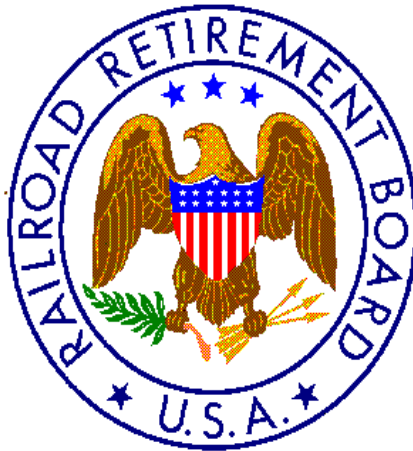


OFFICE OF INSPECTOR GENERAL

Audit Report

**Improvements Needed for the
Program Evaluation Process at the
Railroad Retirement Board**

**Report No. 17-07
August 1, 2017**



RAILROAD RETIREMENT BOARD

EXECUTIVE SUMMARY

Background

The Office of Inspector General for the Railroad Retirement Board (RRB) conducted an audit of the adequacy of RRB program evaluation process in regard to its reviews of accuracy and integrity of benefit payments.

Findings

Our audit identified deficiencies in the program evaluation process used by the RRB's Program Evaluation Section (PES) to assess the accuracy and integrity of benefit payments paid under the Railroad Retirement Act. We determined that improvements are needed in the following areas:

- quality assurance sampling process including the universe selection process, reported sample results, supporting documentation, and related policies and procedures;
- documented internal controls and tests of controls;
- completeness of samples to include cases without recent adjudicative actions;
- efficiency in the manner that data is compiled and reviewed that supports reported accuracy rates;
- agency actions to ensure that they comply with agency policies and procedures;
- validation of performance measures prepared by other RRB organizational units;
- documented checklists that support occupational disability compensating control results; and
- ongoing training for PES claims specialists.

Recommendations

We made 21 detailed recommendations to address the deficiencies found. Key recommendations included:

- revising the sample selection process to ensure the completeness of initial award identification and that the proper award actions are identified;
- training for statistical sampling;

- designating PES as a unit that would require formal documentation of its internal controls and periodic tests of internal controls;
- implementing an annual sample of benefit payments without recent adjudicative activity to provide a more complete payment accuracy rate and to help further protect customer trust funds;
- revising its process for documenting benefit payment amounts used to compute its payment accuracy rates to ensure accuracy;
- improving internal controls to ensure that supporting documentation is prepared in accordance with documented agency procedures;
- improving internal controls to ensure that corrective actions are initiated and completed in accordance with policies and procedures;
- revising policies to obtain a greater assurance of accuracy and integrity by independently validating performance data provided by other organizational units;
- revising the checklist used for segregation of duties compensating control to include verification that the annuitant's name matches the name on the medical examination ordered for occupational disability annuitants; and
- providing ongoing training and fraud awareness training for PES staff sufficient for their job duties.

Management Responses and Our Comments for Key Recommendations

RRB management concurred with 9 of our 21 recommendations. We discussed all of our recommendations with RRB management before issuing the report for comments. At that time, the Office of Programs expressed some disagreement with some of the recommendations but not the extent to which they nonconcurred. At that time and subsequently, they did not provide any documentation to refute our findings.

RRB management concurred with our recommendations to: (1) identify PES as a separate unit subject to the RRB's management control review process, (2) revise documented policies and procedures to ensure that they are complete, (3) formally develop and test PES' internal controls needed to ensure the integrity and accuracy of its operation and reported results, (4) periodically test PES' internal controls, (5) revise the quality assurance policies and procedures used to ensure that the correct benefit payment amount is recorded in the system used to calculate payment accuracy rates, (6) improve internal controls for quality assurance cases to ensure that supporting documentation is prepared in accordance with agency guidance, (7) revise policies and procedures to include controls to ensure that the appropriate office is notified regarding the need for timely corrective action to be taken on errors that impact the integrity of annuitant information, (8) ensure that PES staff receives ongoing training sufficient for their job duties, and (9) ensure that PES staff receives fraud awareness training.

The Office of Programs did not concur with our recommendations regarding revision of the sample selection process to ensure completeness of initial award identification and that the proper award actions are identified, and the need for statistical sampling training. They stated that their current process is efficient, creates an accurate universe, and is statistically valid. Management's response demonstrates the lack of understanding of statistical sampling and justifies our recommendations, including the need for statistical sampling training.

The Office of Programs also did not concur with our recommendations regarding: (1) annually sampling benefit payments without recent adjudicative activity, (2) revision of the process for documenting benefit payment amounts used to compute payment accuracy rates, (3) improving internal controls to ensure that corrective actions are initiated and completed in accordance with policies and procedures, (4) revision of their policies to obtain greater assurance of accuracy and integrity by independently validating performance results provided by other organizational units, and (5) revision of the quality assurance checklist for segregation of duties compensating control for verification that the annuitant's name matches the name on the examination order.

The full text of management's responses is included in the appendices and a detailed description of management's response to each recommendation and our comments are incorporated throughout this report.

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INTRODUCTION

This report presents the results of the Office of Inspector General's (OIG) audit of the adequacy of the Railroad Retirement Board's (RRB) program evaluation process in regard to its reviews of accuracy and integrity of benefit payments.

