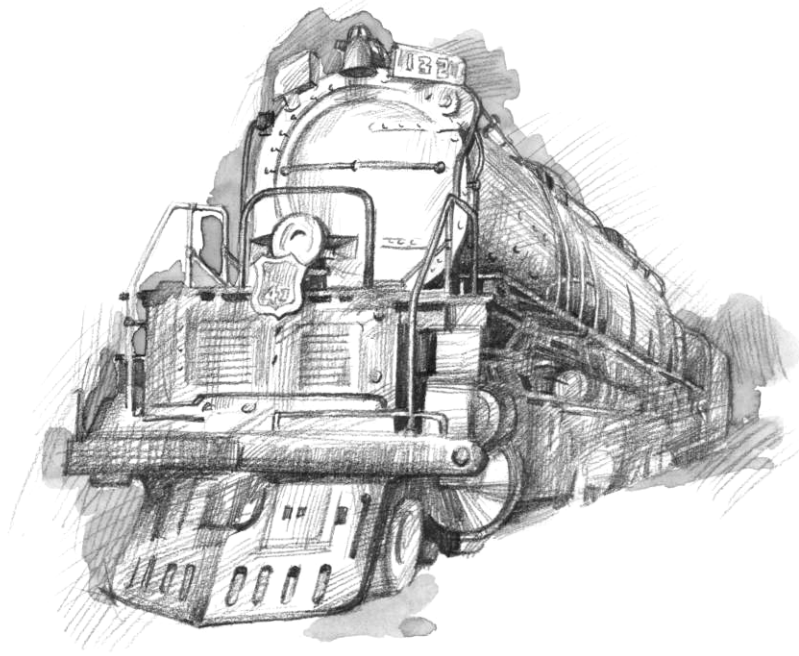


Semiannual Report to the Congress



**Office of Inspector General
Railroad Retirement Board**

October 1, 2007 to March 31, 2008



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

April 30, 2008

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, 2007 through March 31, 2008. 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 completed our audit of the RRB's Fiscal Year 2007 Financial Statements, issuing an unqualified opinion. We also issued a Statement of Concern entitled "National Railroad Retirement Investment Trust Lack of Provisions for Performance Audits". This statement expressed our concerns regarding the absence of performance audits and oversight of the National Railroad Retirement Investment Trust.

Our criminal investigators achieved 24 criminal convictions, 27 indictments and informations, 13 civil judgements and more than \$2.5 million in monetary accomplishments.

The Office of Inspector General sincerely appreciates the ongoing assistance extended to our staff during the performance of their audits and investigations. We look forward to a continued cooperative relationship to ensure efficiency in agency operations.

Sincerely,

A handwritten signature in blue ink that reads "Martin J. Dickman". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Martin J. Dickman
Inspector General

TABLE OF CONTENTS

INTRODUCTION

Railroad Retirement Board	1
Office of Inspector General	2

EXECUTIVE SUMMARY

<i>Audit/Evaluation Activities</i>	3
<i>Investigative Activities</i>	5
Investigative Accomplishments	7

OCTOBER 1, 2007 – MARCH 31, 2008 ACCOMPLISHMENTS

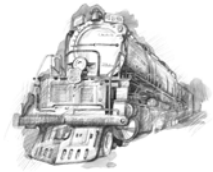
Office of Audit	8
Opinion on the Financial Statements	8
Report on Internal Control	9
Report on Compliance with Laws and Regulations	10
Management and Performance Challenges Facing the Railroad Retirement Board	10
Letter to Management	11
Statement of Concern: National Railroad Retirement Investment Trust Lack of Provision for Performance Audits	12
Compendium of Audit Recommendations Not Implemented as of January 22, 2008	14
Management Decisions and Implementation	15
Office of Investigations	16
Investigative Caseload Data	16

REPRESENTATIVE INVESTIGATIONS

Retirement/Survivor Benefit and Representative Payee Investigations	18
Disability Benefit Investigations	22
Unemployment & Sickness Insurance Investigations	24
Civil Enforcement Results	25
Employee Misconduct	26
Railroad Employer Fraud	27
Hotline Calls	28
Legislative & Regulatory Review	29
Outreach	31

Appendices

(A) OIG Reports Issued.....	34
(B) Inspector General Issued Reports with Questioned Costs.....	35
Inspector General Issued Reports with Recommendations that Funds Be Put to Better Use.....	36
(C) Report on Receivables, Waivers and Recoveries Office of Audit.....	37
Office of Investigations.....	38
(D) RRB Management Reports.....	39
(E) Reporting Requirements.....	44
(F) Acronyms.....	46
(G) Legal Citations.....	48



INTRODUCTION

Railroad Retirement Board

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the federal government. The Board consists of three members who are appointed by the President of the United States with the advice and consent of the Senate. One Board 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.

The agency administers comprehensive 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, 45 U.S.C. § 231, et. seq. and the Railroad Unemployment Insurance Act, 45 U.S.C. § 351 et. seq., respectively. The RRB also has administrative responsibilities for certain benefit payments under the Social Security Act and administers Medicare Part B, the physician services aspect of the Medicare program, for qualified railroad beneficiaries.

The agency's central mission is to pay accurate and timely benefits. During fiscal year (FY) 2007, RRB paid nearly \$9.7 billion in retirement and survivor benefits to approximately 600,000 beneficiaries. RRB also paid \$73 million in net unemployment and sickness insurance benefits to almost 28,000 claimants during the benefit year ending July 30, 2007. The Railroad Medicare Part B carrier, Palmetto GBA, paid approximately \$897 million in medical insurance benefits for more than 496,000 beneficiaries.

The RRB is an independent agency in the executive branch of the federal government.

During fiscal year 2007, RRB paid nearly \$9.7 billion in retirement and survivor benefits to approximately 600,000 beneficiaries.



Office of Inspector General

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

The RRB Inspector General is a Presidential Appointee who serves as an independent and objective voice to both the Board and the Congress. It is the Inspector General’s responsibility to promote economy, efficiency and effectiveness in the RRB’s programs. To that end, the OIG conducts audits/evaluations, management reviews, inspections of RRB program operations and provides recommendations for improvement to agency management. The OIG also identifies and investigates cases of waste, fraud and abuse in RRB programs. The OIG works closely with federal prosecutors and makes the appropriate referrals for criminal prosecution, civil prosecution or monetary recovery actions.

On December 26, 2007, President Bush signed the Consolidated Appropriations Act, 2008, P.L. 110-161 which stated in pertinent part “[T]hat funds made available under the heading in this Act, or subsequent Department of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Acts, may be used for any audit, investigation, or review of the Medicare program.” This restored the OIG’s ability to conduct RRB Medicare oversight.

The OIG has three operational components: the immediate Office of the Inspector General, the Office of Audit and the Office of Investigations. The office conducts operations from several locations: the headquarters of the RRB in Chicago, Illinois, an investigative field office in Philadelphia, Pennsylvania and domicile investigative offices in Arlington, Virginia and San Diego, California.

The health and welfare of our nation’s railroad workers and their families rely on the economy, efficiency and effectiveness in the RRB’s programs. It is the mission of the OIG to ensure these qualities exist in RRB programs.

The RRB Inspector General is a Presidential Appointee who serves as an independent and objective voice to both the Board and the Congress.

The OIG has three operational components: the immediate Office of the Inspector General, the Office of Audit and the Office of Investigations.



EXECUTIVE SUMMARY

Audit/Evaluation Activities

The United States Railroad Retirement Board, Office of Inspector General - Office of Audit (OA) conducts financial, performance and compliance audits. During this reporting period, OA's efforts were primarily directed at fulfilling the financial audit and information security evaluation requirements mandated by law. As resources permit, audit staff will undertake other audits, evaluations and monitoring activities that add value to agency operations.

Previous Congressional report language directed the OIG to perform their financial statement audit in-house using OIG staff. OA conducts the financial statement audit with technical assistance from contracted actuarial specialists. Financial statement audits are complex, extremely labor intensive and consume a large amount of staff resources.

