

Semiannual Report to the Congress



**Office of Inspector General
for the
Railroad Retirement Board**

April 1, 2009 to September 30, 2009



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

October 30, 2009

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 summary of our activities and accomplishments for the period April 1, 2009 through September 30, 2009. 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 the following audits:

- *Audit of the Railroad Medicare Integrity Program at Palmetto Government Benefits Administrators;*
- *Audit of the General and Application Controls in the Financial Management Major Application System; and*
- *Audit of the Railroad Retirement Board's Medicare Major Application System.*

Our criminal investigators achieved 19 criminal convictions, 62 indictments and/or informations, 17 civil judgments, and over \$2 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.

Sincerely,

Martin J. Dickman
Inspector General

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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 RRB administers comprehensive disability, retirement-survivor, and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families. These programs are codified under the Railroad Retirement Act, 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 the Medicare program.

The RRB's mission is to pay accurate and timely benefits. During fiscal year (FY) 2008, the RRB paid \$10.1 billion in retirement and survivor benefits to 598,000 beneficiaries. The RRB also paid \$80 million in net unemployment and sickness insurance benefits to 11,000 unemployed and 9,000 sick railroad workers. As of the end of fiscal year 2008, the RRB administered the Medicare coverage of more than 493,900 individuals. The RRB contracts with a separate carrier to process Medicare Part B claims for qualified Railroad Retirement beneficiaries. During FY 2008, the carrier paid medical insurance benefits totaling approximately \$844 million.

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

The RRB's mission is to pay accurate and timely benefits.



The Inspector General is appointed by the President with the advice and consent of the Senate.

The OIG offers recommendations for improvement to RRB management.

OA conducts financial, performance, and compliance audits and evaluations of RRB programs.

EXECUTIVE SUMMARY

Office of Inspector General

The Inspector General is appointed by the President with the advice and consent of the Senate. He 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 Office of Inspector General (OIG) conducts audits/evaluations, management reviews, and inspections of RRB programs and operations. As a product of its efforts, the OIG offers recommendations for improvement to RRB 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.

The OIG has 50 employees assigned to three operational components: the immediate Office of the Inspector General; the Office of Audit; and the Office of Investigations. The OIG conducts operations from several locations: 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 OIG recently added a domicile investigative office in Houston, Texas. These domicile offices provide more effective and efficient coordination with other Inspector General offices and traditional law enforcement agencies with which the OIG works joint investigations.

Office of Audit

The Office of Audit (OA) conducts financial, performance, and compliance audits and evaluations of RRB programs.

During this reporting period, OA completed and published two audits conducted pursuant to the requirements of the Federal Information Security Management Act of 2002 (FISMA). These audits evaluated:

- general and application controls over the financial management major application system using the methodology contained in the Government Accountability Office's *Federal Information System Controls Audit Manual* (FISCAM); and



- RRB's Medicare major application system applying standards promulgated by the National Institute of Standards and Technology, the Government Accountability Office, and the Office of Management and Budget.

Both audits disclosed areas in which the RRB needed to strengthen controls in its information security management program.

OA also completed the first audit of the Railroad Medicare program since the enactment of the *Consolidated Appropriations Act, 2008* which lifted the 12 year prohibition on such oversight activities. Auditors concluded that more could be done to identify fraud and abuse in the Railroad Medicare program by strengthening the Benefit Integrity operations of the Part B carrier.

During this semiannual reporting period, OA began work on the annual audit of the RRB's financial statements pursuant to the Accountability of Tax Dollars Act of 2002. The OIG has conducted the annual audit of agency financial statements with its own staff since 1997 when Congressional report language specifically directed it to do so. OA contracts only for the assistance of the actuarial specialists necessary to support the OIG's opinion on the actuarial estimates presented in the RRB's statement of social insurance.

OA also began its annual evaluation of information security pursuant to the requirements of FISMA. The OIG performs all work for this statutorily mandated evaluation with its own staff.

OA has initiated an audit of the RRB's Financial Interchange with the Social Security Administration and the Centers for Medicare and Medicaid Services. The OIG has retained the resources and expertise of a contractor to perform the evaluation of this complex statistical process. The RRB estimates that the Financial Interchange will comprise 35% to 40% of future income over the next 75 years.

In addition, OA has continued its ongoing program of oversight to RRB implementation of the requirements of the American Reinvestment and Recovery Act of 2009.

All audits completed during this reporting period are discussed in further detail on pages 5 through 7 and the full texts are available on our website at www.rrb.gov/oig.

OA completed three audits during this reporting period.



OI conducts investigations throughout the United States.

Office of Investigations

The Office of Investigations (OI) focuses its efforts on identifying, investigating, and presenting RRB benefit fraud cases for prosecution. OI conducts investigations throughout the United States relating to the fraudulent receipt of RRB disability, unemployment, sickness, retirement/survivor, or Railroad 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 regarding agency employee misconduct and threats against RRB employees. Investigative efforts can result in criminal convictions, civil penalties, recovery of program benefit funds, and/or administrative sanctions.

From April 1, 2009 through September 30, 2009, OI achieved:

- 40 arrests;
- 62 indictments and/or informations;
- 19 convictions;
- 17 civil judgments; and
- 52 referrals to the Department of Justice.

Defendants, in the aggregate, were sentenced to seven years in prison, approximately 41 years of probation, and 140 hours of community service. Based on OI investigations completed during this reporting period, the RRB established receivables totaling over \$2 million.

Representative fraud cases are discussed on pages 11 to 18.

Defendants were sentenced to:

- 7 years in prison;
- 41 years of probation; and
- 140 hours of community service.



APRIL 1, 2009 - SEPTEMBER 30, 2009 ACCOMPLISHMENTS

Office of Audit

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

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

Audit of the Railroad Medicare Integrity Program at Palmetto Government Benefits Administrators – September 25, 2009

The RRB has statutory authority to contract with a separate carrier to process the Medicare Part B claims of qualified Railroad Retirement beneficiaries nationwide. In this capacity, Palmetto Government Benefits Administrators (Palmetto), the carrier since April 2000, is responsible for program integrity. The primary goal of program integrity is to pay claims correctly and protect the Medicare Trust Fund from fraud, waste, and abuse.

The objective of this audit was to identify areas for improvement in the Medicare Integrity Program implemented by Palmetto. OA's review concluded that more could be done to identify fraud and abuse in the Railroad Medicare program by strengthening its Railroad Medicare Benefit Integrity unit.

Auditors reported that the Railroad Medicare Benefit Integrity unit has very limited resources with which to perform proactive fraud investigations and data analysis because the unit is staffed with only a single full-time employee to perform all required benefit integrity

Congress established the OIG to provide independent oversight of the RRB.

