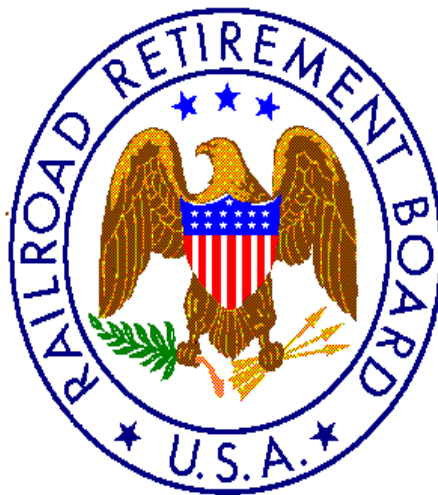


**OFFICE OF INSPECTOR GENERAL**

**Audit Report**

**Evaluation of the Railroad Retirement Board's  
Oversight of Railroad Employer Compliance**

**Report No. 12-03  
January 26, 2012**



**RAILROAD RETIREMENT BOARD**

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## EXECUTIVE SUMMARY

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The Office of Inspector General (OIG) reviewed the Railroad Retirement Board's (RRB) oversight of railroad employer compliance. In 1993, the agency approved the establishment of the Audit and Compliance Division (ACD) within the RRB's Bureau of Fiscal Operations (BFO). ACD conducts external audits of railroad employers to ensure compliance under the Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA), and verifies the accuracy and timeliness of reported compensation and contributions. Although ACD does not have authority to audit taxes under the Railroad Retirement Tax Act (RRTA), its staff reviews the compensation amounts on which these payroll taxes are based. The objectives of this audit were to evaluate the accuracy and completeness of ACD's audit results, and the effectiveness of ACD's audit process, for a selected Non-Class I Railroad employer.

We conducted our fieldwork at the RRB's headquarters in Chicago, Illinois and at the office of the subject railroad employer from February to November 2011.

### Findings

Our review found that, for the selected Non-Class I Railroad employer, ACD's audit results were not fully accurate and complete, and their audit process was not fully effective to ensure compliance with the RRA and RUIA. ACD did not:

- use finalized documents for reconciliations;
- pursue individual compensation differences below \$1,000 per employee, per year;
- have sufficiently detailed procedures to identify potentially covered employees; and
- properly communicate and coordinate with other RRB units.

Our audit identified potential underreported Tier I and Tier II creditable compensation of approximately \$283,000 and \$320,000, respectively, which resulted in a potential \$84,000 in taxes lost to the RRB's trust funds.

### Recommendations

To improve operations, we recommend that the Bureau of Fiscal Operations:

- implement controls to ensure that auditors verify all information used in their final audit reports;
- implement controls to ensure ongoing communication with audited railroad employers and other RRB units during the entire audit process;
- revise its procedures to use lower thresholds for pursuing identified differences in creditable compensation;

- request that the railroad employer submit a compensation adjustment report to correct the 141 employees with creditable compensation differences in calendar year (CY) 2007;
- revise railroad employer audit procedures to ensure that potentially covered employees are identified;
- refer the 11 identified individuals to the ACD's coverage unit for review;
- establish controls for agency-wide coordination to ensure railroad employer compliance;
- request that the railroad employer submit a compensation adjustment report to credit service months for wage continuations paid in CYs 2008 and 2009; and
- request that the railroad employer submit a new compensation adjustment report to reverse the September 2008 compensation adjustment report.

### **Management's Response**

The Bureau of Fiscal Operations agreed to take corrective action for all nine of our recommendations. The full text of management's response is included in this report as Appendix III.

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## INTRODUCTION

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This report presents the results of the OIG's evaluation of the RRB's oversight of railroad employer compliance.

A glossary of terms has been provided in Appendix I.

### **Background**

The RRB is an independent agency in the executive branch of the Federal government. The RRB administers the retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the RRA and the RUIA. These programs provide income protection during old age and in the event of disability, death, temporary unemployment, or sickness. The RRB paid approximately \$11 billion in benefits to approximately 607,000 beneficiaries during fiscal year (FY) 2011.