During the reporting period of October 1, 2007 through March 1, 2008, OA completed their audit of the Railroad Retirement Board's Fiscal Year 2007 Financial Statements as published in the agency's Annual Performance and Accountability Report. Auditors issued an unqualified opinion on the financial statements reporting that the principal financial statement presented fairly, in all material respects, the financial position of the RRB for the fiscal years ended September 30, 2007 and 2006, and the financial condition of the railroad retirement program as of January 1, 2007. The accompanying report on internal control advised management that significant deficiencies in program management and access controls make the agency's information security program a continued source of internal control material weakness. The fact that the RRB does not have a consistent theory under which it computes the railroad retirement program fund balance for social insurance reporting was also cited as a material weakness. OA did report some agency improvements in financial reporting due to the implementation of previous OIG recommendations. Although the process has been strengthened, the corrective action has not been in operation for a full fiscal year. Accordingly, OA continues to cite financial reporting as an area of significant deficiency in internal control pending a full year of

The Office of Audit conducts financial, performance and compliance audits.

OA issued an unqualified opinion on the agency's FY 2007 Financial Statements.



experience. In total, this report offered 25 recommendations for corrective action. Management concurred with all recommendations but is unable to implement one.

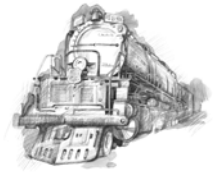
In connection with the financial statement audit, OA also issued a statement entitled “Management and Performance Challenges Facing the Railroad Retirement Board”. This statement is prepared pursuant to the Reports Consolidation Act of 2000 and the requirements of Office of Management and Budget (OMB) Circular A-136. This Circular requires IGs to identify the most serious management challenges facing their parent agency and to briefly assess the agency’s progress in addressing those challenges. OIG identified information technology security, safeguarding privacy and performance measurement as the most serious management challenges.

On March 31, 2007, OA issued a Statement of Concern entitled “National Railroad Retirement Investment Trust Lack of Provision for Performance Audits”. This statement expressed the OIG’s concerns regarding the absence of performance audits and oversight of the National Railroad Retirement Investment Trust (NRRIT).

Pursuant to a December 7, 2007 request from the United States House of Representatives’ Committee on Oversight and Government Reform, OA issued a compendium of OIG audit recommendations issued after January 1, 2001 and not implemented by RRB management as of January 22, 2008.

The FY 2007 financial statements audit as well as the March 31, 2007 Statement of Concern and the compendium are discussed in further detail on pages 8 through 14.

The OIG issued a Statement of Concern regarding the National Railroad Retirement Investment Trust.



Investigative Activities

The Office of Investigations (OI) focuses its efforts on identifying, investigating and presenting cases for prosecution concerning fraud in RRB benefit programs. OI conducts investigations throughout the United States relating to the fraudulent receipt of RRB sickness, unemployment, disability, retirement or RRB Medicare benefits. OI investigates railroad employers and unions when there is an indication that they have submitted false reports to the RRB. OI also investigates allegations of misconduct by RRB employees. Investigative efforts can result in criminal convictions, civil penalties, administrative sanctions and/or the recovery of program benefit funds.

As previously discussed, P.L.110-161 restored OI's ability to investigate allegations of fraud in the RRB Medicare program. OI is actively investigating 11 RRB Medicare fraud cases and has an additional 38 referrals under review. All of these cases are being worked jointly with the Department of Health and Human Services, the Office of Personal Management or other agencies responsible for investigating healthcare fraud.

During this reporting period, OI achieved 24 convictions, 27 indictments and/or informations, 13 civil judgements and almost \$2.5 million in monetary accomplishments. OI also had six arrests and 61 referrals to the Department of Justice. They also had \$755,960 in investigative recoveries from completed cases. Investigative recoveries are settled fraud amounts that can be recouped through administrative recovery action by the RRB.

Retirement/Survivor benefit fraud investigations typically involve either: (1) the failure to report disqualifying information, such as continued employment; (2) the failure to report the death of an annuitant; or (3) the failure to report a surviving spouse's remarriage. During this reporting period, RRB Special Agents have investigated diverse fraud schemes such as: (1) a survivor annuitant's failure to report a subsequent marriage; (2) an annuitant's spouse failure to report the annuitant's death; (3) an annuitant's representative payee stealing RRB annuity checks for his own personal use while not paying for the annuitant's nursing home care; (4) an annuitant's

Public Law 110-161 restored OIG's ability to investigate RRB Medicare fraud cases.

OI is actively investigating 11 RRB Medicare fraud cases and has an additional 38 referrals under review.

During this reporting period, OI achieved 24 convictions, 27 indictments and/or informations, 13 civil judgements and almost \$2.5 million in monetary accomplishments.



daughter committing identity theft to cash RRB checks; and (5) two separate cases where the annuitants' children failed to report the annuitants' death.

Disability benefit investigations often involve larger financial amounts and more sophisticated schemes. During this reporting period RRB Special Agents investigated a variety of disability fraud schemes, such as: (1) a Railroad employee posing as his brother for twenty-five years in order to hide his felony convictions; (2) an annuitant concealing his corporate ownership and self-employment; and (3) an annuitant failing to report his wages in excess of the allowable amount.

Unemployment Insurance (UI) and Sickness Insurance (SI) benefit fraud typically involves claimants applying for and receiving benefits while failing to report their wages from an employer. A majority of these cases are referred to the OIG from the RRB's Disability, Sickness and Unemployment Benefits Division.

RRB Special Agents also investigate allegations of misconduct by RRB employees. During this reporting period, an RRB employee was suspended for accessing and viewing pornographic images on his work computer during duty hours.

The OIG has authority to investigate allegations of fraudulent activity by railroad employers and unions when there is an indication that they have submitted false reports to the RRB. During this reporting period, RRB Special Agents investigated a railroad employer who fraudulently reported his employees' compensation to the Social Security Administration instead of the RRB and a railroad employee who utilized false documentation to gain employment.

From October 1, 2007 through March 31, 2008, the RRB collected nearly \$800,000 as a result of criminal and civil judgements related to OI investigations.

A sample of OI fraud cases closed during this reporting period are discussed in more detail on pages 18 to 27.

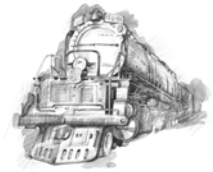
During this reporting period, the RRB collected nearly \$800,000 as a result of criminal and civil judgements related to OI investigations.



Investigative Accomplishments

Action	October 1, 2007 – March 31, 2008
Convictions	24
Civil Judgements	13
Indictments/Informations	27
Investigative Recoveries*	\$755,960
Restitution and Fines	\$949,202
Civil Damages and Penalties	\$659,650
Potential Economic Loss Prevented (PELP)	\$131,353
Disciplinary/Administrative Actions	1
Civil Complaints	7
Criminal Complaints	3
Arrests	6
Department of Justice Referrals	61

*Investigative recoveries are fraud amounts that can be recouped through administrative recovery action by the RRB.



OCTOBER 1, 2007 THROUGH MARCH 31, 2008 ACCOMPLISHMENTS

Office of Audit

OA conducts financial, performance and compliance audits and evaluations. OA also supports the OIG's mission by identifying and developing issues of concern. OA, through the Inspector General, works to inform the Board Members and Congress of RRB programs and operations that require corrective action and makes recommendations for improvement. During this reporting period, OA efforts have been directed primarily to fulfilling the financial audit and information security evaluation requirements mandated by law. OA also developed a Statement of Concern expressing the OIG's concerns about the sufficiency of oversight for the NRRIT.

Opinion on the Financial Statements – November 15, 2007¹

During the reporting period of October 1, 2007 through March 31, 2008, OA completed its audit of the Railroad Retirement Board's comparative financial statements for the fiscal years ended September 30, 2007 and 2006. The OIG offered an unqualified opinion on the financial statements, concluding that the financial statements, including accompanying notes presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the financial position of the RRB, its consolidated net cost of operations and changes in net position, and combined budgetary resources as of and for the fiscal years ended September 30, 2007, and 2006; and the financial condition of the Railroad Retirement program as of January 1, 2007 and 2006.

¹ The OIG released its opinions on the RRB's FY 2007 financial statements on November 15, 2007, for publication in the agency's annual performance and accountability report. However, the auditor's opinion is dated as of November 2, 2007, except for matters relating to the fair market value of the net assets of the NRRIT as to which the date is November 15, 2007.

OA also supports the OIG's mission by identifying and developing issues of concern.

OA works to inform the Board Members and Congress of RRB programs and operations that require corrective action and makes recommendations for improvement.



In addition, OA's opinion alerted readers to the magnitude of assets held and invested by the NRRIT which represented 86% of agency assets and 24% of financing sources for FY 2007. The report also reminded readers of the Railroad Retirement program's dependence on the Social Security program for financing which amounted to about 26% during FY 2007.