Auditors identified areas for improvement in the Medicare Integrity Program.



functions. This unit could be more effective in identifying, researching, and referring potential fraud in the following areas:

- identification of providers excluded from the Medicare program;
- investigation of claims submitted by excluded providers;
- referral of high-dollar payments and claims for investigation; and
- fraud training for benefit integrity staff.

Auditors recommended that Palmetto management work with agency officials to obtain the budget and staff resources needed to strengthen the benefit integrity program. The auditors also recommended action in 11 additional areas including budgeting, estimating of improper payments, exclusion of ineligible providers, identification and referral of suspected fraud, and agency oversight of contractor activities.

Audit of the General and Application Controls in the Financial Management Major Application System – September 30, 2009

The OIG evaluates information security annually.

The RRB's financial management major application includes two mainframe components, the Federal Financial System and the Program Accounts Receivable system, which support budget formulation and execution, general ledger accounting, accounts payable, cost accounting, payroll, and accounts receivable activities.

The Federal Information Security Management Act of 2002 (FISMA) requires agencies to develop, document, and implement an agency-wide information security program. The OIG has the responsibility to evaluate information security annually.

The objective of this review was to determine the adequacy of the general and application controls over the financial management major application system.

OA's review determined that the general and application controls over entity-wide security program planning and management, data center access, non-emergency systems development, and service continuity/data recovery and backup procedures are adequate.



However, the general and application controls are not adequate to ensure:

- proper segregation of duties;
- least privilege access control;
- contractor account management;
- authorized emergency program changes; and
- consistent password management and implementation.

Auditors made specific recommendations to strengthen information security in each area in which a deficiency was identified.

Audit of the Railroad Retirement Board's Medicare Major Application System – September 30, 2009

The objective of this audit was to perform a system-level assessment of the Medicare major application to determine if security controls were in place, operated as intended, and met the requirements established by FISMA. The security controls reviewed in detail included: access controls; audit and accountability; identification and authentication; and system and information integrity.

OA's review of the Medicare major application determined that the identification and authentication, and system and information integrity controls were in place, operated as intended, and met the requirements established by FISMA. However, they found that the security controls over access, and controls over audit and accountability, need improvement.

Specifically OA concluded that:

- dataset rules do not enforce least privilege;
- access controls that enforce least privilege need improvement;
- accountability over ACF2, a commercial access control software product, needs improvement;
- audit log content needs expansion; and
- audit log of security violations is misleading.

Auditors offered recommendations for corrective action targeted to each area cited as deficient.

Auditors performed a system-level assessment of the Medicare major application.



Only one audit recommendation is pending a management decision.

Management Decisions and Implementation

The OIG tracks the implementation of its recommendations to RRB management. Office of Management and Budget Circular No. A-50 (Revised) and the Inspector General Act Amendments of 1988 require the reporting of management decisions and corrective actions for all audit recommendations.

Management Decisions	
Requiring Management Decision on April 1, 2009	1
Pending Management Decision for New Recommendations	0
Management Decision on Previous Recommendations	0
Recommendations Pending Management Decision on September 30, 2009	1

In its *Fiscal Year 2008 Evaluation of Information Security at the Railroad Retirement Board*, OA recommended that the Bureau of Information Services (BIS) develop a comprehensive plan for testing and evaluation of the agency's contractor operations. BIS has taken this recommendation under advisement and is waiting for the RRB's General Counsel to verify which agency contracts should be considered for certification and accreditation as information systems in compliance with FISMA requirements.

Corrective Action	
Recommendations Requiring Action on April 1, 2009	157
Recommendations Issued During Reporting Period	44
Corrective Actions Completed During Reporting Period	13
Recommendations Rejected During Reporting Period	8
Final Actions Pending on September 30, 2009	180



Office of Investigations

OI focuses its efforts and resources on RRB benefit program fraud. OI's primary objective is to identify, investigate and refer for prosecution and monetary recovery action, cases of waste, fraud, and abuse in RRB programs. OI also seeks to prevent and deter program fraud by reporting systemic weaknesses in RRB operations and processes identified through investigative work. In order to maximize the impact of its resources, OI continues to pursue cooperative investigative activities in coordination with other Inspectors General and law enforcement agencies, such as the Federal Bureau of Investigation, the U.S. Secret Service, the Internal Revenue Service, and the Postal Inspection Service.



Investigative Accomplishments

Action	April 1, 2009 – September 30, 2009	Fiscal Year 2009
Department of Justice Referrals	52	100
Indictments/Informations	62	78
Arrests	40	43
Convictions	19	48
Civil Complaints	8	13
Civil Judgments	17	29
Restitution and Fines	\$935,563	\$5,167,012
Civil Damages and Penalties	\$727,380	\$1,272,830
Investigative Recoveries ¹	\$367,084	\$616,244
Community Service Hours	140	1100

OI investigates and refers fraud cases for prosecution and monetary recovery.

¹ RRB benefits that are overpaid due to fraud and can be recouped through RRB administrative recovery action are expressed as investigative recoveries.



Current Caseload

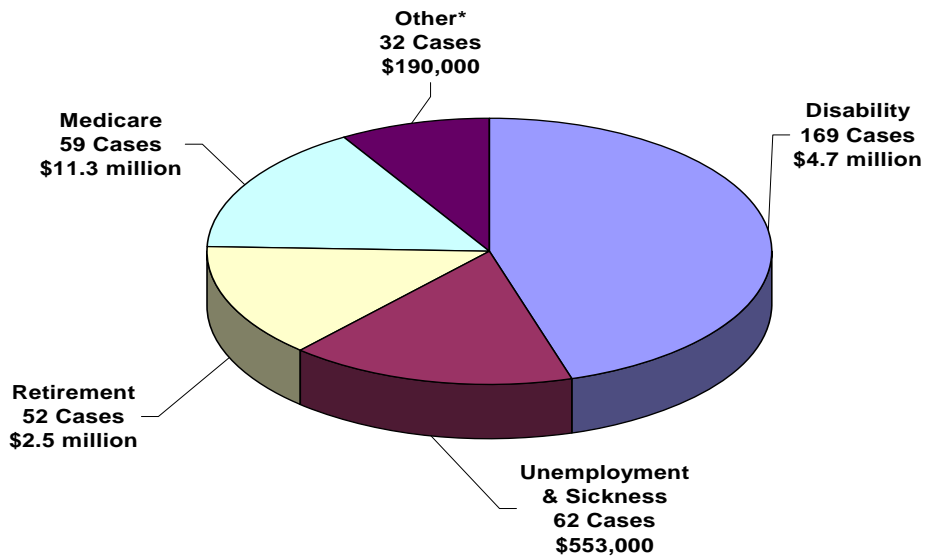
During this semiannual reporting period, OI reviewed 318 matters and opened 99 new cases.