For CY 2009, over 690 railroad employers reported Tier I and Tier II service and compensation of \$15.34 billion and \$14.27 billion respectively, for over 250,000 workers.<sup>1</sup> During FY 2009, railroad employers paid approximately \$4.7 billion in railroad retirement taxes and \$92.9 million in RUIA contributions.

Prior to 1991, the OIG developed and implemented a program to audit the payroll records of railroad employers. During the course of litigation to enforce an OIG subpoena to a railroad employer, the OIG had been advised that railroad audits could be justified as spot checks by the OIG to evaluate the efficiency of procedures used by the RRB. However, the U.S. District Court, Northern District of Texas, ruled that the OIG railroad employer audits went beyond spot checks and oversight, and refused to enforce the subpoena. As a result of this ruling, OIG ceased doing audits of railroad employers.

In 1993, the agency approved the establishment of the ACD within the RRB's BFO. ACD conducts external audits of railroad employers to ensure compliance under the RRA and RUIA, and verifies the accuracy and timeliness of reported compensation and contributions. Although ACD does not have authority to audit taxes under the RRTA, its staff reviews the compensation amounts on which these payroll taxes are based. An error in reporting compensation generally results in a related error in reporting railroad retirement tax liability.

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<sup>1</sup> Legislation enacted in 1974 restructured railroad retirement benefits into two tiers, so as to coordinate them more fully with social security benefits. The first tier is based on combined railroad retirement and social security credits, using social security benefit formulas. The second tier is based on railroad service only and is comparable to the private pensions paid over and above social security benefits in other industries. Employees and employers pay Tier I taxes at the same rate as social security taxes. In addition, both employees and employers pay Tier II taxes which are used to finance railroad retirement benefit payments over and above social security levels.

ACD informs railroad employers of additional potential railroad retirement tax liability, recommends that they report these amounts to the Internal Revenue Service (IRS), and provides their audit results to the IRS.

ACD also gathers, verifies, and analyzes activities of railroad employers and employees in support of the agency's coverage determinations under the RRA and the RUIA. This effort helps to ensure that those employees who work in the railroad industry receive the retirement and insurance benefits that they have earned. ACD's coverage unit submits coverage cases to the Bureau of Law within the RRB's Office of General Counsel. The Bureau of Law then drafts a preliminary decision, which is forwarded to the agency's three-member Board for a formal determination.

The OIG's report, "Review of the Railroad Retirement Board's Audit and Compliance Division," disclosed deficiencies in ACD's audit and reporting process.<sup>2</sup> These deficiencies caused the OIG to question the accuracy, completeness, and effectiveness of the audits conducted by ACD.

This review supports the RRB's strategic plan's goal to safeguard customers' trust funds through prudent stewardship.

## **Audit Objectives**

The objectives of this audit were to evaluate the accuracy and completeness of ACD's audit results, and the effectiveness of ACD's audit process, for a selected Non-Class I Railroad employer.

## **Scope**

The scope of our audit was one ACD railroad employer audit report, selected from all audit reports issued by ACD from FY 2008 through FY 2010. The selected audit report was for a Non-Class I Railroad employer.<sup>3</sup>

We limited our internal control testing to obtaining an understanding of ACD procedures for conducting railroad employer audits, and to gaining an understanding of the subject railroad employer's payroll system, as it relates to reporting under the RRA and RUIA. We determined that no further internal control testing was necessary, based on our audit objectives.

Assessment of any additional taxable compensation and RRTA tax liability is under the authority and responsibility of the IRS. Estimated tax figures are included in this report for informational purposes only.

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<sup>2</sup> "Review of the Railroad Retirement Board's Audit and Compliance Division," OIG Report No. 11-04, February 1, 2011.

<sup>3</sup> U.S. Class I Railroads are line haul freight railroads with 2010 operating revenue of \$398.7 million or more.