Report on Internal Control

In conjunction with its opinion on the RRB's financial statements, OA reported 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 OMB audit guidance, not to express an opinion on internal control. OA considered internal control during FY 2007 and concluded that RRB management had completed action to address previously reported weaknesses in controls over performance measurement, the actuarial projection process and compliance with the Prompt Payment Act. However, agency efforts to correct weaknesses in its information security program were not yet complete and the previously reported material weakness continues to exist. OA continued to identify financial reporting as an area of significant deficiency because recently implemented controls have not been in place and operating for a period sufficient to permit evaluation.

OA also identified a material weakness, not previously reported, in the method used to develop the social insurance fund balance for the Railroad Retirement program.² OA cited the RRB for inconsistencies in the method used to compute its social insurance fund balance which undermine management's assertion of best estimate and make comparative presentation less meaningful.

²A 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 financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential

In planning and performing the audit of the agency's financial statements, OA considered the RRB's internal control over financial reporting and compliance.



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 effect on the RRB's basic financial statements.

OA's tests of compliance with selected provisions of laws and regulations disclosed no instances of non-compliance that are reportable under U.S. generally accepted government auditing standards or OMB guidance. However, the objective of OA's audit was not to provide an opinion on overall compliance with laws and regulations and they did not offer an opinion on such compliance.

Management and Performance Challenges Facing the Railroad Retirement Board

OA's statement entitled "Management and Performance Challenges Facing the Railroad Retirement Board" is published in RRB's Performance and Accountability Report. OIG identified information technology security, safeguarding privacy and performance measurement as the most serious management challenges.

Information security means protecting information and information systems in order to provide confidentiality, integrity and availability. The RRB is still in the process of developing an information security management program that complies with the requirements of the Federal Information Security Management Act (FISMA) and the National Institute of Standards and Technology. Although the agency is making progress, this is a significant undertaking and can be expected to present a challenge during the coming years.

will not be prevented or detected. A control deficiency 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 or detect misstatements on a timely basis.

OA's tests of compliance with selected provisions of laws and regulations disclosed no instances of non-compliance that are reportable under U.S. generally accepted government auditing standards or OMB guidance.

OIG identified information technology security, safeguarding privacy and performance measurement as the most serious management challenges.



The RRB collects and retains sensitive personally identifiable information about its beneficiaries and employees which needs to be safeguarded from unauthorized disclosure. During FY 2007, OA identified weaknesses in this arena. The agency responded positively to OA's recommendations and is working on implementation. However, OA continues to identify safeguarding privacy as a management challenge.

In anticipation of expanded OMB oversight, OA cites performance reporting as a management challenge. RRB is working towards strengthening internal controls over the performance measurement and reporting process.

In anticipation of expanded OMB oversight, OA cites performance reporting as a management challenge.

Letter to Management – March 6, 2008

During the financial statement audit, OA identified other matters related to internal control that were not consider to be material weaknesses or significant deficiencies which were reported to RRB management in a separate letter. The March 6, 2008 Letter to Management offered 25 recommendations to strengthen internal control over financial reporting by improving the underlying processes of voucher preparation, documentation maintenance and the statement review and approval process.

The March 6, 2008 Letter to Management offered 25 recommendations to strengthen internal control.

In addition, auditors recommended that management work to eliminate the use of outdated information about the value of NRRIT held assets in the RRB's quarterly financial reports. Since the NRRIT is a non-governmental entity independent of the RRB³, the RRB must rely on the NRRIT to provide monthly information which allows them to calculate the change in the NRRIT's net asset value. This monthly information is provided pursuant to a memorandum of understanding (MOU) between the RRB, NRRIT, OMB and the Department of the Treasury. This MOU permits the NRRIT to report its balances on a one month delay. For example, for the period ending June 30, 2007, the RRB reported NRRIT net assets as valued on May 31, 2007, which resulted in an overstatement of the RRB's assets of about

³ Under provisions of the Railroad Retirement Survivors' Improvement Act (RRSIA), the NRRIT is not a department, agency, or instrumentality of the Government of the United States and shall not be subject to Title 31, United States Code.



\$200,000,000. The Department of the Treasury had previously expressed concerns regarding timely and consistent reporting of NRRIT balances for interim periods and has asked the RRB to place more emphasis on eliminating the one month delay.

Specifically, OA recommended that the RRB:

- work with the NRRIT to obtain reports of NRRIT net assets within timeframes that will support the RRB's interim financial reporting responsibilities;
- include footnote disclosure for the use of any out-of-date information; and
- advise recipients of interim financial reports prepared with out-of-date information of the correct amount when it becomes available and the related discrepancy.

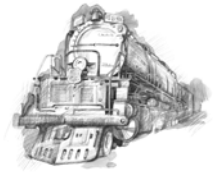
RRB management contacted NRRIT regarding elimination of the one month delay and NRRIT responded that it was not possible to eliminate this delay. However, RRB did agree to include footnotes and provide up-to-date information when it becomes available.

OA appreciates the cooperation extended by the agency during the financial statement audit and OA will continue to work with RRB to monitor their progress and implementation of these recommendations.

Statement of Concern: National Railroad Retirement Investment Trust Lack of Provision for Performance Audits

The Railroad Retirement Survivor's Improvement Act of 2001 (RRSIA) amended the Railroad Retirement Act (RRA) to create the National Railroad Retirement Investment Trust (NRRIT). The sole purpose of the NRRIT is to manage and invest railroad retirement assets in a diversified investment portfolio similar to those of private sector retirement plans. The NRRIT is a non-governmental entity independent of the RRB and is administered by seven trustees. At the end of FY 2007, the NRRIT reported net assets of \$32.6 billion

At the end of FY 2007, the NRRIT reported net assets of \$32.6 billion representing approximately 97% of the RRB's net financial position.



representing approximately 97% of the RRB's net financial position. The OIG has concerns about the effectiveness of oversight for the NRRIT.

The RRSIA only requires an annual audit of the NRRIT's financial statements. It also gave the RRB legal standing to bring a civil action against the NRRIT, its Board of Trustees, its employees or agents if the agency believes that the NRRIT is not in compliance with the requirements of RRSIA. However, that authority is not supported by an adequate oversight program. RRSIA did not require, or otherwise provide for, audits of compliance with laws and regulations or evaluation of management performance. As a result, no provision has been made to provide RRB management with the information necessary to determine whether any enforcement action is necessary. The OIG is concerned that the financial audit process is often mistakenly believed to be more comprehensive and to provide more assurance than intended. Annual financial statement audits are not designed to address all areas of potential risk that should be included in a comprehensive oversight program and is not adequate to support the RRB's enforcement responsibility. Additionally, because the NRRIT is not a publicly held company, it is not subject to the requirements of the Sarbanes-Oxley Act of 2002, the standards promulgated by the Public Company Accounting Oversight Board or the authority of the Security and Exchange Commission.

The specific requirement for an annual financial audit and lack of provision for any other type of audit or oversight activity has been interpreted by the OIG to exclude the NRRIT from the OIG's audit and investigative responsibilities. NRRIT oversight is incomplete because RRSIA did not require any oversight activity that directly supports the RRB's enforcement authority. As noted above, the NRRIT plays a critical role in the financing and future solvency of the Railroad Retirement program.

The OIG's Statement of Concern observes that the similarly situated Thrift Savings Plan, the retirement investment program for federal employees and members of the uniformed services, is subject to ongoing performance audits as mandated by law. Performance audits can provide objective analysis to assist management and those charged with governance such as the NRRIT's Board of

The OIG has concerns about the effectiveness of oversight for the NRRIT.

NRRIT oversight is incomplete because RRSIA did not require any oversight activity that directly supports the RRB's enforcement authority.



Trustees, their managers and most importantly the RRB with detailed information to improve program performance and operations.

Compendium of Audit Recommendations Not Implemented as of January 22, 2008

Pursuant to a December 7, 2007 request from the United States House of Representatives' Committee on Oversight and Government Reform, OA issued a compendium of OIG audit recommendations issued after January 1, 2001, and not implemented by RRB management as of January 22, 2008. This compendium provided a description and status for:

- 176 recommendations issued in connection with OIG audits, evaluations and inspections, as well as technical specialists under contract to the OIG;
- eight recommendations which were offered as a result of high-level analysis and communicated in proposals urging RRB management to innovate through reinvention; and
- two pending requests for legislative change that have been included in the OIG's budget justification.