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Investigative Caseload Data	
Investigative Cases Open as of April 1, 2009	445
Investigative Cases Opened During Reporting Period	99
Investigative Cases Closed During Reporting Period	170
Investigative Cases Open on September 30, 2009	374

OI's current caseload totals 374 matters, representing more than \$19.3 million in potential fraud.

OI's current caseload totals 374 matters, representing more than \$19.3 million in potential fraud. The chart below reflects the distribution of OI cases and the potential fraud losses by the RRB's major program areas.



**Other case type is amalgam of various types of cases involving matters such as misconduct by RRB employees, threats against agency employees, false reporting by railroad employers, and others that individually represent less than one percent of OI's caseload.*



REPRESENTATIVE INVESTIGATIONS APRIL 1, 2009 – SEPTEMBER 30, 2009

Disability Investigations

OI conducts fraud investigations relating to the RRB's disability program. 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 12 convictions and six civil judgments in disability fraud cases. The defendants received sentences totaling five months in prison, over 31 years of probation, 40 hours of community service and were ordered to pay over \$895,000 in restitution, fines, and civil damages/penalties.

Descriptions of representative cases completed during this reporting period follow.

Disability Annuitant Repays More Than \$12,000

OI initiated an investigation when a check with the Social Security Administration revealed the annuitant was receiving wages from a private employer while receiving RRB disability benefits. OI's subsequent investigation revealed that during 2004 and 2005 the annuitant earned wages in excess of the allowable amount established by the Railroad Retirement Act. The annuitant's failure to report his income to the RRB caused him to fraudulently receive almost \$11,000 in disability payments.

This case was referred to the United States Attorney's Office for the Western District of Pennsylvania. The annuitant entered into a Settlement Agreement in which he agreed to pay more than \$12,000 in restitution and penalty. The annuitant made full restitution when he signed the agreement.

OI obtained 12 convictions and six civil judgments in disability fraud cases.

Disability fraud defendants were ordered to pay over \$895,000 in restitution, fines, and civil damages/penalties.



Annuitant Reported Self-Employment Earnings under Spouse's Social Security Number

OI Special Agents investigated an RRB disability annuitant who failed to report that he was working at a small business owned by his spouse. Their investigation revealed that 70% of the self-employment earnings reported to his spouse's social security number were actually his earnings. The annuitant's failure to report his income to the RRB caused him to fraudulently receive almost \$101,000 in disability payments.

This case was referred to the United States Attorney's Office for the District of South Carolina. The annuitant pled guilty to Making a False Statement to receive RRB disability benefits. The annuitant was sentenced to five years of probation and nearly \$70,000 in restitution and a special assessment. Prior to sentencing the annuitant had paid partial restitution in the amount of \$31,000.

Sheriff's Deputy Fraudulently Collected Nearly \$104,000 in Disability Benefits

OI initiated this investigation of an RRB disability annuitant based on a computer wage match with the State of Illinois that identified individuals who may have collected RRB disability benefits on the same days they had earnings reported to the state. OI's subsequent investigation revealed that during the period of January 1998 through May 2005 the annuitant failed to report his employment as a county sheriff's deputy. OI also discovered that he owned and operated a restaurant, but had not reported income from that business to the RRB. The annuitant's failure to report his income to the RRB caused him to fraudulently receive nearly \$104,000 in disability payments.

This case was referred to the United States Attorney's Office for the Northern District of Illinois. The annuitant pled guilty to Theft of Government Funds and was sentenced to five months in prison, five months of home confinement, and full restitution.



Annuitant Fails to Report Self-Employment; Ordered to Repay Over \$64,000

In another case, OI received information that an RRB annuitant failed to report self-employment income. During an interview conducted by Special Agents, the annuitant claimed that he was not employed by the business and had turned over corporate ownership to his spouse and their sons. The investigation by OI Special Agents determined that his spouse and one son were enrolled in school full-time and his other two sons were employed as police officers. The investigation also revealed that state certification was required for the particular service provided by the annuitant's corporation. State records revealed the certification for this corporation listed only the annuitant's name.

This case was referred to the United States Attorney's Office for the Northern District of Ohio. The annuitant pled guilty to making False Statements to receive RRB disability benefits and was sentenced to two years of probation. The annuitant made restitution over of \$64,000 to the RRB prior to sentencing.

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, in violation of Federal law, from an employer. OI receives the majority of these cases from the RRB's Disability, Sickness, and Unemployment Benefits Division as a result of information developed through state wage matching programs. The RRB conducts computer wage matches with various states to identify claimants who may have collected RRB administered unemployment or sickness insurance benefits on the same days they received wages from a private employer.

During this reporting period, OI obtained four convictions and five civil judgments for UI and SI fraud. Defendants in these cases received, in the aggregate, more than three years of probation and 100 hours of community service. They were ordered to pay almost \$26,000 in restitution and nearly \$130,000 in civil damages/penalties.

OI obtained four convictions and five civil judgments in UI and SI cases.

UI and SI fraud defendants were ordered to pay over \$156,000.



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

Fugitive Applies for Sickness Insurance Annuity

OI received information indicating that an RRB SI claimant had previously pled guilty to insurance fraud and arson pursuant to a plea agreement. Under the terms of his plea agreement the claimant agreed to serve up to six years in prison. However, he failed to appear at his sentencing and a warrant was issued for his arrest. While he was a fugitive, the claimant applied for and was approved for RRB SI benefits. OI coordinated with the RRB and investigators from a County District Attorney's Office to arrest the annuitant. He was taken into custody and was sentenced on the fraud and arson charges.

UI Claimant Ordered to Repay Over \$7,000

OI initiated this investigation of an RRB UI claimant based upon an agency referral. The RRB had conducted a computer wage match with the State of Ohio. The wage match identified claimants who may have collected RRB administered UI benefits on the same days they received wages from a private employer.

OI determined that beginning May 2007 through January 2008 the claimant applied for RRB UI benefits on the same days he was working for a private employer. The claimant failed to report his work and earnings to the RRB and fraudulently received over \$7,000 in UI benefits.

This case was referred to the United States Attorney's Office for the Northern District of Ohio. The United States Attorney's Office filed an information against the claimant for False and Fraudulent Claims. The claimant pled guilty and was sentenced to five months of probation, 50 hours of community service, and full restitution.