## Methodology

To accomplish our objectives, we:

- reviewed applicable laws, regulations, policies and procedures, (including ACD's operating procedures and audit guide) and professional standards;
- obtained an understanding of the criteria that was applicable to our audit objectives;
- conducted a walkthrough of ACD operations and procedures to gain an understanding of controls over railroad employer audits;
- judgmentally selected one of ACD's railroad employer audit reports for review from the universe of employer audit reports issued by ACD in FY 2008 through 2010 (The report selected was for a Non-Class I Railroad employer.);
- gained an understanding of the subject railroad employer's payroll system as it relates to reporting under the RRA and RUIA;
- verified compensation reported by the railroad employer to the RRB by reconciling to third-party documents and/or the railroad employer's payroll records;
- reconciled compensation reported by the subject railroad employer to the RRB to compensation reported to the IRS;
- reviewed the railroad employer's records for indications of employees or contractors that should have been covered under the RRA and RUIA, but had not been reported to the RRB;
- repeated selected ACD audit procedures for the subject railroad employer for CY 2007 to verify the accuracy and completeness of the ACD audit;
- performed audit procedures at the subject railroad employer for two additional years (CY's 2008 and 2009) as a test of the effectiveness of ACD's audit process; and
- compared OIG findings at the subject railroad employer to findings reported by ACD.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted our fieldwork at the RRB's headquarters in Chicago, Illinois and at the office of the subject railroad employer from February to November 2011.

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## RESULTS OF AUDIT

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Our review found that, for the selected Non-Class I Railroad employer, ACD's audit results were not fully accurate and complete, and their audit process was not fully effective to ensure compliance with the RRA and RUIA. ACD did not:

- use finalized documents for reconciliations;
- pursue individual compensation differences below \$1,000 per employee per year;
- have sufficiently detailed procedures to identify potentially covered employees; and
- properly communicate and coordinate with other RRB units.

Our audit identified potential underreported Tier I and Tier II creditable compensation of approximately \$283,000 and \$320,000, respectively, which resulted in a potential \$84,000 in taxes lost to the RRB's trust funds. See Appendix II.

The details of our findings and recommendations for corrective action follow. The full text of management's response is included in this report as Appendix III.

### **Not Using Finalized Documents for Reconciliations Could Result in Errors**

ACD used unverified information for resolving errors in creditable compensation.

ACD's mission is to conduct external audits of railroad employers to determine and ensure compliance under the RRA and RUIA. To accomplish this mission, ACD "[d]etermines whether employers are making the proper payment of unemployment insurance contributions and proper reports of creditable compensation in an accurate and timely manner."<sup>4</sup>

During our review, we found that auditors used documents that had not yet been processed by the IRS and the RRB, as a basis for their reconciliations of creditable compensation.<sup>5</sup> They did this with the assumption that the documents would be processed after their audit field work was complete. However, because ACD auditors failed to have ongoing communication with both the railroad employer and with RRB's Compensation and Employer Services Center subsequent to their audit field work, they did not know that the documents were never processed. As a result, some of the reconciliations in their final audit report were incorrect.

Not maintaining ongoing communication with both the railroad employer and other RRB units throughout the entire audit process increases the risk of undetected errors in taxes and creditable compensation, which could have a monetary impact on the RRB's trust funds and future benefit payments.

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<sup>4</sup> RRB Administrative Circular REF(RRB-3) dated May 17, 2004.

<sup>5</sup> These documents included adjustment reports for creditable compensation and adjusted IRS tax returns.



## Recommendations

We recommend that the Bureau of Fiscal Operations:

1. implement controls to ensure that auditors verify all information used in their final audit reports; and
2. implement controls to ensure ongoing communication with audited railroad employers and other RRB units during the entire audit process.

## Management's Response

In regard to recommendation 1, the Bureau of Fiscal Operations concurred with this recommendation. They have advised us that this control was submitted as part of ACD Procedures Manual for OIG's review and approval on October 14, 2011.

In regard to recommendation 2, the Bureau of Fiscal Operations concurred with this recommendation. They have advised us that this control was submitted as part of ACD Procedures Manual for OIG's review and approval on October 14, 2011.