Pursuant to a December 7, 2007 request from the United States House of Representatives' Committee on Oversight and Government Reform, OA issued a compendium of audit recommendations not implemented as of January 22, 2008.



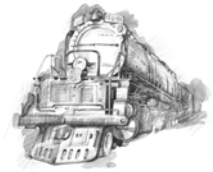
Management Decisions and Implementation

The OIG tracks the status of corrective actions for all audit/evaluation 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/evaluation recommendations.

The OIG tracks the status of corrective actions for all audit/evaluation recommendations.

Management Decisions for Recommendations	
Requiring Management Decision on October 1, 2007	0
Pending Management Decision for New Recommendations	0
Management Decision on Previous Recommendations	0
Recommendations Pending Management Decision on March 31, 2008	0

Corrective Actions	
Recommendations Requiring Action on October 1, 2007	189
Recommendations Issued During Reporting Period	25
Corrective Actions Completed During Reporting Period	52
Recommendations Rejected During Reporting Period	2
Final Actions Pending on March 31, 2008	160



Office of Investigations

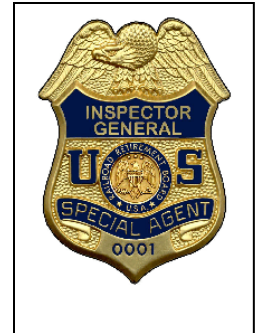
Investigative Caseload Data

During this semiannual reporting period, OI opened 103 investigations and closed 117 cases. The major referral sources for the cases opened between October 1, 2007 and March 31, 2008 are listed below:

Source of Referral	Percentage
RRB Headquarters	49%
Hotline	17%
Other	17%
RRB Field Offices	8%
Other Federal Agencies	5%
RRB Employees	3%
OIG Developed	1%

To gather evidence and further investigations, OIG Special Agents have a wide range of investigative tools including the Federal Grand Jury procedure and the Inspector General Subpoena. The following table summarizes OI's use of these investigative tools from October 1, 2007 through March 31, 2008.

Type of Subpoena Served	Number Served from October 1, 2007 – March 31, 2008
Inspector General Subpoena	61
Federal Grand Jury Subpoena	73



During this semiannual reporting period, OI opened 103 investigations and closed 117 cases.



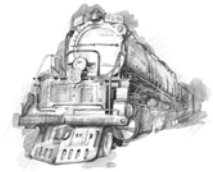
OI's current caseload totals 442 criminal matters, representing approximately \$11.5 million in fraud against the RRB. The potential fraud losses by case type are listed below.

Type of Case	Number of Cases	Percentage of Cases	Potential Fraud Losses
Disability	210	48%	\$7,027,135
Unemployment/Sickness	82	19%	\$507,793
Retirement	68	15%	\$2,069,965
Spouse/Dependent	24	5%	\$537,458
Other	14	3%	\$332,845
Representative Payee	14	3%	\$165,131
Medicare	11	2%	\$874,845*
Railroad Employer	9	2%	\$0**
Employee	5	1%	\$35,907
Threats	3	1%	\$0
Student	1	0.5%	\$4,852
Commercial Fraud	1	0.5%	\$0**

OI's current caseload totals 442 criminal matters, representing approximately \$11.5 million in fraud against the RRB.

* This amount represents potential losses for only two of the eleven open Medicare investigations. The other nine open Medicare investigations have undetermined fraud losses at this time.

** Potential fraud losses are undetermined at this time.



REPRESENTATIVE INVESTIGATIONS OCTOBER 1, 2007 – MARCH 31, 2008

Retirement/Survivor Benefit and Representative Payee Investigations

The Railroad Retirement Act provides retirement benefits for qualified railroad workers and their families. RRB retirement/survivor benefit and representative payee fraud typically involves the theft and/or fraudulent cashing of retirement benefit checks by someone other than the authorized RRB annuitant. A second common retirement benefit scenario involves an individual failing to report information to the RRB that may disqualify the annuitant from receiving benefits. During this reporting period, OI obtained eight convictions for these types of fraud cases. The defendants received sentences totaling 27 months in prison and 26 years probation. They were also ordered to pay \$596,696 in restitution and \$381 in fines. OI had 4 civil judgements worth \$207,009 in civil damages and penalties.

Examples of cases completed during this reporting period follow.

RRB Survivor Annuitant Fails to Report Disqualifying Marriage

Based upon an agency referral, OI initiated an investigation against an individual who received a survivor annuity to care for a disabled child. Subsequent investigation revealed that the annuitant failed to notify the RRB that she remarried in December 1999. The annuitant failed to report her remarriage to the agency to prevent her annuity from being canceled. Her concealment caused the agency to overpay her \$102,726 in benefits. This case was referred to the United States Attorney's Office (USAO) for the Eastern District of Arkansas for criminal prosecution. The USAO filed an one count misdemeanor information against the annuitant. The U.S. District Court sentenced the annuitant to three years probation, restitution in the amount of \$102,726 and a special assessment fee of \$25.

The defendants in RRB retiree/survivor and representative payee fraud cases received sentences totaling 27 months in prison and 26 years probation.



Returned Mail Leads to Six Months Incarceration and \$132,968 in Restitution

This case was initiated because mail addressed to an RRB annuitant was returned as undeliverable. A death record search determined that the annuitant had passed away in September 1991. Subsequent investigation by OI Special Agents revealed that the spouse failed to disclose and intentionally concealed the annuitant's death from the RRB in order to continue collecting the annuitant's RRB pension. In fact, from September 1991 until April 2003 the annuitant's spouse caused the RRB to fraudulently pay her \$132,968.

During the course of this investigation, it was determined that the Department of Veteran Affairs (VA) – Office of Inspector General also had a pending investigation on the RRB annuitant's spouse. It was determined that the spouse was not only fraudulently receiving RRB benefits but was also fraudulently receiving VA benefits. The spouse continued to collect VA survivor benefits from her first spouse by knowingly concealing her subsequent marriage to the RRB beneficiary.

This case was referred to the USAO for the Eastern District of Pennsylvania. The spouse pled guilty to a two count information (one count for VA fraud and the second count for RRB fraud) for False Statements and Theft of Government Funds. The spouse was sentenced to six months incarceration, three years supervised probation, a \$200 special assessment, \$136,948 in restitution to the VA and \$132,968 in restitution to the RRB.

Failure to Pay Nursing Home Bill Results in OIG Referral

A nursing home contacted the local RRB District Office notifying them that the medical bills for an RRB surviving spouse annuitant had not been paid for over seven months. It was determined that the annuitant's son acted as her representative payee. Subsequent investigation by OI Special Agents determined that from January 2004 through June 2005, the son used his mother's annuity for his own personal use and gain. It was also determined that the son had



attempted to defraud Medicaid by fraudulently requesting an increase of his mother's Medicaid benefits. To further this fraud, the son contacted the Kansas State Medicaid Office claiming that the RRB had suspended his mother's benefit checks. During an interview with an RRB Special Agent and a Kansas State Investigator, the son confessed to converting his mother's RRB annuity for his own personal use.

This case was referred to the Kansas Attorney General's Office. The son was charged with an one count felony under Kansas Code, Theft by Deception. He was sentenced to six months suspended confinement, 12 months probation and restitution in the amount of \$14,423.

Annuitant's Daughter Convicted of Identity Theft

An RRB survivor annuitant contacted her local RRB District Office and reported that her daughter had stolen her RRB annuity check. OI's investigation revealed that the daughter fraudulently collected and cashed her mother's annuity check using counterfeit identification. This case was referred to the Kansas Attorney General's Office for prosecution. The daughter entered into a plea agreement and pled "no contest" to one felony count for Identity Theft. She was sentenced to 15 months suspended confinement, 60 months probation and restitution in the amount of \$1,114.

Retired Philadelphia Firefighter Fraudulently Cashes \$147,921 in RRB Benefit Checks

A retired Philadelphia firefighter failed to report his mother's death and fraudulently received \$147,921 in RRB benefits. A mortality match between the Social Security Death Index database and the agency's database indicated that an RRB beneficiary in current pay status had actually passed away in November 1991. Subsequent investigation by OI Special Agents revealed that the annuitant's son failed to report her death to the RRB and continued to collect her benefit checks until August 2006. During an initial interview with OI Special Agents the son denied cashing the benefit checks. Shortly after the interview, the son disappeared. After repeated attempts to



contact the son, he eventually contacted OI Special Agents and confessed. This case was referred to the USAO for Eastern District of Pennsylvania. The son pled guilty to one count of Conversion of Government Funds. He received one day imprisonment, a \$100 special assessment fee and restitution in the amount of \$147,921.