Retirement/Survivor Benefit and Representative Payee Investigations

The Railroad Retirement Act provides retirement/survivor benefits for qualified railroad workers and their families. RRB retirement/survivor benefit fraud typically involves an individual failing to report information



to the RRB that may disqualify the annuitant from receiving benefits. A second common retirement/survivor benefit fraud scenario involves the theft and/or fraudulent cashing of retirement benefit checks by someone other than the authorized RRB annuitant. OI also investigates representative payee cases where an individual designated to receive RRB benefits on behalf of a RRB annuitant fraudulently uses the funds for their own personal use.

OI obtained three convictions in Retirement/Survivor Benefit fraud cases.

During this reporting period, OI obtained three convictions for these types of fraud cases. The defendants received sentences totaling almost seven years in prison and six years of probation. They were also ordered to pay almost \$255,000 in restitution and fines. OI also had five civil judgments worth nearly \$318,000 in damages and penalties.

Examples of cases completed during this reporting period follow.

Multi-Agency Task Force Investigates Individual for Stealing Government Benefits

Defendants were sentenced to almost seven years in prison and six years of probation.

OI investigated allegations that an unknown subject impersonated an RRB beneficiary in an attempt to have the annuitant's monthly RRB benefit check rerouted to the subject's bank account. However, a relative notified the agency of the beneficiary's death and the RRB was able to stop the transfer of RRB benefits.

Further investigation by OI determined that other OIG offices were investigating similar circumstances, but the unknown subject had been successful in diverting payments from those federal agencies and departments. A multi-agency task force was formed to investigate these allegations. It included agents/representatives from OI, the U.S. Secret Service, Office of Personnel Management, Social Security Administration, and the Defense Criminal Investigative Service. The investigation, which involved the execution of multiple search warrants, complex financial analysis, and arrests, revealed that the target had misdirected approximately \$750,000 in electronic funds transfers to the subject's account.

This case was referred to the United States Attorney's Office for the Eastern District of Louisiana. The defendant pled guilty to Conspiracy to Commit Theft of Government Funds and Wire Fraud. She was sentenced to 78 months in prison and over \$92,000 in restitution,



which represented the amount recoverable under applicable statutes of limitations.

Annuitant's Son Steals Almost \$117,000 in RRB Benefits

An annuitant's son failed to report his mother's death to the RRB and fraudulently collected almost \$117,000 in RRB widow's benefits. OI's investigation revealed that the annuitant had passed away in December 1989; however, RRB continued to issue annuity checks in her name until January 2007. Using document analysis, Special Agents determined that the son had forged his mother's signature on the RRB benefit checks and converted the annuitant's RRB benefits for his own personal use.

This case was referred to the United States Attorney's Office for the Southern District of Ohio. The subject was charged with a violation of Theft of Government Property and was sentenced to one month in prison, three years of supervised release, and full restitution.

Representative Payee Fails to Report Disqualifying Marriage

Based upon an RRB District Office referral, OI initiated an investigation against an individual who received RRB benefits to care for her disabled child.

OI's investigation revealed that she was not entitled to receive benefits because her son had married in September 2002. OI further discovered that the annuitant's other son had been appointed Representative Payee for his brother. His failure to notify the RRB of his brother's marriage caused his mother to fraudulently receive almost \$52,000 in RRB Child Disability Benefits and nearly \$19,000 in Surviving Divorced Mother's Annuity payments.

This case was referred to the United States Attorney's Office for the Eastern District of Michigan. Both individuals were charged with Theft of Government Funds and Failure to Report to the RRB. The mother was convicted and sentenced to two years of probation, 180 days of home confinement, and full restitution. The brother entered into pre-trial diversion and agreed to six months of probation and 40 hours of community service.



Disqualifying Marriage Never Terminated

OI initiated an investigation when the RRB advised that an individual receiving RRB spouse retirement benefits was not entitled to those benefits because she had never terminated a previous marriage.

OI's investigation determined that the annuitant applied for and was approved for spouse benefits in November 2003 based on her marriage to a railroad employee in 1999 and her re-marriage to that same individual in 2003. OI also determined this annuitant was first married in 1985; however, she had never terminated this earlier marriage. During the period of February 2004 through July 2006 she received over \$46,000 in RRB spouse benefits. Since she did not terminate her first marriage, she was never legally married to the RRB annuitant and was not entitled to benefits.

This case was referred to the United States Attorney's Office for the Northern District of Ohio. The subject was indicted on one count of Theft of Government Funds. She pled guilty and was sentenced to three years of probation and full restitution.

Railroad Medicare Investigations

Qualified railroad retirement beneficiaries are covered under the Medicare program the same as persons covered under the social security system. The RRB enrolls railroad beneficiaries for Medicare coverage and collects premiums for Part B supplemental medical insurance. The RRB also selects and monitors the single nationwide Medicare Part B Carrier contract. During FY 2008, the RRB's Medicare contractor paid approximately \$844 million in medical insurance benefits.

The U.S. Department of Health and Human Services has stated "[n]ot only is waste, fraud and abuse taking critical resources out of our healthcare system, it contributes to the rising cost of health care for all Americans and harms the short-term and long-term solvency of these essential programs." Medicare fraud consists of diverse schemes including billing for services not rendered, submitting charges for a greater level of service than was actually performed, billing for an entirely different service than was actually performed, billing for medically unnecessary services, and similar activities.

OI currently has 59 active Medicare investigations with an estimated fraud loss of over \$11.3 million.



All of OI's active Medicare cases are being worked jointly with the OIG offices of the U.S. Department of Health and Human Services, the Office of Personnel Management and other agencies responsible for investigating healthcare fraud. Interagency cooperation is imperative to effective law enforcement. During this reporting period, six OI Special Agents worked in cooperation with various other Federal and local law enforcement agents as members of the Medicare Fraud Strike Force in Houston, Texas. This team executed 12 search warrants and arrested 32 individuals indicted for various Medicare schemes. These activities garnered national media attention. Media attention creates a substantial deterrent by highlighting the ramifications of fraudulent activities.

The Houston Strike Force is the fourth phase of the Department of Justice and the Department of Health and Human Services' *Health Care Fraud Prevention & Enforcement Action Team* (HEAT). OI currently has one Special Agent assigned full-time to HEAT activities in Houston, Texas.

OI currently has 59 active Medicare investigations with an estimated fraud loss of over \$11.3 million and an additional 13 Medicare referrals under review.

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. During this semiannual period, a total of 17 civil judgments were entered by U.S. District Courts for RRB fraud cases totaling over \$727,000 in damages and penalties.