Background

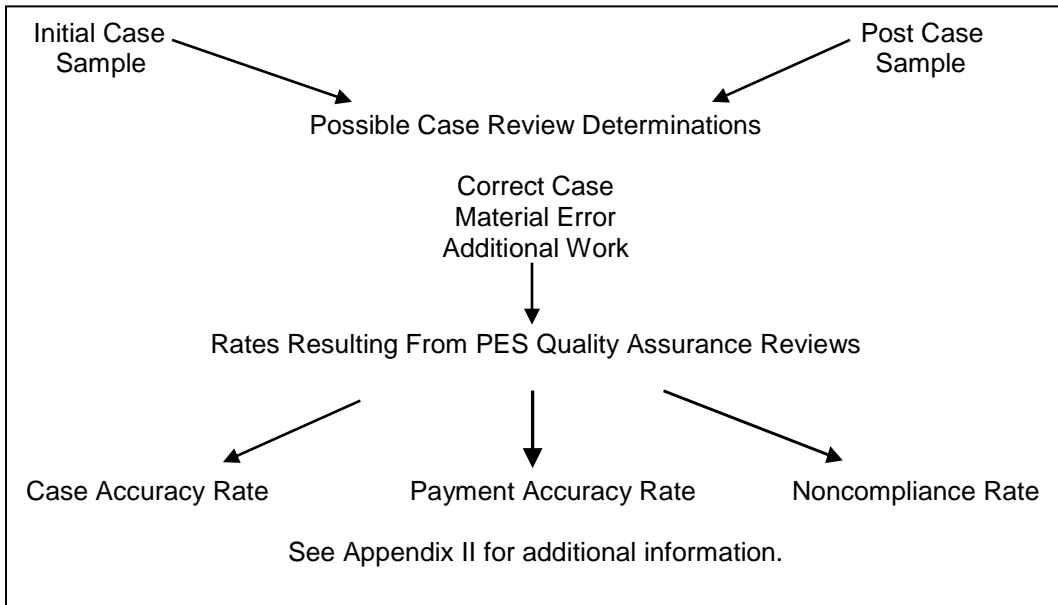
The RRB, an independent agency in the executive branch of the Federal government, administers retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act. The RRB paid \$12.5 billion in retirement/survivor benefits and \$132.3 million in unemployment and sickness insurance benefits during fiscal year 2016.

The RRB has two strategic goals, each of which have associated objectives and performance measures. These goals are that the RRB will (1) provide excellent customer service and (2) serve as responsible stewards for customers' trust funds and agency resources.

Our audit focused on RRB's strategic goal of serving as responsible stewards for customers' trust funds and agency resources. One objective of that goal is to ensure the accuracy and integrity of benefit programs. A related performance measure assesses payment accuracy rates of initial and post recurring benefit payments through samples. Initial cases are adjudicative payment actions that resulted from applications filed during the fiscal year under review. Post cases are rate adjustments that were made during the reviewed fiscal year.

In connection with RRB's strategic goal to serve as responsible stewards for customers' trust funds, the Office of Programs' Program Evaluation Section (PES), conducts annual quality assurance reviews of employee, spouse, and widow(er) records. The intent of these reviews is to document key indicators of the quality of service provided by the RRB in administering the RRA. PES categorizes each case in the review as (1) correct, (2) material error, (3) potential error (pending) that is resolved before final reporting, or (4) requiring additional work (for noncompliance with agency policies and procedures). See Figure 1 and Appendix II for further information.

Figure 1: Overview of Quality Assurance Review Process

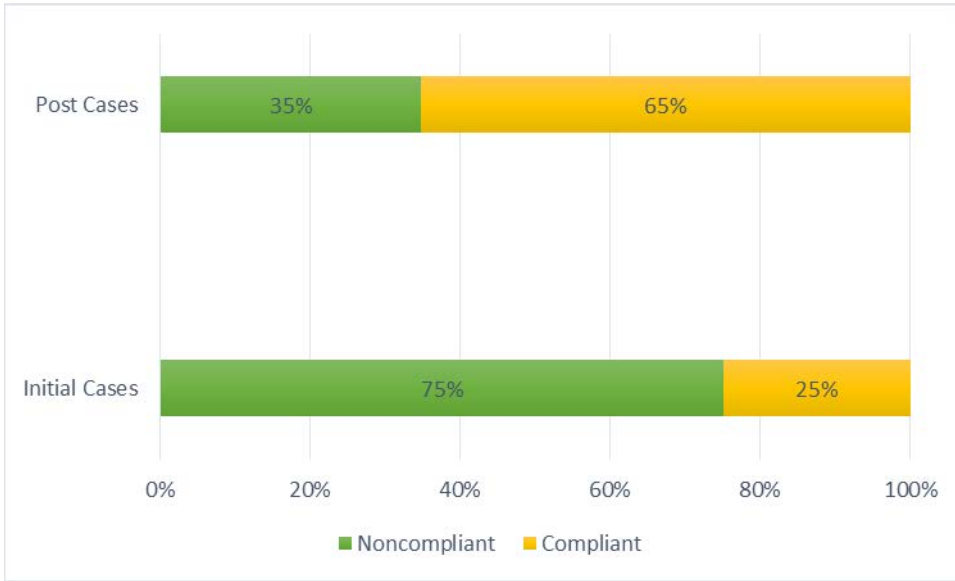


Source: RRB OIG analysis of RRB quality assurance reports.

PES' quality assurance review determinations are used to compute noncompliance, case accuracy, and recurring payment accuracy rates, which are further explained in Appendix II. RRB reports noncompliance and case accuracy rates internally on an annual basis. Payment accuracy rates are reported on an annual basis in the RRB's Performance and Accountability Report (PAR).

The noncompliance rate represents the percentage of cases not in full compliance with all the rules and applicable governing procedures for the RRA. Noncompliance includes errors that do not impact the accuracy of the benefit payment. In fiscal year 2014, the noncompliance rate for initial and post cases was approximately 75 and 35 percent, respectively, as shown in Figure 2.

Figure 2: Fiscal Year 2014 RRA Noncompliance Rates



Source: RRB Fiscal Year 2014 quality assurance reports.

The case accuracy rate measures the percentage of cases that do not contain a material error. The payment accuracy rate measures the percentage of dollars paid correctly, based on PES’ quality assurance reviews. See Table 1 for RRB accuracy rates for fiscal year 2014.