***Daughter of Deceased Annuitant Fraudulently
Receives \$140,937 in Benefits***

A Texas woman failed to report her mother's death to the RRB and fraudulently received \$140,937 in benefits. The Social Security Death Index database indicated that the RRB annuitant passed away in April 1997; however, the RRB continued to issue annuity checks in her name until January 2007. The U.S. Department of Treasury, Financial Management Center unsuccessfully attempted to reclaim the RRB annuity funds.

Subsequent investigation by OI Special Agents revealed that from May 1997 through January 2007 the deceased annuitant's daughter continued to withdraw the RRB benefit funds from their joint account. Soon after the daughter was notified of the reclamation attempt, she filed for bankruptcy. This case was referred to the USAO for the Eastern District of Texas. The Assistant United States Attorney filed a consent judgement in the U.S. Bankruptcy Court asking that the RRB's claim not be discharged during the bankruptcy action. The U.S. Bankruptcy Judge issued an abstract judgement in the amount of \$140,937 plus interest. The daughter signed an entry of consent judgement acknowledging her liability and agreeing to make monthly installment payments to the United States. A lien was also placed on all current and all future real estate owned by the daughter.



Disability Benefit Investigations

OI also conducts fraud investigations relating to the RRB's disability program. These cases typically involve larger financial amounts and more sophisticated schemes. Railroad workers who are awarded a disability annuity by the RRB are subject to work restrictions and earnings limitations.

During this reporting period, OI obtained eight convictions and three civil judgements in disability fraud cases. The defendants received sentences totaling five months imprisonment and 15.5 years probation. They were also ordered to pay \$285,188 in restitution, \$2,325 in fines and \$178,381 in civil damages/penalties.

Descriptions of several cases follow.

Railroad Employee Poses as Brother for Twenty-Five Years

A railroad employer contacted the U.S. Postal Inspection Service (USPIS) because they discovered that one of their annuitants had passed away and someone was still collecting his checks. The USPIS contacted the OIG and it was determined that the deceased individual was also still receiving RRB annuity checks.

During the course of the joint investigation between the OIG and the USPIS, it was discovered that an individual with prior multiple felony convictions assumed the identity of his brother in order to hide his convictions and gain railroad employment. He worked under his brother's identity for over 25 years. In April 2002, that individual applied for and received an RRB disability annuity. He also applied for and received a pension from his railroad employer. The private railroad employer discovered that the brother, whom they believed was a former employee and pension annuitant, passed away in May 2002. It was also determined that in addition to the railroad pension and the RRB disability annuity, the subject individual was also collecting social security benefits under his own identity. The subject of the investigation passed away in July 2007 before any judicial action could be brought against him. However, the RRB funds which

RRB disability fraud defendants received sentences totaling five months imprisonment and 15.5 years probation.



were deposited into his bank account were recouped through a Seizure Warrant and the agency was made whole.

This case will be featured on Fox News in Chicago during a special segment highlighting OIG's fraud work.

Annuitant Sentenced to Five Months Imprisonment

This case was discovered through a wage match with the Social Security Administration. The wage match indicated that the annuitant had self-employment wages posted under his social security number in excess of the allowable amount. The annuitant concealed his ownership and self-employment as a tour bus operator during several interviews with RRB representatives. In fact, during one of these interviews, an RRB representative observed the annuitant answering business related cell phone calls. OI Special Agents interviewed the annuitant who admitted to concealing his self-employment so he could continue to receive RRB disability benefits. This case was referred to the USAO for the Eastern District of Tennessee for prosecution. A criminal indictment was filed against the annuitant for Wire Fraud and False Statements. The United States District Court for the Eastern District of Tennessee ordered the annuitant to five months imprisonment, five months home detention, a \$200 assessment and restitution in the amount of \$57,832 to the RRB.

Disability Annuitant Ordered to Repay \$100,000

OI initiated an investigation of an RRB disability annuitant based upon a referral from the agency. Subsequent investigation revealed that during the period of January 2000 through November 2002 the annuitant earned wages in excess of the allowable amount established by the Railroad Retirement Act. During an interview with RRB Special Agents, the annuitant confessed that he had earned wages above the allowable amount and was not entitled to \$57,489 in RRB disability annuity. This case was referred to the USAO for the Southern District of New York. The annuitant entered into a settlement agreement with the USAO agreeing to make restitution in the amount of \$100,000 for violations of the False Claims Act.



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 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 also have wages reported to the state during the same period of time when they are receiving UI or SI benefits from the RRB.

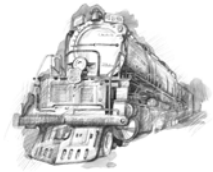
During this reporting period, OI obtained seven convictions and five civil judgements for UI and SI fraud. Defendants in these cases received, in the aggregate, 12 days in jail and 17 years probation. They were also ordered to pay \$62,167 in restitution, \$2,445 in fines and \$253,260 in civil damages/penalties.

The following is an example of a case completed during this reporting period.

Unemployment Claimant Submits Fourteen False Statements to the Railroad Retirement Board

OI initiated an investigation of an RRB unemployment insurance claimant based upon an agency referral. OI determined that the claimant applied for unemployment benefits on the same days he was working and being paid by an employer. During the period July 2004 through January 2005 he submitted a total of 14 false claims when applying for benefits by intentionally not reporting his employment to the RRB. His actions resulted in the theft of \$5,880 in SI benefits. The case was referred to the USAO for the Eastern District of New York, Brooklyn. The claimant entered into a settlement agreement for the violations of the False Claims Act and agreed to make restitution in the amount of \$6,000 to the RRB.

During this reporting period, OI obtained seven convictions and five civil judgements for UI and SI fraud cases.



Civil Enforcement Results

OI also pursues civil actions to obtain judicial orders for the recovery of funds fraudulently obtained by annuitants or claimants. These civil actions are typically brought under the provisions of the False Claims Act. This statute allows the government to recover up to treble damages as well as \$5,500 to \$11,000 for each false claim submitted. Some of these civil actions are pursued under the Department of Justice's Affirmative Civil Enforcement (ACE) program which provides a fast track prosecution mechanism.

During this reporting period, a total of 13 civil judgements were entered by U.S. District Courts that will result in \$659,650 being repaid to the government.

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

The following is an example of an ACE case.

Annuitant Pays \$26,615 Plus a \$5,500 Penalty to Settle Civil Suit

A Wisconsin annuitant failed to report wages earned in excess of the allowable limitations. His failure to report these wages caused the RRB to pay him \$26,615 in retirement benefits he was not eligible to receive. During an interview with OI Special Agents, the annuitant admitted that he knowingly failed to report this income to the RRB.

This case was referred to the USAO for the Western District of Wisconsin for civil prosecution. The USAO filed a civil complaint for violation of the False Claims Act and the annuitant entered into a consent judgement agreeing to repay the RRB \$26,615 plus a civil penalty of \$5,500.

U.S. Department of Justice's Affirmative Civil Enforcement program provides a fast track civil prosecution for some of OI's fraud cases.

Affirmative Civil Enforcement prosecutions are an effective way to return fraud losses to the RRB's trust fund and they also create a deterrent against future fraud.



Employee Misconduct

OI also investigate allegations of Railroad Retirement Board employee misconduct.

RRB Employee Suspended for Ten Work Days

This investigation of an RRB employee was initiated based upon an agency referral. This referral indicated that the RRB Intrusion Detection System had alerted agency personnel to a potential inappropriate use of RRB computer equipment. Subsequent investigation by OI Special Agents revealed that an agency employee utilized his computer to access and view pornographic images. During an interview with OI Special Agents, the employee admitted to viewing pornographic material on his agency computer during duty hours. The employee was suspended for ten working days for violating agency policy.

OI also investigates allegations of RRB employee misconduct.



Railroad Employer Fraud

OI also investigates allegations of fraud by railroad employers and unions when there is an indication that they have submitted false reports to the RRB.

Railroad Employer Fraudulently Reports Compensation under Social Security to Avoid Paying Higher RRB Taxes

This case was initiated when OI detected a railroad employer who had reported little or no employees from 1994 through 2005. Investigation by OI revealed that the employer submitted fraudulent service and compensation reports. The employer knowingly failed to report \$977,602 in creditable Tier I and Tier II compensation and \$549,396 of Railroad Unemployment Compensation to the RRB. Failure to report these funds caused the employer to underpay Tier I and Tier II taxes by \$349,060 and Railroad Unemployment Insurance Act (RUIA) contributions by \$42,703.