### **ACD's Procedure to Not Pursue Individual Differences Below \$1,000 Per Year Could Have a Negative Cumulative Effect on Benefits**

ACD did not pursue yearly compensation differences of less than \$1,000 per employee.

ACD's mission is to conduct external audits of railroad employers to determine and ensure compliance under the RRA and RUIA. To accomplish this mission, ACD "[d]etermines whether employers are making the proper payment of unemployment insurance contributions and proper reports of creditable compensation in an accurate and timely manner."<sup>6</sup>

During our review, we found that ACD did not pursue differences in creditable compensation of less than \$1,000 per employee per year, during their reconciliations. This procedure resulted in underreported compensation ranging from \$10 to \$700 for 140 individuals, and overreported compensation for one individual; with a net potential tax loss of approximately \$3,500 for CY 2007, for the subject railroad employer.

ACD's procedures instructed auditors not to analyze reconciliation differences of less than \$1,000 (per employee per year). ACD management told us that they had set a \$2,500 threshold for employees of Class I Railroad employers and \$1,000 for employees of other railroad employers. Therefore, ACD will not investigate differences below these amounts for the reconciliation of individual creditable compensation.

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<sup>6</sup> RRB Administrative Circular REF(RRB-3) dated May 17, 2004.

Not correcting differences in creditable compensation of \$1,000 per individual per year for Non-Class I Railroad employers (and \$2,500 per individual per year for Class I Railroad employers) could have a negative cumulative effect on one or more of the RRB benefits payable to the affected railroad employees.

### Recommendations

We recommend that the Bureau of Fiscal Operations:

3. revise its procedures to use lower thresholds for pursuing identified differences in creditable compensation; and
4. request that the railroad employer submit a compensation adjustment report to correct the 141 employees with creditable compensation differences in CY 2007.

### Management's Response

In regard to recommendation 3, the Bureau of Fiscal Operations concurred with this recommendation. They have advised us that on November 16, 2011, details were provided to OIG auditors on verbiage included in procedures to address this finding.

In regard to recommendation 4, the Bureau of Fiscal Operations concurred with this recommendation to send a written request to the (railroad) employer to submit compensation adjustments to correct the records of the 141 employees with differences between taxable wages and creditable compensation in CY 2007.

### **Procedures Are Not Sufficient to Identify Potentially Covered Employees**

ACD's procedures are not sufficiently detailed to identify some groups of individuals who could potentially be covered employees under the RRA and RUIA. RRB Administrative Circular, REF(RRB-3), dated May 17, 2004, states the following as part of ACD's mission:

AUDIT AND COMPLIANCE DIVISION ... Reviews the coverage of railroad employers to determine: (1) if all eligible employees are being reported as covered under the RRA and RUIA, and (2) if railroad services are being performed by contractors who are independent of the railroad employers. Refers all coverage information to the Bureau of Law. Also, refers matters identified during audits which may require action by other RRB bureaus/offices to the appropriate bureaus/offices.

During our review, we found that ACD did not identify potential creditable compensation that was reported on CY 2007 IRS Form 1099 for six individuals. This is a possible indication that these individuals should have been covered employees under the RRA and RUIA. ACD's audit procedures for coverage were limited, vague, and instructed

auditors to perform additional steps only “if time permitted.” As a result, ACD missed the opportunity to identify potentially covered employees.

For the railroad employer reviewed, we identified approximately \$164,000 in potentially unreported creditable compensation, with a potential of \$49,000 in unreported tax liabilities, for the six individuals for CY 2007. Our 2008 and 2009 testing identified additional compensation for some of these individuals and for an additional five individuals. The total potentially unreported creditable compensation for CYs 2008 and 2009 was approximately \$103,000, and the potential unreported tax liabilities totaled approximately \$32,000. See Appendix II for more details.

Not having sufficient, detailed audit procedures to identify potentially covered employees prevents ACD from fully carrying out their mission.

### Recommendations

We recommend that the Bureau of Fiscal Operations:

5. revise railroad employer audit procedures to ensure that potentially covered employees are identified; and
6. refer the 11 identified individuals to the ACD’s coverage unit for review.