Table 1: Fiscal Year 2014 Reported Accuracy Rates

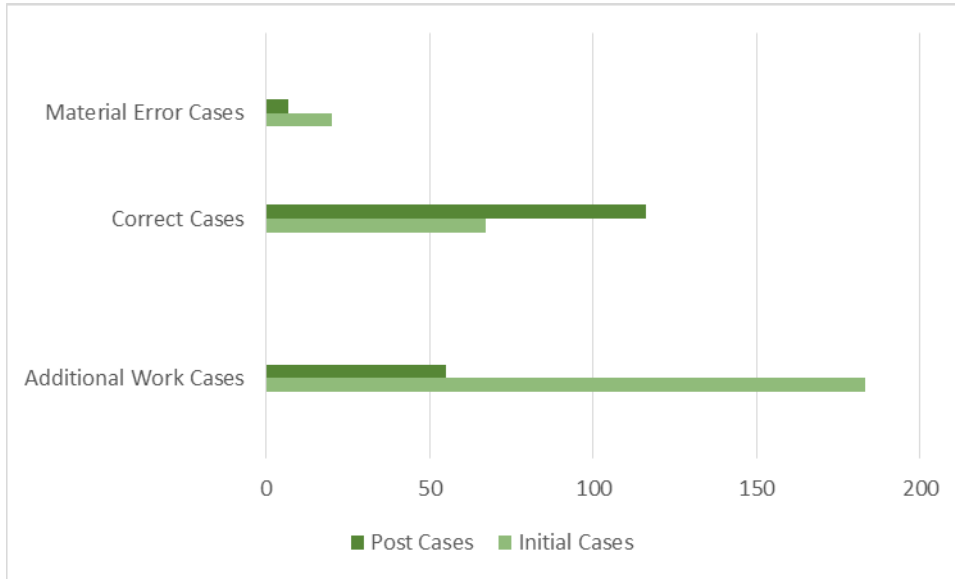
	Initial Cases	Post Cases
Case Accuracy Rate	92.7%	96.3%
Payment Accuracy Rate	99.52%	100%

Source: RRB Fiscal Year 2014 quality assurance reports.

Of the three assessments that result from PES’ quality assurance reviews, only payment accuracy rates are reported as a performance measure in the RRB’s PAR.

For its fiscal year 2014 quality assurance review, the total number of cases categorized as material error, correct, or additional work are shown in Figure 3.

Figure 3: Fiscal Year 2014 Case Count by Outcome Category



Source: RRB Fiscal Year 2014 quality assurance reports.

Internal Control Oversight

Agency objectives regarding effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations are achieved through internal controls established by management. Internal accounting and administrative controls are to be established pursuant to the provisions of the Federal Manager's Financial Integrity Act of 1982.¹ The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (GAO Standards) provides an overall framework for establishing and maintaining an effective internal control system.²

The RRB's Management Control Review Committee was created to establish and oversee a process to identify and eliminate management control weaknesses and financial nonconformance. The committee is to ensure the adequacy of early warning reporting and the accuracy and completeness of reports on management controls, material weaknesses, and nonconformance. The agency's management control process includes internal controls that are identified, tested, and assessed for effectiveness by the applicable organizations within the agency for operations determined to be mission critical. The RRB defines agency activities that can impact its mission as assessable units.

¹ Public Law 97-255 (September 8, 1982).

² GAO, *Standards for Internal Controls in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

For each assessable unit, management control reviews are performed periodically, and certifications are made annually asserting whether:

- (1) material weaknesses exist;
- (2) the mission is being accomplished;
- (3) waste, fraud, and abuse are at the lowest reasonably preventable level;
and
- (4) control objectives are being accomplished.

Audit Objective

The objective of this audit was to assess the adequacy of the program evaluation process in regard to RRB reviews of accuracy and integrity of benefit payments.

Scope

The audit scope was RRA quality assurance benefit payment related reviews for retirement, survivor, and disability reported during fiscal year 2015, including related performance measures in the fiscal year 2015 PAR.

Methodology

To accomplish the audit objective, we:

- identified criteria from applicable laws and regulations;
- reviewed PES' policies and procedures for its quality assurance reviews and other reports and studies;
- reviewed PES' RRA quality assurance documentation for its sample conducted during fiscal year 2014 and reported in fiscal year 2015;
- reviewed PES' supporting documentation related to quality assurance reports, other reports, and studies;
- reviewed PES' internal controls as related to quality assurance reports, other reports, and studies;
- tested a statistically valid sample of additional work cases from the PES' annual RRA quality assurance sample for fiscal year 2014 to assess the accuracy of the reported results for this category of cases; and
- interviewed appropriate agency staff.

We tested reliability of data in the following RRB systems: (1) computer generated spreadsheets for PES' sample case selections, (2) payment rate and entitlement history system, and (3) imaging system. Data reliability was tested by comparing data from PES' computer generated spreadsheets used to identify PES' sample selections to various other agency systems. We determined that the data was sufficiently reliable for the purposes of this audit.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We conducted our fieldwork at RRB headquarters in Chicago, Illinois from December 2015 through June 2016 and from January 2017 through June 2017. Audit fieldwork was limited during certain times due to resource requirements for mandated audits.

RESULTS OF AUDIT

Our audit found deficiencies in the adequacy of the program evaluation process used to assess the accuracy and integrity of RRA benefit payments. We determined that improvements are needed in the following areas:

- quality assurance sample universe selection process, reported sample results, supporting documentation, and related policies and procedures;
- documented internal controls and tests of controls;
- completeness of samples to include cases without recent adjudicative actions;
- efficiency in the manner that data is compiled and reviewed that supports reported accuracy rates;
- agency actions to ensure that they comply with agency policies and procedures;
- validation of performance measures prepared by other RRB organizational units;
- documented checklists that support occupational disability compensating control results; and
- ongoing training for PES claims specialists.

The details of the audit findings and recommendations for corrective action follow. The full text of management's response is included in the appendices.

Quality Assurance Sample Produces Unreliable Results for Initial Cases

We found that PES' sample selection process for RRA initial cases is unreliable because it does not always select the correct initial award actions that are needed for PES' quality assurance review purposes. For quality assurance purposes, the correct award action for initial cases is the recurring payment amount at the annuity beginning date (ABD). Other award actions that could exist, but should not be selected, include prior calculations of the ABD amount or actions such as tax withholding or Medicare premium deductions. In our statistically valid sample of 91 additional work cases, we found 12 instances (13 percent) in which an award action other than the statistically selected initial award action was tested. Detail of these 12 instances follow.

- In nine cases, the statistically valid sample identified an action other than the initial award action. These selections could not be used for the sample. Instead of using statistically valid replacements, PES searched for and identified another initial award action from RRB systems for the same annuitant and used that secondary award in its sample review. As a result of these actions, the sample was no longer statistically valid.

- Three of PES' sample selections were prior amount calculations that did not include the current recurring payment amount at the ABD. See footnote 7 for additional information. PES changed its review to include other initial award actions in addition to those selected for sample purposes. PES' actions invalidated the statistical reliability of the reported results.