During investigation, it was discovered that the employer reported these employees and \$977,602 in compensation to the Social Security Administration in order to avoid paying higher RRB taxes.

This case was referred to the USAO for the District of Colorado. The USAO negotiated a settlement agreement with the employer for repayment of the RUIA contributions in the amount of \$21,000. The case has been referred to the RRB's Audit and Compliance section for administrative action to recover the underpaid Tier I taxes.

Railroad Employee Referred to the U.S. Immigration and Customs Enforcement

This case was based upon an agency referral. OI's investigation revealed that an individual utilized a fraudulent Permanent Resident Card and false social security number in order to gain railroad employment. OI Special Agents referred this case to the U.S. Immigration and Customs Enforcement Department for further action.

OI investigates allegations of fraud by railroad employers and unions.



Hotline Calls

The OIG 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, conflicts of interest and mismanagement/waste of RRB funds. During this reporting period, OIG updated their Hotline web page to include additional reporting guidance making it more user-friendly, including adding information regarding anonymous reporting.

OIG received 407 Hotline contacts during this reporting period. The following table summarizes the subsequent Hotline referrals for the period October 1, 2007 through March 31, 2008.

Referral Activity	Number of Hotline Referrals From October 1, 2007 – March 31, 2008
RRB District or Regional Office	160
Other (Misdirected Calls, Follow-up Calls to Agents, etc.)	158
OIG - Office of Investigations	39
Calls With Insufficient Information to Make Appropriate Referrals	28
Other Federal Agencies	9
RRB Bureaus	6
Additional Information is Required Before Disposition can be Determined	5
RRB Medicare Carrier/ Durable Medical Equipment Carrier	2
OIG - Office of Audit	0
Local or State Agencies	0

The OIG established its Hotline to receive complaints concerning suspected fraud, waste and abuse in RRB programs and operations.

OIG received 407 Hotline contacts during this reporting period.



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. It also requires the Inspector General to make recommendations in the semiannual report concerning the impact of its activities on the economy and efficiency of the agency's administration of its programs and in particular on the prevention of fraud and abuse. The OIG has no comments for this reporting period.

Reimbursement to the Agency

Current appropriations laws require this office to reimburse the RRB for indirect costs that include office space, equipment, communications, supplies, maintenance and administrative services. This process requires the use of agency and OIG resources for reconciliation and accounting that could be better utilized for improving agency operations. RRB-OIG is the only federal Office of Inspector General that cannot negotiate a service level agreement with its parent agency. Removal of the current language would permit negotiation between the RRB and OIG for a more efficient way to address the issue of support costs.

Systemic Issue Reporting – Fraud Resulting From Self-Employment Earnings

Previously, the OIG uncovered a common scheme where RRB disability and retirement annuitants used certain corporate structures to hide their self-employment activities and earnings. The Railroad Retirement Act (RRA) establishes work restrictions and earnings limitations for annuitants to continue to be eligible for retirement and disability benefits. Under current procedures and regulations, RRB personnel responsible for adjudicating retirement and disability claims use earnings information (both wages reported by employer and self-employment earnings) reported to the Social Security Administration through the Internal Revenue Service, to make eligibility

RRB-OIG is the only federal OIG that cannot negotiate a service level agreement with its parent agency.

The OIG uncovered a common scheme where RRB disability and retirement annuitants used certain corporate structures to hide their self-employment activities and earnings.



determinations. This earnings information can also be used to identify annuitants who become ineligible due to excess earnings. Based on the results of its investigative activities, the OIG has identified a number of annuitants that have defrauded the RRB's retirement and disability programs by utilizing the Subchapter S corporate structure to under-report their self-employment earnings and thus fraudulently continue their eligibility for annuity benefits. Typically these corporations are fraudulently reporting minimal (below the earnings limitations established by the RRA) or no wages for the annuitants, even though the annuitants are performing all of the work that generates income for these very profitable corporations.

Between October 1, 2001 and March 31, 2008 the OI has obtained 23 criminal convictions and eight civil judgments for cases involving annuitants who operated Subchapter S corporations but failed to report earnings as required. As a result of these cases, the annuitants were ordered to repay over \$2.5 million in benefits that they were not entitled to receive.

Based on a recommendation from the OIG, the RRB has made changes to forms and correspondence requiring annuitants to provide more information when they are engaged in self-employment work or have an affiliation with a corporation. Recently, agency personnel notified the OIG that the revised forms are capturing the intended information and more specifically annuitants are reporting their corporate ownership/involvement activity.

Based on a recommendation from the OIG, the RRB has made changes to forms and correspondence requiring annuitants to provide more information when they are engaged in self-employment work or have an affiliation with a corporation.



Outreach

Since December 26, 2007, when P.L.110-161 restored OIG's authority to audit and perform investigations relating to the RRB Medicare program, OIG staff members have had the opportunity to attend a variety of Medicare related meetings and to participate in a number of Medicare training opportunities.

During February 2008, the Assistant Inspector General for Investigations and the Deputy Assistant Inspector General for Investigations traveled to Augusta, Georgia to meet with the RRB Medicare contractor Palmetto GBA. This meeting provided the cornerstone for the renewed relationship between OIG and the Palmetto Benefit Integrity Unit. A solid working relationship with the RRB Medicare contractor is imperative to the success of the OIG's Medicare fraud investigations.

On February 28, 2008, the Executive Office of the United States Attorneys issued a memorandum to all United States Attorneys' Offices notifying them of OIG's renewed involvement in Medicare fraud cases. The OIG has always enjoyed their working relationship with the Department of Justice and were pleased to have a national re-introduction to the Medicare fraud arena.

The Inspector General and the Assistant Inspector General for Investigations traveled to Baltimore, Maryland on March 8, 2008 to meet with staff members from the Centers for Medicare and Medicaid Services in order to discuss the OIG's involvement in RRB Medicare cases.

On March 18, 2008, the United States Attorney's Office for the Northern District of Illinois provided OI Special Agents with a one day training seminar regarding the fundamentals of Medicare fraud. This training provided valuable information and insight to the Special Agents.

During March 2008, the OIG coordinated with a variety of Medicare fraud partners to provide a customized weeklong RRB Medicare fraud training course. On March 31, 2008, representatives from the

OIG has been focusing attention on their renewed relationship with the RRB Medicare program.

During March 2008, the OIG coordinated with a variety of Medicare fraud partners to provide a customized weeklong RRB Medicare fraud training course.



Centers for Medicare and Medicaid Services kicked off the training week with basic Medicare information. The rest of the training incorporated speakers from the Department of Health and Human Services – Office of Inspector General, the Office of Personnel Management - Office of Inspector General, the United States Attorney's Office for the Northern District of Illinois and representatives from the RRB Medicare Carrier Palmetto GBA.

During this reporting period, OIG staff members have had the opportunity to participate in a variety of Medicare related meetings. On one such occasion, the Assistant Inspector General for Investigations was asked to speak regarding OIG's renewed role in RRB Medicare fraud. These task forces provide an open forum for health care fraud related communications and foster a team approach to health care fraud investigations. Members of the various task forces include representatives from the Department of Justice, the Centers for Medicare and Medicaid Services, the Department of Health and Human Services – Office of Inspector General, the Office of Personnel Management - Office of Inspector General, the Federal Bureau of Investigations, Illinois State Police, Illinois Medicaid Fraud Control Unit and Medicare Program Safeguard Contractors.

During this reporting period, an OI Special Agent completed a detail to the U.S. House Committee on Appropriations' Surveys and Investigations staff. This detail provided the Special Agent with a wonderful opportunity to assist the Committee and provided a valuable opportunity to gain a further understanding of the appropriations process.

On a monthly basis, an OA staff member attends the agency's Information Technology Steering Committee meetings. This committee provides ongoing assessment of all new and existing IT projects, identifies critical issues and frames them from management and technical perspectives. The functions of the committee include strategic information resource management plan review, capital planning and investment control and enterprise architecture review. The OA staff member is not a member of the committee but acts as an OIG representative. As such, she compiles and maintains a file of committee activities and decisions which are used by OIG staff when assessing agency programs.

During this reporting period, a Special Agent completed her detail to the U.S. House Committee on Appropriations' Surveys and Investigations staff.