### Management’s Response

In regard to recommendation 5, the Bureau of Fiscal Operations concurred with this recommendation. They have advised us that this control was submitted as part of ACD Procedures Manual for OIG’s review and approval on October 14, 2011.

In regard to recommendation 6, the Bureau of Fiscal Operations concurred with this recommendation. They have advised us that a memo was sent to the coverage section on January 12, 2012. A copy of the memo is attached to management’s response in Appendix III.

## **A Lack of Agency Coordination Hindered Railroad Employer Compliance**

ACD’s audit of this railroad employer was not effective to ensure compliance with the financial reporting requirements of the RRA and RUIA.

RRB Administrative Circular, REF(RRB-3), dated May 17, 2004, states the following as part of ACD’s mission:

AUDIT AND COMPLIANCE DIVISION ... Conducts external audits of railroad employers to determine and ensure compliance with the financial reporting requirements of the Railroad Retirement Act (RRA) and Railroad

Unemployment Insurance Act (RUIA). Determines whether employers are making the proper payment of unemployment insurance contributions and proper reports of creditable compensation in an accurate and timely manner. Reviews and verifies railroad retirement tax deposit information; Tier I and Tier II wages and credits; supplemental taxes; unemployment employer contributions; unemployment insurance wage credits; sick pay payments; and individual receivables under 2(f) and 12(0) of the RUIA.

Our review disclosed that ACD did not properly communicate and/or coordinate with other RRB units to ensure the railroad employer's compliance. Additionally, ACD gave the railroad employer incorrect information, which led to the improper treatment of sick pay. Lastly, ACD did not provide adequate guidance to the railroad employer subsequent to the field work and/or did not perform adequate follow-up of its findings to correct the omission of adjustment reports on the "Employers Quarterly Report of Contributions under the Railroad Unemployment Insurance Act."

The misclassification of wage continuation as sick pay resulted in Tier II taxes initially being underreported by approximately \$60,000 in CY 2008 and \$61,000 in CY 2009.<sup>7</sup> The railroad employer has corrected the underreporting by working directly with the RRB's Compensation and Employer Services Unit and the IRS. However, in the process of adjusting creditable compensation for the above, the railroad employer did not include service months on the adjustment reports. As a result, 169 individuals in CY 2008 and 200 individuals in CY 2009 did not receive creditable service months for which they may be entitled.

Lastly, the railroad employer submitted an adjustment report with the RRB in September 2008 to re-classify previously reported wage continuation as sick pay for seven individuals for CY 2007. However, the railroad employer told us that their current position is to treat any sick pay paid to its employees as regular wages. Therefore, the compensation should continue to be treated as wage continuation and the submitted adjustment should be reversed.

ACD's lack of coordination with other RRB units hinders their ability to ensure compliance with the applicable financial reporting requirements of the RRA and RUIA.

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<sup>7</sup> Payments under a wage continuation plan are generally considered regular earnings. Regular earnings are creditable as Tier I, Tier II, and RUIA compensation, and also generate service months. Sick pay does not yield service months, is not creditable as Tier II compensation, and is not creditable as compensation under the RUIA.

## Recommendations

We recommend that the Bureau of Fiscal Operations:

7. establish controls for agency-wide coordination to ensure railroad employer compliance;
8. request that the railroad employer submit a compensation adjustment report to credit service months for wage continuations paid in CYs 2008 and 2009; and
9. request that the railroad employer submit a new compensation adjustment report to reverse the September 2008 compensation adjustment report.

## Management's Response

In regard to recommendation 7, the Bureau of Fiscal Operations concurred with this recommendation. They have advised us that the Chief Financial Officer (CFO) will forward a memo to the Executive Committee members requesting their support to courtesy copy ACD with any policy changes to compensation or service credit calculations that affect (railroad) employer audits.

In regard to recommendation 8, the Bureau of Fiscal Operations concurred with the recommendation to send a written request for the railroad employer to submit a compensation adjustment report to credit service months for wage continuations paid in CYs 2008 and 2009, once confirmation and coordination on characterization of the compensation reported is obtained from the Office of Programs for this railroad employer.