Some of these civil actions are pursued under the Department of Justice's Affirmative Civil Enforcement (ACE) program which provides an efficient means to address fraud against RRB programs, particularly where the fraud losses are below the financial guidelines for criminal prosecution. ACE is an effective way to return fraud losses to the RRB's trust funds and it also creates a deterrent against future fraud.

OI achieved 17 civil judgments with over \$727,000 in damages and penalties.



Hotline Contacts

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 and mismanagement/waste of RRB funds.

The Hotline received 2,089 contacts during this reporting period. This represents almost a 500% increase from the previous reporting period. The increase is attributed to RRB annuitants and railroad workers contacting the OIG regarding additional benefits provided by the American Recovery and Reinvestment Act of 2009. The OIG referred these inquiries to the agency. The following table summarizes Hotline referrals for the period April 1, 2009 through September 30, 2009 and for FY 2009.

Referral or Other Activity	April 1, 2009 – September 30, 2009	Fiscal Year 2009
RRB District or Regional Office	1336	1554
Other (Hang Ups, Misdirected Calls, Disconnections, etc.)	618	719
Calls with Insufficient Information to Make Appropriate Referrals	46	99
Office of Investigations	61	103
Other Federal Agencies	17	24
Disposition Not Yet Determined, Additional Information is Being Obtained	7	11
RRB Bureaus	4	11
Railroad Medicare Carrier/ Durable Medical Equipment Carrier	0	9
Referred to a Railroad	0	1

The OIG received 2,089 Hotline contacts during this reporting period.

Hotline contacts increased almost 500% during the second half of FY 2009.



The OIG provides Recovery Act oversight.

OTHER OVERSIGHT ACTIVITIES

American Recovery and Reinvestment Act of 2009

During this semiannual period, the OIG continued its ongoing effort to provide a preventive/proactive program of oversight tailored to fit the RRB's responsibilities under the American Recovery and Reinvestment Act of 2009 (Recovery Act).

The Recovery Act, signed into law on February 17, 2009, established general requirements for management and reporting which are applicable to all Federal agencies and appropriates funding from the general fund of the U.S. Treasury to pay benefits to railroad workers and retirees as follows:

- A one-time \$250 payment to most individuals who receive benefits under the Railroad Retirement Act, totaling approximately \$135 million;
- 13 additional weeks of unemployment benefits for certain railroad workers who exhaust their rights to the benefits normally provided under the Railroad Retirement Unemployment Insurance Act, not to exceed \$20 million; and
- \$1,480,000 to fund the additional administrative costs anticipated in connection with payment of additional benefits.

The Recovery Act provided additional funding to the RRB to administer these benefit payments, however, it did not provide any supplemental funding for oversight activity by the OIG.

During this reporting period, the OIG monitored agency implementation efforts and conducted testing for payments funded by the Recovery Act in accordance with its original oversight plan, published in March 2009.

The OIG also contributed to the national effort to ensure a transparent Recovery Act process by preparing a Recovery Act work plan and monthly progress reports in formats developed by the Recovery Accountability and Transparency Board. The work plan and monthly reports are published on the Recovery.gov website and are also available on the RRB's Recovery Act Information web page.



Additionally, the OIG is investigating a fraud matter in which it identified a small portion of the fraud loss as the \$250 Recovery Act single payment to a railroad retirement annuitant. The OIG has reviewed 17 referrals from the agency involving fraudulent receipt of extended unemployment benefits which are also funded by the Recovery Act.

Occupational Disability Program

The occupational disability annuity is a unique benefit in that it is a Federal program managed by a government agency serving workers in a single industry. The threshold for qualification, which is lower than the standard for determining total and permanent disability under the Social Security Act, makes the occupational disability program susceptible to fraud and abuse.

The national spotlight was turned on the RRB's occupational disability program in September 2008 when the New York Times reported that nearly every career employee of the Long Island Railroad (LIRR) applies for and receives disability benefits soon after retirement.² In September 2009, the Government Accountability Office (GAO) reported that in FY 2007 "LIRR workers applied for occupational disability benefits at a rate 12 times higher than workers from other commuter railroads" and that "the RRB approved the claims of all workers at the same rate – near 100%."³

In October 2008, the RRB adopted Board Order 08-63 which described a five-point plan for greater oversight of the occupational disability claims of LIRR employees. As part of its five-point plan, the RRB is currently utilizing secondary medical screening on all occupational disability applicants received from LIRR applicants.

GAO reported that the RRB had approved nearly all of the occupational disability claims decided under the plan as of April 30, 2009. The agency has also created a new position to provide quality control oversight to the occupational disability program nationwide, not just the LIRR. Subsequently, the GAO has initiated a second audit in response to a Congressional request.

The national spotlight was turned on the RRB's occupational disability program in September 2008.

² Bogdanich, Walt. "A Disability Epidemic Among a Railroad's Retirees." *New York Times*, 20 Sept. 2008.

³ United States Government Accountability Office, *Review of Commuter Railroad Occupational Disability Claims Reveals Potential Program Vulnerabilities*, GAO-09-821R (Washington, D.C.: Sept. 9, 2009).



The OIG has made several recommendations to the RRB Board members regarding the occupational disability program.

In connection with the occupational disability program, the OIG has made the following recommendations to the RRB's Board members:

- All future occupational disability applicants should be sent for a secondary medical screening prior to adjudication.
- The RRB should require the applicant's immediate supervisor to complete and certify all RRB Forms G-251a or G-251b. These forms are used by the RRB to request information from railroad employers regarding job duties performed by applicants; however, in a large percentage of cases the employers fail to return the forms or provide the requested information.
- The RRB should amend current disability annuitant reminder forms to include an annual questionnaire requiring a certified response from all disability annuitants. If the disability annuitant fails to return the signed certification form within a reasonable timeframe, then their disability annuity should be suspended.

The implementation of these recommendations would provide disability examiners with additional information to consider in their adjudication process, resulting in better supported decisions.

OTHER ACCOMPLISHMENTS AND OUTREACH ACTIVITIES

Accomplishments

During this reporting period, a Special Agent, along with other task force team members from various other Federal law enforcement agencies, received the *Outstanding Prosecution Award* from the United States Attorney's Office for the Southern District of Illinois. The annual awards ceremony recognizes exemplary performances by Federal law enforcement personnel. This award was in connection with the successful prosecution of an ambulance company. The details of this case were discussed in our October 1, 2008 to March 31, 2009 *Semiannual Report to the Congress*.

An OI Special Agent received an award from the United States Attorney's Office for the Southern District of Illinois.



Outreach

In addition to audit and investigative activities, OIG staff members perform outreach as a means to further the office's mission. The following are examples of outreach activities conducted during this reporting period.