An OA staff member attends the agency's Information Security and Privacy Committee meetings as an OIG representative. This committee facilitates the implementation and compliance of FISMA and the E-Government Act. They are also involved in privacy management compliance for the agency. As the OIG representative, she compiles and maintains a file of committee activities and decisions which are used by OIG staff when assessing agency programs. Additionally, she is responsible for ensuring that the OIG's interests are not overlooked when major IT decisions are made by the agency.

Additionally, an OA staff member represents the OIG at a weekly status meeting with the agency project managers for the RRB's National Toll Free Telephone Service (NTFS). The NTFS project will provide RRB beneficiaries with a single toll-free automatic call distribution telephone number. It will upgrade the existing interactive voice response system and the current frame relay network to a multi-protocol label switching environment which will be able to carry voice, data and images via digital communication lines instead of the current analog system. This project has been contracted under the General Service Administration's Network Universal contract.

An OA staff member attends the agency's Information Security and Privacy Committee meetings as an OIG representative.

APPENDIX A

OIG REPORTS ISSUED

- “Management and Performance Challenges Facing the Railroad Retirement Board” – October 5, 2007
- Opinion on the financial statements including reports on internal control and compliance with laws and regulations – November 15, 2007
- Fiscal Year 2007 Financial Statement Audit Letter to Management – March 6, 2008
- Office of Inspector General Statement of Concern: “National Railroad Retirement Investment Trust Lack of Provision for Performance Audits” – March 31, 2008

APPENDIX B

INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS

	Number of Issued 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, 2007	0	0	0
B. Which were issued from October 1, 2007 through March 31, 2008	0	0	0
Subtotal (A + B)	0	0	0
C. For which a management decision was made between October 1, 2007 through March 31, 2008	0	0	0
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision had been made by March 31, 2008	0	0	0
E. Report for which no management decision was made within six months of issuance	0	0	0

APPENDIX B CONTINUED

INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number of Issued 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, 2007	0	0
B. Which were issued from October 1, 2007 through March 31, 2008	0	0
C. Subtotal (A + B)	0	0
(i) dollar value of disallowed costs	0	0
(ii) dollar value of costs not disallowed	0	0
D. For which no management decision had been made by March 31, 2008	0	0
E. Report for which no management decision was made within six months of issuance	0	0

APPENDIX C

REPORT ON RECEIVABLES, WAIVERS AND RECOVERIES

The FY1999 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

Report	Funds to be put to better use	Funds Agreed by Management	Receivables Established	Waivers	Recoveries to Date
99-03	\$50,850	\$50,850	\$50,850	\$50,490	\$360
99-14	\$83,000	\$83,000*	\$34,423		\$30,584
99-16	\$48,000,000	\$48,000,000			\$10,276,000
99-17	\$11,000,000	\$11,000,000			\$1,604,545**
00-16	\$235,000	\$235,000			\$235,846***
04-06	\$821,000	\$821,000	\$604,429	\$5,564	\$629,688
04-10	\$400,000	\$400,000			\$761,151
05-03	\$1,800,000	\$1,800,000			\$3,400,884
05-06	\$10,000	\$10,000****			
05-07	\$1,070,000	\$1,070,000			
05-10	\$2,600,000	\$2,600,000	\$311,000		
06-04	\$257,000	\$257,000			
06-05	\$2,100	\$2,100*****			
06-06	\$200,000	\$200,000			

* 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.

**** This figure represents funds put to better use that were for a payout of underpaid Prompt Payment Act interest and accordingly there will not be a related recovery.

*****This figure represents a one time overpayment identified by audit. Management agreed that this singular case was mishandled under the rules for protected filing date and decided to consider the annuitant deterred from filing. Accordingly there will not be a related recovery.

APPENDIX C CONTINUED

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
10/1/07 – 3/31/08	\$799,634

APPENDIX D – RRB MANAGEMENT REPORTS

THE INFORMATION CONTAINED IN THIS SECTION HAS BEEN PROVIDED BY RRB MANAGEMENT.

MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH DISALLOWED COSTS FOR THE SIX MONTH PERIOD ENDING MARCH 31, 2008

	<u>Number of audit reports</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.	1	\$ 2,835*
B. Audit reports on which management decisions were made during the period.	0	\$ 0
C. Total audit reports pending final action during the period. (A + B)	1	\$ 2,835
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. Write-offs	0	\$ 0
3. Total of 1 and 2	0	\$ 0
E. Audit reports needing final action at the end of the period (C - D.3)	1	\$2,835

* Identified in Audit Report 05-09, "Review of Internal Control Over Budget Execution."

MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE FOR THE 6-MONTH PERIOD ENDING MARCH 31, 2008

	<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.	6	\$ 5,682,100 ¹
B. Audit reports on which management decisions were made during the period.	0	\$ 0
C. Total audit reports pending final action during the period. (A + B)	6	\$ 5,682,100
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 (C - D.3)	6	\$ 5,682,100

1. Comprised of the following amounts: \$1,800,000 from Audit Report 05-03, "Evaluation of the RRB's Processing of Disability Earnings Cases," \$10,000 from Audit Report 05-06, "Review of Compliance with the Prompt Payment Act," \$1,070,000 from Audit Report 05-07, "Evaluation of Survivor Annuity Work Deductions at the Railroad Retirement Board," \$2,600,000 from Audit Report 05-10, "Retired Employee Work Deductions Prior to Full Retirement Age," \$2,100 from Audit Report 06-05, "Review of Compliance with Provisions of the Railroad Retirement Act Governing the Initial Award of Benefits," and \$200,000 from Audit Report 06-06, "Review of the Termination and Suspension of Benefits Paid Under the Railroad Retirement Act." The amount from 05-10 was not previously included in this table because it did not track a specific audit recommendation, but the Office of Inspector General has reported this as a financial accomplishment due to improvements associated with the overall report.

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER 12 MONTHS OLD WITH FINAL ACTION PENDING
AS OF MARCH 31, 2008**

Report	Date	Disallowed Funds to be put to costs	better use	Reason action not completed
Review of Quality Assurance Activities (97-06)	1/22/97	NONE	NONE	The remaining recommendation will be addressed in conjunction with efforts to improve calculation and reporting of performance measures.
Review of Non-Priority Correspondence Handling (97-09)	3/13/97	NONE	NONE	The Office of Programs plans to review and reevaluate its approach to tracking correspondence in FY08.
Information Systems Security (INFOSEC) Report	6/28/00	NONE	NONE	The agency has upgraded its security capabilities and hopes to close the only remaining recommendation in FY08.
Fiscal Year 2000 Financial Statement Audit (01-03)	2/23/01	NONE	NONE	The Bureau of Information Services has upgraded help-desk procedures and is developing reports needed to close the last open recommendation.
Site Security Assessment for the Office of Inspector (Blackbird #1)	7/20/01	NONE	NONE	Information Services will close the last open recommendation by completing migration of all applications to new servers in FY08.
Security Controls Analysis for the Office of Inspector General (Blackbird #2)	8/17/01	NONE	NONE	Information Services has closed 35 recommendations and submitted documentation to the OIG on the last 3.
Review of Information Security at the Railroad Retirement Board (02-04)	2/5/02	NONE	NONE	Information Services has closed 20 recommendations and hopes to close the remaining 8 in FY08.
Evaluation of the Self-Assessment Process for Information System Security (03-02)	12/27/02	NONE	NONE	Information Services obtained contractor support for one assessment in FY07 and has scheduled reviews of other major systems in FY08.
Inspection of Unverified Records in the RRB's Employment Data Maintenance System (03-06)	3/20/03	NONE	NONE	Programs has reviewed all 20,000 records, with corrective actions and systems changes targeted for completion in FY08.
Review of the Railroad Retirement Board's PIN/Password System for On-Line Authentication (03-09)	9/8/03	NONE	NONE	Information Services will establish procedures for the last open item in conjunction with action taken to close 03-10.
Review of the Systems Development Life Cycle for End-User Computing (03-10)	9/8/03	NONE	NONE	Information Services is using project management software to close the last four items in FY08.
Review of Accounts Receivable Established Under the Railroad Unemployment Insurance Act (04-06)	7/29/04	NONE	NONE	Sampling procedures currently under development by Programs should close the last recommendation in FY08.