Statistical sampling begins with a universe of items from which a sample is drawn. The sample size is determined based on the number of items in the universe and sample precision factors. The items to be sampled are randomly selected from the universe based on the sample size. Only the randomly selected items, or statistically valid replacement items, can be used to report statistically valid results. PES' sampling plan specifies the quantity of award actions to be reviewed each month and PES randomly extracts its sample selections from the universe.

PES management explained that its sample included award actions other than those randomly selected because some fields in RRB systems are overridden by more current data. Due to this override, PES' sample extract did not always identify the intended initial award, but instead identified subsequent award activity. RRB management explained that daily data extractions for the sample universe would minimize overlaid data.

Further, the 12 errors identified in our review occurred because PES' policies and procedures were designed for quality assurance review purposes, without regard to statistical sampling. PES' policies and procedures require that sample documentation record the date of the award action selected for sample purposes, but to also record the most current ABD amount in effect when the review is conducted. Consequently, the recorded amount is not always the amount associated with the award action selected for sample purposes because PES' current sample selection process does not always identify subsequent awards that adjust the amount at the ABD. PES' sample results indicate that its staff does not have an adequate knowledge of statistical sampling because its sample documentation and reported results contain misleading and inconsistent data that are not statistically valid. These errors also occurred because PES' reports and procedures do not adequately explain or describe its sample methodology.

Our sample results show that the more current amount at the ABD for the three exception cases was higher than the annuity amount on the voucher selected for PES' sample review, which could result in a higher payment accuracy rate. In addition, because subsequent award actions are also reviewed, errors that could have existed in the original award selected for review would not have been identified and reported. As a result of these issues, the reported initial payment accuracy rate is unreliable.

In addition, PES does not present statistically valid results as the basis for calculating the recurring payment rate for initial cases.

Finally, PES' quality assurance results are also used to estimate the total amount of improper payments that result from errors found in initial cases. Errors in its quality assurance results have a direct impact on the reported improper payment amounts for the RRA program and may result in underreported improper payments.

Recommendations

We recommend that the Office of Programs:

1. increase the frequency in which data is extracted from RRB systems for the universe identification of RRA initial cases for PES' quality assurance sample review to increase the completeness of initial award identification;
2. revise the sample selection process for RRA initial cases to ensure that the proper award actions are identified to achieve its intended purpose to assess the accuracy of the recurring payment amount at the annuity beginning date;
3. revise and implement its quality assurance policies and procedures to ensure the statistical validity of sample results;
4. provide training to PES staff related to statistical sampling to ensure that individual case results and overall results are statistically valid; and
5. document the complete sampling methodology in its quality assurance reports and quality assurance policies and procedures.

Management's Response and Our Comments

The Office of Programs did not concur with recommendation numbers 1 through 5. They stated that their current monthly process of extracting initial claims data is efficient and creates an accurate universe of all initial approvals and denials in the fiscal year. In addition, the Office of Programs stated that the final approved sampling plan from the Actuary is representative of the total number of cases to be reviewed during a fiscal year and that their current sampling frequency on a monthly basis is statistically valid. They stated that the claim numbers selected can then be used to identify the claims processing documents in RRB systems. The Office of Programs stated that increasing the number of times cases are pulled into the universe will introduce unnecessary sampling complications. They also stated that they reviewed their procedures and find them to accurately and clearly reflect their methodology.

Management's response for these recommendations demonstrates the lack of understanding of statistical sampling and justifies our recommendations, including the one for statistical sampling training. The OIG disagrees that the Office of Programs' current monthly extraction process creates an accurate universe. As stated in our finding, due to extracting claims data on a monthly basis, some earlier award dates are replaced with more current award dates, thereby eliminating the earlier award date for the sample selection purposes it was intended to represent. We also disagree that increasing the frequency of data extractions introduces unnecessary sampling complications. Duplicate claims data could easily be removed through the use of computerized functions. More frequent extractions would identify the award dates needed for sampling purposes prior to them being overridden by more current award dates.

We agree that the sampling plan as approved by the Bureau of the Actuary begins as a statistically valid process for (1) identification of the total number of cases to be sampled and (2) stratification of the number of cases to be sampled each month for employee, spouse, and widow cases. Next the Office of Programs identifies its sample selection that includes the claim number and the specific award date to be sampled. During the audit, the Office of Programs stated that the specific award date drawn in its sample is extraneous information and therefore does not have to be reviewed as part of their sample. We disagreed with them and noted that they sampled the award date as identified in their extract for 82 of the 91 cases that we sampled. The nine cases in which they sampled dates other than those selected for sampling purposes are cited as exceptions in our audit finding and invalidated the statistical validity of the sample.

We disagree that the Office of Programs' procedures accurately reflect their methodology because they do not sufficiently address the database used to calculate payment accuracy and they do not sufficiently describe the sample methodology universe and how and where to obtain the cases for sample selection purposes. GAO Standards require documentation of the internal control system. Specifically noting that effective documentation establishes and communicates the who, what, when, where, and why of internal control execution.

In addition, deficiencies exist for the quality assurance report because universe counts for each annuitant type are not the same as those provided in the approved sampling plan and the report does not describe the source from which the universe was obtained.

Improvement Needed for Documented Policies, Procedures, Internal Controls, and Internal Control Tests

We found that PES' documented policies and procedures for its quality assurance reviews are incomplete and do not sufficiently address applicable internal controls. Policies and procedures are understood by staff performing these functions but are not always documented. Due to the importance of PES' responsibility to ensure the accuracy and integrity of benefit programs, PES' internal controls should be clearly

documented and periodically tested. Some of PES' internal controls for its quality assurance reviews are included in assessable unit documentation for RRB organizational units that adjudicate initial and post cases, while PES' documented internal controls only address completeness and accuracy of the related performance measure for the recurring payment rate. Other PES internal controls are not formally documented because PES is not a separate assessable unit and therefore does not meet RRB criteria for periodic tests of internal controls. As a result, PES' internal controls are not addressed in a comprehensive manner.