The Inspector General made a presentation to students majoring in Government Oversight and Inspection at John Jay College of Criminal Justice in New York. His presentation focused on government auditing standards and issues pertinent to the Inspector General community.

The Assistant Inspector General for Audit gave a presentation on the Railroad Retirement Program to the Chicago Chapter of the Association of Government Accountants.

OI Special Agents conducted fraud awareness training for newly hired agency Contact Representatives. Agency Contact Representatives have direct interaction with RRB beneficiaries and provide the OIG with an invaluable source of information and referrals.

The Assistant Inspector General for Investigations addressed railroad industry representatives at the *National Rail Employer Training Seminar*. His presentation focused on the OIG's investigative mission.

Chicago based OI staff members attended a meeting hosted by the U.S. Attorney's Office for the Northern District of Illinois concerning the Department of Justice and the Department of Health and Human Services' joint *Health Care Fraud Prevention & Enforcement Action Team* (HEAT) national project.

Additionally, OI staff participated in a variety of Medicare related meetings including several task forces. 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; various State Police agencies; various Medicaid Fraud Control Units; and Medicare Program Safeguard Contractors. Since Railroad Medicare is a national

The Inspector General made a presentation to students majoring in Government Oversight and Inspection at John Jay College of Criminal Justice in New York.



program, members of the OI staff attend task forces in several judicial districts. Participation in Task Force meetings allows the Special Agents to develop the necessary contacts and information to ensure that Railroad Medicare fraud losses will be included in any cases. They also provide an opportunity for the OI Special Agents to become familiar with the most recent fraud schemes.

OPERATIONAL ISSUES

The two operational issues addressed, involve areas which impact the OIG's ability to effectively carryout its oversight role. These issues would have to be remedied with legislative change.

The OIG should be allowed to negotiate support costs with the RRB.

Reimbursement to the Agency

Current appropriations law requires the OIG 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. The 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 negotiations between the RRB and the OIG for a more efficient way to address the issue of support costs.

The NRRIT lacks adequate oversight.

National Railroad Investment Trust

The National Railroad Retirement Investment Trust (NRRIT) was established by the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) to manage and invest Railroad Retirement assets. As of June 30, 2009, the RRB's investments in the NRRIT were valued at approximately \$22.4 billion.

Although the Trust is a tax-exempt entity independent of the Federal government, the RRSIA requires that the Trust report to the RRB. This office has previously expressed concerns about the RRB's passive relationship with the NRRIT and has identified the RRB's oversight in this area as a critical issue. However, the RRSIA does not provide the OIG with oversight authority to conduct audits and investigations of the NRRIT. This office believes that independent oversight of the Trust's



operations is necessary to ensure that sufficient reporting mechanisms are in place and to ensure that the Trustees are fulfilling their fiduciary responsibilities.

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. The agency neither proposed nor finalized any legislation or regulations during this reporting period.

During this reporting period, the Inspector General (IG) sent correspondence to Senator Mel Martinez, the Attorney General, the Federal Chief Information Officer, and the Secretary of Health and Human Services voicing support for real-time analysis of Medicare claims data as proposed in Senator Martinez' pending legislation entitled *Seniors and Taxpayers Obligation Protection Act of 2009* (S. 975, 2009). The current Medicare fraud detection system of "pay and chase" is antiquated and the proposed legislation would provide a more effective and efficient means to identify fraudulent claims before payment is issued; thereby, safeguarding the Medicare trust funds and saving taxpayers' money. The claims payment process for the Railroad Medicare program, because of its national scope, provides an ideal platform on which such real-time fraud detection technology could be tested. The IG has suggested that Senator Martinez amend S. 975 to specifically identify the Railroad Medicare program to pilot this technology.



APPENDICES

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APPENDIX A

OFFICE OF INSPECTOR GENERAL REPORTS AND OTHER PUBLICLY AVAILABLE DOCUMENTS ISSUED

- *Audit of the Railroad Medicare Integrity Program at Palmetto Government Benefits Administrators, September 25, 2009*
- *Audit of the General and Application Controls in the Financial Management Major Application System, September 30, 2009*
- *Audit of the Railroad Retirement Board's Medicare Major Application System, September 30, 2009*

All audits and other publicly available documents are available on our website at www.rrb.gov/oig.

APPENDIX B

AUDIT REPORTS WITH QUESTIONED COSTS OR WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Audit Reports with Questioned Costs	Amount of Questioned Costs	Amount of Unsupported Costs
A. For which no management decision had been made by April 1, 2009	0	0	0
B. Which were issued from April 1, 2009 through September 30, 2009	0	0	0
Subtotal (A + B)	0	0	0
C. For which a management decision was made between April 1, 2009 through September 30, 2009	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 September 30, 2009	0	0	0
E. Report for which no management decision was made within six months of issuance	0	0	0

	Audit Reports With Recommendations that Funds Be Put to Better Use	Dollar Value
A. For which no management decision had been made by April 1, 2009	0	0
B. Which were issued from April 1, 2009 through September 30, 2009	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 September 30, 2009	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 FY 1999 appropriations language for OIG 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 INVESTIGATIONS

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

Fiscal Year	Amount Recovered
1999	\$ 855,655
2000	\$1,038,134
2001	\$ 990,356
2002	\$ 785,843
2003	\$ 947,876
2004	\$ 646,273
2005	\$ 844,183
2006	\$1,281,680
2007	\$1,347,049
2008	\$1,389,489
2009	\$1,097,227

APPENDIX C - CONTINUED

OFFICE OF AUDIT

Report	Funds to be put to better use	Funds Agreed by Management	Receivables Established	Waivers	Recoveries to Date ¹
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			\$14,800,000
99-17	\$11,000,000	\$11,000,000			\$1,604,545
00-16	\$235,000	\$235,000			\$253,846
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	\$4,618,033	\$286,474	\$1,587,672
05-06	\$10,000	\$10,000			\$42,915
05-07	\$1,070,000	\$1,070,000	\$49,943		\$49,394
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	\$13,712		\$20,369
09-02	\$600,000	\$600,000			\$214,417

¹ Both overpayments and underpayments are included in this column.

APPENDIX D

SIGNIFICANT MATTERS

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

Financial Reporting

The OIG previously identified internal control over financial reporting as a material weakness. As a result, financial accounting controls cannot be relied upon to ensure that material errors will be detected to prevent misstatements in financial reporting.

Although agency managers are working to strengthen controls, management action in response to the following OIG recommendations had either not been completed as of the end of the current semiannual reporting period or had not been in place long enough to permit evaluation.