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER 12 MONTHS OLD WITH FINAL ACTION PENDING
AS OF MARCH 31, 2008**

Report	Date	Disallowed costs	Funds to be put to better use	Reason action not completed
Review of Mainframe Access Controls at the Application Level – RRB-Developed Applications Controlled by ACF2 and IDMS (04-08)	9/7/04	NONE	NONE	Information Services hopes to close the final recommendation during FY08.
Fiscal Year 2004 Evaluation of Information Security at the Railroad Retirement Board (04-11)	9/30/04	NONE	NONE	Information Systems has closed eight of nine recommendations, and plans to close the last one in FY08.
Review of RRB Compliance with Federal Laws and Regulations on Competitive Sourcing (05-02)	12/6/04	NONE	NONE	Information Services completed an initial feasibility study related to competitive sourcing of some information technology activities but continues to investigate alternate approaches.
Evaluation of the RRB's Processing of Disability Earnings Cases (05-03)	2/11/05	NONE	\$1,800,000	A review of almost 17,000 cases from 2001 indicated most did not require adjustment. Thus far, 194 cases have been adjusted with the remaining 243 targeted for completion in FY08.
Review of Internal Control Over the Actuarial Projection Process. (05-04)	5/5/05	NONE	NONE	The Chief Actuary is in the process of developing a workforce development plan to address the remaining open recommendation in FY08.
Review of Customer Service Performance Measures for Timeliness of Initial Railroad Retirement Annuity Payments. (05-05)	5/17/05	NONE	NONE	A major database conversion project delayed completion of some actions, while others dealing with improved performance reporting will be confirmed as part of financial statement audits.
Review of LAN, LAN Security Scan and Web-based Applications (DSD)	6/7/05	NONE	NONE	These contractor-prepared confidential reports contained 45 recommendations, with almost two-thirds addressed so far.
Review of Compliance with the Prompt Payment Act (05-06)	6/15/05	NONE	\$10,000	The Bureau of Fiscal Operations closed eight recommendations, with the last one to be closed in FY08.
Evaluation of Survivor Annuity Work Deductions at the Railroad Retirement Board (05-07)	7/14/05	NONE	\$1,070,000	A major database conversion project delayed work on the last open item but it should be completed in FY08.
Review of Access Controls in the End-User Computing General Support System (05-08)	7/18/05	NONE	NONE	Information Services has closed 9 of 15 recommendations in this confidential report. The remaining ones are targeted for completion by the end of CY08.
Review of Internal Control Over Budget Execution (05-09)	9/6/05	\$2,835	NONE	Fiscal Operations developed procedures to close one of the two remaining items in FY08 and submitted documentation on the other one to the OIG, which determined that it will remain open.

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER 12 MONTHS OLD WITH FINAL ACTION PENDING
AS OF MARCH 31, 2008**

Report	Date	Disallowed costs	Funds to be put to better use	Reason action not completed
Review of Employee Work Deductions Prior to Full Retirement Age (05-10)	9/19/05	NONE	\$2,600,000	Programs completed action that should result in closure of the remaining open recommendation.
Fiscal Year 2005 Evaluation of Information Security at the Railroad Retirement Board (05-11)	9/28/05	NONE	NONE	Information Services is developing policies and procedures needed to close the remaining two items in FY08.
Accuracy and Reliability of GPRA Performance Measures: Timeliness of Non-Disability Survivor Annuity Payments (06-03)	1/30/06	NONE	NONE	Programs has closed three of the seven recommendations, with the remainder delayed by work on a major database conversion project in FY07.
Review of Compliance with the Provisions of the Railroad Retirement Act Governing the Initial Award of Benefits (06-05)	4/12/06	NONE	\$2,100	Programs staff closed four of the five recommendations. A major database conversion project delayed action on the remaining one, which should be finished by the end of CY08.
Review of the Termination and Suspension of Benefits Paid Under the Railroad Retirement Act (06-06)	5/24/06	NONE	\$200,000	A referral system and training should close the two open recommendations in FY08.
Evaluation of the Railroad Retirement Board's Disaster Recover Plan (06-08)	8/14/06	NONE	NONE	A scheduled tabletop exercise and related activities should enable the agency to close the last item in FY08.
Review of Incident Handling and Reporting at the Railroad Retirement Board (06-09)	8/24/06	NONE	NONE	Information Services implemented two recommendations, with the remaining eight slated for completion in FY08.
Fiscal Year 2006 Financial Statement Audit (07-01)	2/9/07	NONE	NONE	The agency has closed 19 of the 20 recommendations, with action on the final one to be verified as part of the FY07 financial statement audit.
Audit of the DAISY/CHICO Component Application of the RRA Benefit Payment Major Application System (07-02)	3/9/07	NONE	NONE	Programs closed two of the five recommendations, and plans to close two more in FY08. The last one depends to some degree on action by another agency relative to Medicare premiums.
Audit of the State Wage Match Data Transmission Controls (07-04)	3/28/07	NONE	NONE	Programs plans to complete action to address the six recommendations in FY08.

APPENDIX E

REPORTING REQUIREMENTS

<i>INSPECTOR GENERAL REQUIREMENTS.....</i>	<u>PAGE</u>
Section 4(a)(2) - Review of Legislation and Regulations	29
Section 5(a)(1) - Significant Problems, Abuses and Deficiencies	3-4, 9-11
Section 5(a)(2) - Recommendations With Respect to Significant Problems, Abuses and Deficiencies	12 -14
Section 5(a)(3) - Prior Significant Recommendations Not Yet Implemented	3-4, 9-11
Section 5(a)(4) - Matters Referred to Prosecutive Authorities	7
Section 5(a)(5) - Summary of Report Made to Agency Head	12-14
Section 5(a)(6) - List of Audit Reports	34
Section 5(a)(7) - Summary of Each Significant Report	3-4, 8-15
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	36

APPENDIX E CONTINUED

REPORTING REQUIREMENTS

Inspector General Requirements Continued

Section 5(a)(10) - Summary of Each Audit Report Over 6 Months Old or 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
Section 5(b)(2) - Statistical Table on Final Action on Disallowed Costs	39
Section 5(b)(3) - Statistical Table on Final Action to Put Funds to Better Use	40
Section 5(b)(4) - Statement on Audit Reports With Final Action Pending	41 - 43

APPENDIX F

ACRONYMS

ACE - Affirmative Civil Enforcement

DOJ - Department of Justice

FISMA – Federal Information Security Management Act of 2002

FY - Fiscal Year

GAAP - U.S. Generally Accepted Accounting Principles

GAO – Government Accountability Office

MOU – Memorandum of Understanding

NRRIT – National Railroad Retirement Investment Trust

NTFS - National Toll Free Telephone Service

OA - United States Railroad Retirement Board, Office of Inspector
General - Office of Audit

OI - United States Railroad Retirement Board, Office of Inspector
General - Office of Investigations

OIG - United States Railroad Retirement Board, Office of Inspector
General

OMB - Office of Management and Budget

RRA - Railroad Retirement Act

APPENDIX F

ACRONYMS CONTINUED

RRB - Railroad Retirement Board

RRSIA – Railroad Retirement Survivors’ Improvement Act

RUIA – Railroad Unemployment Insurance Act

SI - Sickness Insurance

SSA - Social Security Administration

TAS - Taxation Accounting System

UI - Unemployment Insurance

USAO - United States Attorney’s Office

USPIS – United States Postal Inspection Service

VA – United States Department of Veterans Affairs

APPENDIX G

LEGAL CITATIONS

Federal:

Consolidated Appropriations Act, 2008 – P.L. 110-161

Conversion of Government Funds – 18 U.S.C. § 641

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

False Statements – 18 U.S.C. § 1001 et. seq. and 45 U.S.C. § 231(l)

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

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

Inspector General Act Amendments of 1988 - 5 U.S.C. App. 3

Prompt Payment Act – P.L. 97-177, 31 U.S.C. § 3901 et. seq.

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

Railroad Retirement Act, Penalties - 45 U.S.C. § 231(l)

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

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

Reports Consolidation Act of 2000 – P.L. 106-531, 31 U.S.C. § 3501

Sarbanes – Oxley Act of 2002 – P.L. 107-204, 15 U.S.C. § 7201 et. seq.

Social Security Act – 42 U.S.C. § Ch. 7

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

Wire Fraud – 18 U.S.C. § 1343

State Law:

Identity Theft – Kansas State Annotated Code 21-4018(a)

Theft by Deception – Kansas State Annotated Code 21-3701

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 N. Rush Street
Chicago, Illinois 60611-2092**