Office of Management and Budget (OMB) guidance states that management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations and compliance with applicable laws and regulations.³

GAO Standards state that internal control serves as the first line of defense in safeguarding assets. Internal controls help agencies to achieve desired results through effective stewardship of public resources and internal controls help agencies to report reliable information. Management is to develop and maintain documentation of its internal control system. Documentation of controls is evidence that controls are identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity. Management should clearly document internal controls in management directives, administrative policies, or operating manuals. Internal controls are to be documented in a manner to permit examination and that the records are to be properly managed and maintained. Formal charts of controls and association with specific control objectives are only required for RRB assessable units, as identified by the Management Control Review Committee.

RRB management had not recognized the need for PES to be an assessable unit. Insufficiently documented policies, procedures, and internal controls could result in errors and inaccurate reported results as identified in other findings provided in this audit report.

Recommendations

6. We recommend that the Management Control Review Committee identify the Program Evaluation Section as an assessable unit due to the importance of its function in monitoring the accuracy and integrity of RRB benefit payments.

We recommend that the Office of Programs:

7. revise PES' documented policies and procedures to ensure that they are complete;

³ OMB, *OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control*, M-16-17 (Washington, D.C.: July 15, 2016).

8. formally develop and document PES' internal controls needed to ensure the integrity and accuracy of its operation and related results; and
9. periodically test PES' internal controls.

Management's Response

The Management Control Review Committee concurred with recommendation number 6.

The Office of Programs concurred with recommendation numbers 7, 8, and 9.

Payment Accuracy Reviews Exclude Cases Without Recent Adjudicative Actions

PES' quality assurance reviews are only conducted on cases in which recent adjudicative actions have occurred. As a result, payment accuracy of cases without recent adjudicative actions is not assessed or included in the reported payment accuracy rates published in the RRB's PAR, and any unidentified errors may continue undetected. PES' annual quality assurance reviews are intended to be a statistically valid representation of initial and post cases with recent adjudicative actions. For fiscal year 2014, the cases reviewed represented approximately \$758,000 in monthly benefit payments. However, the OIG estimates that benefit payments for all RRB annuitants in September 2014 was approximately \$989 million.⁴ Because cases without recent adjudicative action are excluded from PES' sample selection, a large portion of benefit payments are not reviewed and its accuracy rate is not assured.

GAO Standards state that quality information should be complete and provided on a timely basis. Management is to use quality information to make informed decisions to evaluate the agency's performance in achieving key objectives.

PES staff explained that the samples that it conducts consist of a review of the selected award activity and that inclusion of cases without a targeted award activity is not the intent of its reviews.

Without quality assurance reviews for these cases, inaccurate payments and potentially ineligible annuitants could continue to receive monthly RRB benefit payments, thereby depleting customer trust funds.

⁴ RRB Bureau of the Actuary, *Benefits and Beneficiaries Under the Railroad Retirement and Unemployment Insurance Systems – September 2014*.

Recommendation

10. We recommend that the Office of Programs design and implement an annual sample of benefit payments without recent adjudicative activity to provide a more complete payment accuracy rate and to help further protect trust funds.

Management's Response and Our Comments

The Office of Programs did not concur with recommendation number 10. They stated that the initial and post quality assurance study has been conducted since 1985. They also stated that each initial claim activity and each eligible post award activity have been eligible for study selection during the fiscal year in which the events occurred. They also stated that their study results are statistically valid and represent the universe of initial claim activities and eligible post award activities.

In our comments provided for recommendation numbers 1 through 5, we disagreed that the Office of Programs' results are statistically valid. The Office of Programs' response comments that each case was previously eligible for sample selection in the year in which the award activity occurred substantiates our finding that these cases are not eligible for subsequent quality assurance reviews. Without a subsequent review, there is no assurance regarding the accuracy of the current rate being paid and that the annuitant's entitlement status remains unchanged since the benefit payment was originally awarded. Given the approximate \$11.9 billion annual benefit payments that are not sampled by the Office of Programs, significant potential errors may not be identified through the exclusion of benefit payments without recent adjudicative activity.

Errors in Initial Payment Accuracy Rate Reviews

We found that the initial payment accuracy rate for fiscal year 2014 was not accurate because there were errors in the underlying reviews.

PES' policies and procedures require that each quality assurance sample case be reviewed by two independent claims specialists and then reconciled by a third claims specialist. It also requires that the benefit payment amount in RRB records at the time of review be recorded onto PES' checklists. The third reviewer should not look in agency systems to see if there was an amount processed after the second review was complete. If there was a subsequent amount, it should not be used.

PES manually transcribes benefit payment amounts from each of its sample cases onto three separate manually prepared checklists and the amount is later manually keyed into PES' database. PES' database is used (1) as a repository for PES' quality assurance sample data, (2) to summarize sample results, and (3) to calculate the payment accuracy rate.

GAO Standards states that management is to use quality information. One aspect of quality information is that it is reasonably free from error. Management is to design control activities so that all transactions are accurately recorded. Control activities include policies and procedures that enforce management's directives to achieve the entity's objectives and address related risks. Documentation and records should be properly managed and maintained.

In our statistical review of 91 cases, we found 2 benefit payment amounts that were not recorded correctly. In one instance where the benefit payment amount was not recorded correctly, there was no evidence that it was reviewed in accordance with PES' quality assurance policies and procedures. Three different benefit payment amounts were recorded because a different benefit payment amount was in effect when each of the three claims specialists reviewed the case. However, the third claims specialist incorrectly changed all of the amounts to a third benefit payment amount, which was processed after the first two benefit payment amounts were reviewed and documented as complete. The third amount was erroneously recorded in PES' database and included in the computation of the payment accuracy rate. The recording of the third amount is contrary to PES' documented procedures and resulted in an inaccurate payment accuracy rate being reported.

We also found one incorrect annuity amount in PES' database that was used in its computation of the payment accuracy rate. This error was caused by a data entry error that resulted from PES' inefficient process of manually keying each amount into the database. Computational errors impact the accuracy of the reported payment accuracy rate.

Including benefit payment amounts that are contrary to agency procedures results in inaccurate amounts reported as the RRB's payment accuracy rate.

Recommendations

We recommend that the Office of Programs:

11. revise its process for documenting benefit payment amounts used to compute its payment accuracy rates to ensure its accuracy;
12. revise its quality assurance policies and procedures to ensure that the three required reviews are all conducted and documented for the same award action;
and
13. revise the quality assurance policies and procedures used to ensure that the correct benefit payment amount is recorded in the database.