- | | | |
|---|------------------|----------------------------|
| • Compliance with requirements | February 9, 2007 | Report: #07-01, #11 |
| • Report preparation | March 6, 2008 | Report: #08-01, #9 |
| • Transaction documentation | March 6, 2008 | Report: #08-01, #11 |
| • Journal voucher preparation and recording | March 24, 2009 | Report: #09-02, #2, #3, #4 |

Information Security

The OIG previously evaluated information security pursuant to the provisions of the Federal Information Security Management Act (FISMA) and concluded that the RRB has not yet achieved an effective FISMA-compliant security program.

Although agency managers are working to strengthen controls, management action in response to the following OIG recommendations had either not been completed as of the end of the current semiannual reporting period or had not been in place long enough to permit evaluation.

- | | | |
|--|--------------------|--------------------------------|
| • Access controls | February 5, 2002 | Report: #02-04, #13, 20, 21 |
| | September 7, 2004 | Report: #04-08, #1 |
| | June 7, 2005 | Report: DSD LAN, #7 |
| | June 7, 2005 | Report: DSD Web #16 |
| | July 14, 2005 | Report: #05-08, #10 |
| • Implement an effective risk assessment process | September 27, 2007 | Report: #07-08, #1 |
| | September 30, 2008 | Report: #08-05, #2 |
| | | |
| • Implement a testing and evaluation program | February 5, 2002 | Report: #02-04, #3 |
| | December 27, 2002 | Report: #03-02, #1, #2, #3, #4 |
| | September 27, 2007 | Report: #07-08, #2 |

APPENDIX E – RRB MANAGEMENT REPORTS

THIS APPENDIX WAS PREPARED BY RRB MANAGEMENT

MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH DISALLOWED COSTS

FOR THE 6-MONTH PERIOD ENDING SEPTEMBER 30, 2009	<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 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)	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. Recovery Waived	1	\$ 2,835
3. Total of 1 and 2	1	\$ 2,835
E. Audit reports needing final action at the end of the period (C - D.3)	0	\$ 0

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

APPENDIX E – CONTINUED

MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE FOR THE 6-MONTH PERIOD ENDING SEPTEMBER 30, 2009

	<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.	5	\$3,672,100 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)	5	\$3,672,100
D. Audit reports on which final action was taken during the period.		
1. Value of recommendations implemented (completed)	1	\$1,070,000 ²
2. Value of recommendations that management concluded should not or could not be implemented (completed)	0	\$0
3. Total of 1 and 2	1	\$1,070,000
E. Audit reports needing final action at the end of the period (C - D.3)	4	\$2,602,100
1. Comprised of the following amounts: \$1,800,000 from Audit Report 05-03, "Evaluation of the RRB's Processing of Disability Earnings Cases," \$1,070,000 from Audit Report 05-07, "Evaluation of Survivor Annuity Work Deductions at the Railroad Retirement Board," \$2,100 from Audit Report 06-05, "Review of Compliance with Provisions of the Railroad Retirement Act Governing the Initial Award of Benefits," \$200,000 from Audit Report 06-06, "Review of the Termination and Suspension of Benefits Paid Under the Railroad Retirement Act," and \$600,000 from Audit Report 09-02, "Fiscal Year 2008 Financial Statement Audit Letter to Management."		
2. Audit Report 05-07, "Evaluation of Survivor Annuity Work Deductions at the Railroad Retirement Board."		

APPENDIX E – CONTINUED

MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS OVER 12 MONTHS OLD WITH FINAL ACTION PENDING AS OF SEPTEMBER 30, 2009

Report	Date	Disallowed costs	Funds to be put to better use	Reason action not completed
Information Systems Security (INFOSEC) Report	6/28/00	NONE	NONE	The agency has upgraded its security capabilities and hopes to close the last open recommendation in FY10.
Fiscal Year 2000 Financial Statement Audit (01-03)	2/23/01	NONE	NONE	While help desk procedures have been upgraded, the Bureau of Information Services is still developing reports to close the last open recommendation.
Review of Information Security at the Railroad Retirement Board (02-04)	2/5/02	NONE	NONE	Information Services has closed 24 recommendations and hopes to close the remaining 4 in FY10.
Evaluation of the Self-Assessment Process for Information System Security (03-02)	12/27/02	NONE	NONE	Information Services has completed one certification and accreditation review with contractor support and scheduled them for other major systems in FY10.
Inspection of Unverified Records in the RRB's Employment Data Maintenance System (03-06)	3/20/03	NONE	NONE	Programs reviewed all 20,000 records and are using a recently implemented tracking system to close the last one recommendation in FY10.
Review of the Systems Development Life Cycle for End-User Computing (03-10)	9/8/03	NONE	NONE	Information Services is using system and procedural changes to address and close the remaining item in FY10.
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 developed an alternative approach. Documentation submitted to OIG for review on last recommendation.
Fiscal Year 2004 Evaluation of Information Security at the Railroad Retirement Board (04-11)	9/30/04	NONE	NONE	Documentation submitted to OIG for review on last recommendation.
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 of sourcing information technology activities but continues to investigate alternate approaches and use contractor support.
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. Remaining 5 cases targeted for completion in FY10.

APPENDIX E – CONTINUED

MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS OVER 12 MONTHS OLD WITH FINAL ACTION PENDING AS OF SEPTEMBER 30, 2009

Report	Date	Disallowed costs	Funds to be put to better use	Reason action not completed
Review of Internal Control Over the Actuarial Projection Process (05-04)	5/5/05	NONE	NONE	The Chief Actuary has developed a workforce development plan. Documentation submitted to OIG for review on last recommendation.
Review of Customer Service Performance Measures for Timeliness of Initial Railroad Retirement Annuity Payments (05-05)	5/17/05	NONE	NONE	System changes being implemented should address the three remaining open recommendations in FY11.
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 two-thirds closed thus far.
Review of Access Controls in the End-User Computing General Support System (05-08)	7/18/05	NONE	NONE	Information Services has closed 12 of 15 recommendations in this confidential report. Documentation submitted to OIG for review on two recommendations and the remaining one is targeted for completion in FY10.
Fiscal Year 2005 Evaluation of Information Security at the Railroad Retirement Board (05-11)	9/28/05	NONE	NONE	Information Services developed policies and procedures. Submitted documentation to OIG for review and the remaining one targeted for completion in FY10.
Accuracy and Reliability of GPRA Performance Measures: Timeliness of Non-Disability Survivor Annuity Payments (06-03)	1/30/06	NONE	NONE	Programs have closed three of the seven recommendations. Submitted documentation for two to OIG for review and the remaining two targeted for completion in FY10.
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. The remaining one is being reevaluated in light of ongoing systems development and data optimization projects.
Review of the Termination and Suspension of Benefits Paid Under the Railroad Retirement Act (06-06)	5/24/06	NONE	\$200,000	Programming work on a referral system is pending that should close out the remaining open recommendation.
Review of Incident Handling and Reporting at the Railroad Retirement Board (06-09)	8/24/06	NONE	NONE	Review of controls needed before draft completed. Information Services implemented two recommendations, with the remaining slated for completion in FY10.