In regard to recommendation 9, the Bureau of Fiscal Operations concurred with this recommendation to send a written request for the railroad employer to submit a new compensation adjustment report to reverse the September 2008 compensation adjustment report, once confirmation and coordination is obtained from the Office of Programs concerning the distinction between sick pay and wage continuation pay for this railroad employer.

## Glossary of Terms

<b>Audit and Compliance Division (ACD)</b>	A unit of the RRB that conducts external audits of railroad employers to ensure compliance under the RRA and RUIA.
<b>Class I Railroad</b>	A line haul freight railroad with 2010 operating revenue of \$398.7 million or more.
<b>Coverage determination</b>	A decision by the RRB on whether or not an employer or employee meets the definition of an employer or employee as defined in the RRA and RUIA. An employer who meets the definition is referred to as a covered employer. Similarly, an employee who meets the definition is referred to as a covered employee.
<b>Coverage unit</b>	A sub-unit of ACD that investigates and obtains coverage information from possible covered employers. The factual background information is then forwarded to the RRB's General Counsel for review.
<b>Creditable Compensation</b>	Any form of payment made to an individual for services rendered as an employee for an employer, as defined in the RRA, and various other payments, such as separation and dismissal allowances. Creditable compensation is subject to an annual maximum.
<b>Service Month</b>	Any calendar month, or any part of a calendar month, that an employee receives compensation for services performed for a railroad employer; or a period of lost time for which an employee receives compensation; or a period of time credited to an employee for military service. An individual's entitlement to benefits and the amount of such benefits are determined, in part, on the individual's years of service.

<b>Sick Pay</b>	Compensation paid under a plan or agreement available on the same basis to employees in a like class and payable for days not worked on account of injury, illness, sickness, disease, pregnancy, or childbirth. Regular pay that an employee receives while off sick is not considered sick pay but regular earnings. Sick pay is creditable as Tier I compensation only. Sick pay does not yield service months, is not creditable as Tier II compensation, and is not creditable as compensation under the RUIA.
<b>Tier I</b>	The railroad retirement equivalent of social security wages and benefit amounts.
<b>Tier I benefits</b>	Benefits paid by the RRB that are calculated using social security formulas based on earnings credited under social security and railroad retirement.
<b>Tier I taxes</b>	Taxes used to finance Tier I benefits. These taxes are paid at the same rate as social security taxes by both the employer and employee.
<b>Tier II</b>	The railroad retirement component that is comparable to a private pension. The benefit financing, earnings credit, and annuity benefit formula are based on employment solely in the railroad industry.
<b>Tier II benefits</b>	Benefits paid by the RRB that are based on railroad service only, and are comparable to the private pensions paid over and above social security benefits in other industries.
<b>Tier II taxes</b>	Taxes used to finance railroad retirement benefit payments over and above social security levels, which are paid by both employees and employers.
<b>Wage continuation</b>	A plan whereby an employee receives regular earnings or salary while unable to work. Payments under a wage continuation plan are generally considered regular earnings rather than sick pay. Regular earnings are creditable as Tier I, Tier II, and RUIA compensation and generate service month credits for the months in which the compensation is paid.

### Summary of Potential Underreported Compensation and Taxes

Issue	Year	Net Potentially Underreported		
		Tier I Compensation	Tier II Compensation	Taxes
\$1,000 Threshold	2007	\$15,679	\$6,775	\$3,483
Coverage	2007	\$164,197	\$147,517	\$48,725
Coverage	2008	\$92,942	\$92,942	\$29,091
Coverage	2009	\$9,711	\$9,711	\$3,040
Erroneous Adjustment	2007	\$0	\$62,564	\$0 <sup>8</sup>
<b>Totals</b>		<b>\$282,529</b>	<b>\$319,509</b>	<b>\$ 84,339</b>

<sup>8</sup> The questioned adjustment report was not used in the railroad employer's tax filing; therefore, there is no potential tax effect.