Management's Response and Our Comments

The Office of Programs did not concur with recommendation numbers 11 and 12. They stated that their quality assurance procedure objective defines their review as an evaluation of the complete initial award process. They also stated that their documented methodology of the initial payment rate incorporates the entire initial process and provides an accurate measurement. They also stated that adjustments made by the third reviewer are critical to ensure accuracy and that they currently utilize the appropriate benefit payment amounts in their initial quality assurance computations.

We disagree that their process provides an accurate measurement and that they utilize appropriate benefit payment amounts in their initial quality assurance computations. As stated in our finding, we found two incorrect benefit payment amounts that were not recorded correctly and that were included in their computations. In addition, there was no evidence that one of the recorded amounts was reviewed by all three claims specialists. We also disagree that rate adjustments made by the third reviewer always ensure accuracy. In one instance, we found that an adjustment made by the third reviewer was not in accordance with documented procedure and resulted in the recording of an inaccurate payment rate.

The Office of Programs concurred with recommendation number 13.

Improvement Needed for Quality Assurance Additional Work Cases

We identified 17 errors in the additional work category of quality assurance for (1) reporting accuracy, (2) supporting documentation, and (3) notifications. Additional work cases are those that PES determines are noncompliant with agency policies and procedures. As part of additional work cases, PES is to ensure that corrective actions are initiated and completed in accordance with agency policies and procedures. PES should also notify RRB officials of corrective actions that are needed to ensure the integrity and accuracy of annuitant data in underlying RRB systems.

For 13 of the 17 errors, PES did not have documentation to provide evidence that corrective actions had been initiated or completed for errors that could impact the annuitant's entitlement status at the RRB. PES did not follow its own policies and procedures for these errors, which potentially involve payment or entitlement errors. We also found that four of these errors were not properly identified in accordance with agency guidance.

Based on its discovery of errors, PES either (1) prepares a memorandum to notify the proper officials of errors found that require corrections or (2) completes a noncompliance form to summarize issues considered less significant, which is maintained in PES' records.

GAO Standards indicate that effective information and communication are vital for an entity to achieve its objectives. Management should use quality information. One aspect of quality information is that it is reasonably free from error. In addition, management should internally communicate quality information to achieve the entity's objectives. Documentation and records should be properly managed and maintained. In addition, management designs control activities so that all transactions are completely and accurately recorded.

PES does not always notify responsible RRB officials of noncompliance errors that should be corrected. PES policies and procedures require that notification be provided to responsible RRB officials of noncompliance and payment errors only for those that could impact payment accuracy, as determined by PES. PES classifies these cases as pending. We found that PES discovered numerous errors in underlying RRB systems pertaining to proof of age and relationship, or prior marriage information discrepancies but notification of the corrective actions needed was not provided to the appropriate officials due to deficiencies in PES' documented policies and procedures. We identified a total of 56 cases with noncompliance forms (62 percent) of our sample of 91 cases. We identified 13 cases for which PES did not provide notifications.

PES did not agree with 13 error cases cited in this finding shown as requiring notifications. PES stated that these issues had previously been resolved and cited other documents that were not included in PES' sample case file documentation. As a result, PES' case file documentation did not support its reported results. Since RRB officials were not properly notified of proofs related concerns as identified by PES, proper action was not taken to ensure that these annuitants met the required eligibility requirements to receive benefit payments, thereby impacting customer trust funds. Not properly identifying noncompliance issues could understate the RRB's case noncompliance rate, thereby not providing RRB management with the true state of RRB noncompliance status.

Although PES considers noncompliance errors as nonmaterial and not directly affecting payment accuracy rates, they collectively impact the accuracy of RRB records that are used for entitlement purposes throughout the annuitant's life. As a result, errors that affect the quality of annuitant data remain unresolved and could result in future entitlement errors. The RRB commissioned Mathematica Policy Research to review and examine the RRB's control environment and to identify recommendations to strengthen the RRB's ability to prevent and address fraud and improper payments.⁵ In its report, Mathematica Policy Research cited the need for the RRB to maintain and review historical data from sampled transactions for potential impact on future benefit payments. PES' practice of not requiring corrective action on noncompliance errors erodes the quality and reliability of the agency records in supporting systems.

⁵ Mathematica Policy Research, *Benefit Payment Program Fraud Prevention/Detection Assessment/Advisory Services*, Reference Number: 50040 (Princeton, NJ: July 28, 2015).

Recommendations

We recommend that the Office of Programs:

14. improve internal controls for quality assurance cases to ensure that supporting documentation is prepared in accordance with documented agency guidance;
15. improve internal controls for quality assurance cases to ensure that corrective actions are initiated and completed in accordance with its policies and procedures; and
16. revise its policy and procedures to include controls to ensure that the appropriate office is notified regarding the need for timely corrective action to be taken on noncompliance errors that impact the integrity of annuitant information in underlying RRB systems.

Management's Response and Our Comments

The Office of Programs concurred with recommendation numbers 14 and 16.

The Office of Programs did not concur with recommendation number 15. They stated that the role of the program evaluation process is to identify and disseminate findings of errors and patterns of errors. They also initiate establishment of corrective actions and completion timeframes with the responsible managers. They stated that ensuring corrective actions are completed is not their role, they maintain a full historical inventory of all pending corrective actions, and that they annually update their inventory with current status as reported to them by the responsible managers.

The OIG disagrees that PES' role is not to ensure that corrective action is completed and that they always initiate establishment of corrective actions. The 13 errors (out of 17 total) cited in our finding show that the Office of Programs' current internal controls are ineffective in ensuring corrective actions are initiated and completed. The absence of ensuring that corrective action is completed affects the agency quality of information.

PES has the overall responsibility to conduct quality assurance reviews to document the quality of service provided for adjudicating cases, identification of payment errors, and noncompliance errors with agency policies and procedures. Thus PES is responsible for ensuring that they take the required actions to help prevent future payment errors and improper payments.

Some Performance Data Not Independently Validated

We found that although PES is responsible for compiling and reporting all annual performance data from other RRB departments, PES only traced the reported results to supporting documents without any independent validation of the underlying data for seven of nine annual RRA performance measures. PES validated the two performance measures that it is responsible for compiling and reporting. The seven performance measures that were not validated relate to timeliness.