APPENDIX E – CONTINUED

MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS OVER 12 MONTHS OLD WITH FINAL ACTION PENDING AS OF SEPTEMBER 30, 2009

Report	Date	Disallowed costs	Funds to be put to better use	Reason action not completed
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 FY08 financial statement audit. Submitted documentation to OIG for review.
Audit of the DAISY/CHICO Component Application of the RRA Benefit Payment Major Application System (07-02)	3/9/07	NONE	NONE	Submitted documentation to OIG for review on two of the remaining three open recommendations that required programming changes, with the last one dependent on cooperation with another agency on Medicare premium collection.
Audit of the State Wage Match Data Transmission Controls (07-04)	3/28/07	NONE	NONE	Coordination required with outside agencies. Programs plans to complete action to address the two remaining open recommendations in FY10.
Evaluation of the Railroad Retirement Board's Privacy Program (07-06)	7/30/07	NONE	NONE	New CPO was appointed. Additional funding and resources were needed. Of the 15 recommendation, 6 have been closed with the remainder targeted for completion during FY10.
Audit of Federal Income Taxes Withheld from Railroad Retirement Annuities (07-07)	7/30/07	NONE	NONE	Coordination required with another org. Three of the six recommendations have been closed, with the rest targeted for completion in FY10.
Fiscal Year 2007 Evaluation of Information Security at the Railroad Retirement Board (07-08)	9/27/07	NONE	NONE	Policy and procedures still being developed. One of the eight recommendations has been closed with the rest targeted for completion in FY10.
Audit of Controls to Safeguard Sensitive Personally Identifiable Information (07-09)	9/27/07	NONE	NONE	Coordination required with outside contractor on one recommendation. Documentation submitted to OIG for review on two recommendations and work plans are still being developed for the other recommendations. Of the 22 recommendations, 5 have been implemented with work on most of the remaining ones to be finished in FY10.

APPENDIX E – CONTINUED

MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS OVER 12 MONTHS OLD WITH FINAL ACTION PENDING AS OF SEPTEMBER 30, 2009

Report	Date	Disallowed costs	Funds to be put to better use	Reason action not completed
Fiscal Year 2007 Financial Statement Audit Letter to Management (08-01)	3/6/08	NONE	NONE	Documentation submitted to OIG for review on one recommendation, OIG will evaluate implementation on two recommendations during the Financial Statement Audit and additional changes were required on the last recommendation. Of the 25 recommendations, 21 have been implemented with work on the remaining ones to be finished in FY10.
Implementation of Selected Requirements for Gov't Charge Card Program (08-02)	05/14/08	NONE	NONE	Coordination required with outside contractor. Of the 5 recommendations, 4 recommendations have been implemented with work on the remaining one to be finished in FY10.
Evaluation of Information Security for the RRB's Financial Interchange Major Application – Abstract (08-03)	09/26/08	NONE	NONE	Documentation submitted to OIG for review on one recommendation and work continues on others. Of the 11 recommendations, 1 has been implemented with work on the remaining ones to be finished in 2010.
Evaluation of the RRB's Medicare Contractor's Information Security (08-04)	09/26/08	NONE	NONE	Documentation submitted to OIG for review on these 2 recommendations which is scheduled to be finished in FY10.
Fiscal Year 2008 Evaluation of Information Security at the RRB (08-05)	09/26/08	NONE	NONE	Coordination required with outside contractor on 1 recommendation, documentation submitted to OIG for review on another recommendation and coordination is needed with another org. Of the 8 recommendations, 1 recommendation has been implemented with work on the remaining ones to be finished in FY10.

APPENDIX F

REPORTING REQUIREMENTS

Act Reference	Inspector General Reporting Requirements	Page(s)
Section 4(a) (2)	Review of Legislation and Regulations	25
Section 5(a) (1)	Significant Problems, Abuses, and Deficiencies	31
Section 5(a) (2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	31
Section 5(a) (3)	Prior Significant Recommendations Not Yet Implemented	31
Section 5(a) (4)	Matters Referred to Prosecutive Authorities	4, 9
Section 5(a) (5)	Instances Where Information Was Refused	None
Section 5(a) (6)	List of Audit Reports	27
Section 5(a) (7)	Summary of Each Significant Report	5 – 7
Section 5(a) (8)	Statistical Tables on Management Decisions on Questioned Costs	28
Section 5(a) (9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	28
Section 5(a) (10)	Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	8
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

Act Reference	Management Reporting Requirements	Page(s)
Section 5(b) (1)	Comments Deemed Appropriate	Transmittal Letter
Section 5(b) (2)	Statistical Table on Final Action on Disallowed Costs	32
Section 5(b) (3)	Statistical Table on Final Action to Put Funds to Better Use	33
Section 5(b) (4)	Statement on Audit Reports With Final Action Pending	34 – 37

APPENDIX G

ACRONYMS

Acronym	Explanation
ACE	Affirmative Civil Enforcement
BIS	Bureau of Information Services
FISCAM	Federal Information System Controls Audit Manual
FISMA	Federal Information Security Management Act of 2002
FY	Fiscal Year
GAO	Government Accountability Office
HEAT	Health Care Fraud Prevention & Enforcement Action Team
IG	Inspector General
LIRR	Long Island Rail Road
NRRIT	National Railroad Retirement Investment Trust
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
RRB	Railroad Retirement Board
RRSIA	Railroad Retirement and Survivors' Improvement Act of 2001
SI	Sickness Insurance
UI	Unemployment Insurance

APPENDIX H

LEGAL CITATIONS

Federal:

Accountability of Tax Dollars Act of 2002 – P.L. 107-289

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

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

Conspiracy to Commit Theft of Government Funds – 18 U.S.C. § 641

Failure to Report to the RRB – 45 U.S.C. § 2311

False and Fraudulent Claims – 18 U.S.C. § 287

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

False Statements – 18 U.S.C. § 1001 et. seq.

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

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

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

Railroad Retirement and Survivors' Improvement Act of 2001 –
45 U.S.C. § 231n(j)

Seniors and Taxpayers Obligation Protection Act of 2009 – S. 975,
111th Cong., 1st Sess. (2009)

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

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

Wire Fraud – 18 U.S.C. § 1343

REPORT
FRAUD, WASTE, AND ABUSE



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