UNITED STATES GOVERNMENT

FORM G-115f (1-82)

**MEMORANDUM**

RAILROAD RETIREMENT BOARD

JAN 20 2012

**TO :** Diana Krueh  
Assistant Inspector General for Audit

**FROM :** Henry A. Rueden Original Signed by  
Chief of Audit and Compliance  
**THROUGH:** George V. Govan Original Signed by  
Chief Financial Officer

**SUBJECT:** Draft Report – Evaluation of the Railroad Retirement Board’s  
Oversight of Railroad Employer Compliance

Thank you for the opportunity to comment on the OIG Draft Report. Comments on the recommendations are as follows:

**Recommendations:****We recommend that BFO:**

- 1. implement controls to ensure that auditors verify all information used in their final audit reports;**

Concur with the recommendation to implement controls to ensure that auditors verify all information used in their final audit reports. This control was submitted as part of ACD Procedures Manual for OIG’s review and approval Oct. 14, 2011. Target date: March 31, 2012

- 2. implement controls to ensure ongoing communication with audited railroad employers and other RRB units during the entire audit process;**

Concur with the recommendation to implement controls to ensure on-going communication with audited railroad employers and other RRB units during the entire audit process. This control was submitted as part of ACD Procedures Manual for OIG’s review and approval Oct. 14, 2011. Target date: March 31, 2012

- 3. revise its procedures to use lower thresholds for pursuing identified differences in creditable compensation;**

Concur with the recommendation to revise its procedures to use lower thresholds for pursuing identified differences between creditable and taxable

compensation. On November 16, 2011 details were provided to OIG auditors on verbiage included in procedures to address this finding. Target date: March 31, 2012

4. **request that the railroad employer submit a compensation adjustment report to correct the 141 employees with creditable compensation differences in CY 2007;**

Concur with recommendation to send written request to employer to submit compensation adjustments to correct the records of the 141 employees with differences between taxable wages and creditable compensation in CY 2007. Target date: March 31, 2012

5. **revise railroad employer audit procedures to ensure that potentially covered employees are identified;**

Concur with the recommendation to revise railroad employer audit procedures to ensure that potentially covered employees are identified. This control was submitted as part of ACD Procedures Manual for OIG's review and approval Oct. 14, 2011. Target date: March 31, 2012

6. **refer the 11 identified individuals to the ACD's coverage unit for review;**

Concur with the recommendation to refer the 11 identified individuals to the ACD's coverage unit for review. Memo was sent to the coverage section on January 12, 2012. Target date: None, Memo Attached with completed action.

7. **establish controls for agency-wide coordination to ensure railroad employer compliance;**

Concur. CFO will forward memo to Executive Committee members requesting their support to courtesy copy ACD with any policy changes to compensation or service credit calculations that affect employer audits. Target date: March 31, 2012

8. **request that the railroad employer submit a compensation adjustment report to credit service months for wage continuations paid in CYs 2008 and 2009;**

Concur with recommendation to send written request for railroad employer to submit a compensation adjustment report to credit service months for wage continuations paid in CYs 2008 and 2009, once confirmation and coordination on characterization of the compensation reported is obtained from the Office of Programs for this railroad employer. Target date: March 31, 2012

**9. request that the railroad employer submit a new compensation adjustment report to reverse the September 2008 compensation adjustment report;**

Concur with recommendation to send written request for the railroad employer to submit a new compensation adjustment report to reverse the September 2008 compensation adjustment report, once confirmation and coordination is obtained from the Office of Programs concerning the distinction between sick pay and wage continuation pay for this railroad employer. Target date: March 31, 2012



UNITED STATES GOVERNMENT  
**MEMORANDUM**

FORM G-115F (1-93)  
RAILROAD RETIREMENT BOARD

January 12, 2012

**TO :** Elinita Brown  
Compliance Specialist

**FROM :** Henry A. Rueden Original Signed by  
Chief, Audit & Compliance Division

**SUBJECT :** Audit Review by OIG MA Bay Commuter RR

Please review the attached document produced by the OIG for possible coverage.

Should you have any questions or need additional information, please contact me at 312-751-4679.

Attachment