PES' tracing of the performance results to source document worksheets prepared by the reporting departments is not a reliable validation process. Under this approach, there are limited assurances that errors would be identified. An independent and thorough validation process would serve as a quality control before attesting to the integrity and credibility of RRB performance data.

RRB validation guidelines in RRB Administrative Circular RRB-2 state that the reporting managers and their staff are to collect, validate, retain, attest, and report data. The Executive Committee member for each bureau is responsible for the accuracy, reliability, and validity of the performance information provided by their area of responsibility. Lack of independent validation by PES and potential incentives by the bureau preparing the results are not factored into this guidance.

GAO Standards state that management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

There is a risk that the performance results may not be accurate because the results provided by PES come from the bureaus that performed the work being assessed and there may be incentives to exaggerate results to present the bureau in a better light, such as inflating performance measures to reflect a more favorable result. The absence of an independent validation process raises concerns about the integrity and credibility of RRB performance data.

Recommendation

17. We recommend that the Office of Programs revise its policies to obtain greater assurance of accuracy and integrity by independently validating RRA performance results provided by other RRB organizational units.

Management's Response and Our Comments

The Office of Programs did not concur with recommendation number 17. They stated that Administrative Circular RRB-2 stipulates the Reporting Managers and their staffs are responsible and accountable for collecting data, validating data, retaining data, attesting to data, disclosing data exceptions, and reporting data. They also stated that this is the proper organizational placement for these performance data certification responsibilities. They stated that through the Management Control process, each manager states and certifies to the validity of its data on a periodic basis. They also stated that PES' role should not extend to auditing the output from other organizational units.

The OIG disagrees that PES' role should not extend to validating the output from other organizational units. PES is responsible for ensuring the accuracy and integrity of benefit programs, thus an independent validation of reported performance data is aligned with their responsibilities and would help to ensure the accuracy and integrity of reported performance data. We reiterate the need for independent validation to ensure accuracy of reported results.

No Support for Reported Occupational Disability Assessment

We found that although PES reported 100 percent accuracy for an occupational disability assessment for match on name for reports in fiscal year 2015, the reported result was not documented as tested. Specifically, the RRB reports 100 percent accuracy that the name on certain medical examination documentation matches the applicant's name on the application. We found that this test is not on the quality assurance checklist. As a result, there is no evidence to support that this test was conducted or its reported results. A review of the checklist currently in use shows that this question is still not on the checklist.

In a prior audit, OIG found that appropriate segregation of duties did not exist for ordering medical examinations and for approving payment by staff in the Office of Programs. As a result of this audit finding, the Office of Programs identified this assessment as a compensating control to address segregation of duties.⁶ The related audit recommendation was closed and implemented. However, when reviewed as part of this audit, the compensating control of a match on name was found to be ineffective.

GAO Standards state that when segregation of duties is not practical, alternative activities are needed to address the risk of fraud, waste, or abuse in agency operations. GAO Standards further state that documentation and records should be properly

⁶ RRB OIG, *Audit of Internal Control Over Accounts Payable*, OIG Audit Report No. 09-03 (Chicago, IL: March 31, 2009).

managed and maintained, and management should design control activities so that all transactions are completely and accurately recorded.

Reporting these results without conducting the assessment is a significant concern. Without this assessment and accurately reported results, the Office of Programs has no assurance that the medical examinations ordered were for the specified RRB annuitant and that reported accuracy is correct.

As our audit concluded in June 2017, management informed us that the medical examination checklist had been revised for fiscal year 2017. When we notified agency management of the checklist deficiency in March 2017, they did not indicate that the checklist had been revised. Also at the conclusion of our audit, management stated that they have assurances that the annuitant's name matched the name on the examination order for our cited exceptions. Management explained that medical examination and medical opinion assessments sample the same cases. Because medical opinion checklists document the match on name assessment, management concluded that this assessment provides assurances that the annuitant's name matches the name on the examination order.

We have not reviewed or evaluated the medical examination checklist described as revised by agency management, thus we are unable to verify that the required corrections have been made.

Recommendations

We recommend that the Office of Programs:

18. revise the applicable quality assurance checklist used for segregation of duties compensating control to include verification that the annuitant's name matches the name on the examination order; and
19. conduct the name match assessment for fiscal year 2014 through the current period to determine accuracy of the reported results. If reported results were erroneous, update as appropriate.

Management's Response and Our Comments

The Office of Programs did not concur with recommendation numbers 18 and 19. They stated that the omission of a "name" field on their examination checklist had no impact on the Quarterly Sampling of Consultative Medical Examinations and Opinions reports for fiscal years 2014, 2015, or 2016. They also stated that each medical examination was checked against the claim number for verification which provides assurance that the medical examinations ordered were for the specified RRB annuitant.

They also stated that the opinion checklist contains the “name” category on the checklist and that this is further validation that the name was appropriately checked for each examination that also had a matching opinion reviewed.

The OIG disagrees that omission of a “name” field on the examination checklist had no impact on our Quarterly Sampling of Consultative Medical Examinations and Opinions reports. Although PES may have subsequently determined that there were no errors found on the match on names for the occupational disability assessment, OIG believes that reporting the results without conducting the assessment is essentially reporting false information. In addition, although the Office of Programs did not concur with recommendation number 18, their response indicates that they will ensure that the annuitant name is appropriately recorded for each examination and opinion case reviewed beginning with the fiscal year 2017 reviews.

Lack of Ongoing Training

PES staff needs additional training to ensure that claims examining knowledge is maintained. PES utilizes the resources of three claims specialists to review each sample quality assurance case, with the third reviewer being responsible for reconciling the results from the first two reviewers and summarizing the exceptions found. However the level of knowledge demonstrated among the claims specialists differed significantly. In 53 of our 91 (58 percent) sample case review, claims specialists did not consistently identify the same error or corrections were made by the third reviewer. For example, one claims specialist identified an overpayment, while the other claims specialist did not.

GAO Standards state that personnel need to possess and maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal control. Competence requires relevant knowledge, skills, and abilities which are gained from professional experience, training, and certifications. PES staff receive training as new employees to the unit but do not receive ongoing training. In addition, fraud awareness training was not provided for PES staff that is sufficient for the reviews that they conduct for quality assurance purposes.

When we discussed this with agency management they said they were satisfied with the level of training provided for PES staff, as they are considered specialists in their areas when they are recruited to work in PES. We believe the number of errors and inconsistency on identifying errors by PES staff supports further training.

Without ongoing training, PES staff may not have the knowledge needed to perform their job duties sufficiently, which impacts the accuracy of their reported results as related to the review of program operations, thereby potentially impacting protection of the customer’s trust funds. Without periodic training, PES staff may not possess the

knowledge needed to identify errors and potential fraud during their review of agency operations.

Recommendations

We recommend that the Office of Programs:

20. ensure that their staff receive ongoing training sufficient for their job duties; and
21. ensure that their staff receive fraud awareness training sufficient to aide in the identification of potential fraud.

Management's Response

The Office of Programs concurred with recommendation numbers 20 and 21.

Statistical Sampling Methodology and Results Quality Assurance Additional Work Records

This appendix presents the methodology and results for the RRA quality assurance additional work record samples conducted for this audit. We selected statistically valid random samples of RRA additional work records identified in the fiscal year 2014 annual quality assurance review conducted by the Office of Programs.

Sampling Objective

The sampling objective was to assess the accuracy of the reported results for the additional work category of records that were included in the Office of Programs' annual quality assurance review conducted for fiscal year 2014.

Scope

Our review consisted of additional work record determinations made by the Office of Programs during the fiscal year 2014 quality assurance review of RRA initial and post records.

Universe/Sampling Unit

The universe consisted of 238 additional work record determinations made by the Office of Programs during the fiscal year 2014 quality assurance review of RRA initial and post records. A sampling unit is a claim identification number recorded on PES' listings of sample records categorized as requiring additional work.

Sample Selection Methodology

We used One Step Attribute Acceptance Sampling using a confidence level of 90 percent and a critical error rate of 5 percent, which directed a sample size of 91 records. The threshold for acceptance was two records. Therefore, if two or fewer errors existed, we would infer with 90 percent confidence that the results of the additional work category of records that were included in the Office of Programs' fiscal year 2014 quality assurance reports were accurately reported.

Sample Evaluation Methodology

For each record, we obtained and reviewed supporting documentation created and maintained by the Office of Programs for their quality assurance review to assess the accuracy of the reported quality assurance results.

**Statistical Sampling Methodology and Results
Quality Assurance Additional Work Records**

Results of Review

Our review resulted in the following errors, as identified by attribute.

Test Attributes	Additional Work Records	
	Tested	Exceptions ⁷
<u>Appropriate Documentation</u> Documentation maintained by PES provided evidence that: <ul style="list-style-type: none"> • case disposition status was correctly classified by PES; • a corrective action memorandum was prepared for each case; • a noncompliance form was prepared for each case; • corrective actions had been completed for cases categorized as pending; or • voucher selected for sample purposes was the voucher reviewed as part of PES' sample. 	91	5
	91	2
	91	4
	91	1
	91	9
<u>Segregation of Duties Was Found to Exist for Each Sample Case</u> Each case was reviewed by three different PES staff.	91	0
<u>Proper Execution of Transactions and Events</u> Each case was reviewed by designated PES staff.	91	0
<u>Accurate Recording of Transactions and Events</u> Disposition status for each case was accurately recorded based on a description of the issues found by PES.	91	5
Total Number of Exceptions		26

⁷ Three sample cases cited in our report finding Quality Assurance Sample Produces Unreliable Results for Initial Cases are not included in the table above. During our sample case review, we identified these cases in which PES extended its review to include subsequent award actions in addition to those selected for sampling purposes.

**Statistical Sampling Methodology and Results
Quality Assurance Additional Work Records**

Auditor's Conclusion

Based on our evaluation of a statistically valid sample, we found 26 errors for the sample of 91 records. As a result, we cannot conclude that the results of the additional work category of cases that were included in the Office of Programs' fiscal year 2014 quality assurance reports were accurately reported.

Explanation of Definitions and Calculations as Related to Quality Assurance Reviews

Categories for Annual RRA Quality Assurance Reviews

As part of its annual quality assurance review, PES categorized the outcome of each case review into one of the categories shown below.

Correct Case: The case did not contain an error and no further action was required.

Material Error inside the Profile: The case contained a material error relating to the initial payment of the annuity. A case contains a material error if it meets the following criteria: (1) an incorrect payment which has accumulated to a total of \$5 or more at the point the error is identified by PES, (2) an incorrect payment of less than \$5 which totals 1 percent or more of the monthly annuity rate at the ABD, or (3) any situation in which a non-entitled benefit is paid.

Additional Work: The case did not contain a material error within the sample profile or a potential error but, required additional work or was not in compliance with procedures in effect at the time of processing.

Potential Error (Pending case): The case required additional development that could result in a material error inside the sample profile. A case is considered a pending case if PES is unable to verify an item such as proof of age. A potential error could also result in a nonmaterial error that would be classified under additional work. PES' procedure requires case resolution prior to report issuance and each case is reclassified into one of the other categories.

Rates Resulting from Quality Assurance Reviews

Based on the outcomes of the initial and post sample reviews PES reports three different case rates for each sample:

- **Case Accuracy:** Number of correct cases plus additional work cases divided by total number of cases in the sample.
- **Payment Accuracy:** Dollar value of correct cases divided by total dollar value of cases in the sample.
- **Noncompliance:** Number of material error cases plus number of additional work cases divided by total number of sample cases.



UNITED STATES GOVERNMENT

MEMORANDUM

FORM G-1157 (1-92)

RAILROAD RETIREMENT BOARD

July 11, 2017

TO : Heather Dunahoo
Assistant Inspector General for Audit

FROM : Janet M. Hallman *Janet M. Hallman*
Director of Program Evaluation and Management Services
Through: Michael Tyllas *Michael Tyllas*
Director of Programs

SUBJECT: Audit of the Program Evaluation Process at the Railroad Retirement Board

Office of Programs Response

**Recommendations
1, 2, 3, 4, and 5**

1. Increase the frequency in which data is extracted from RRB systems for the universe identification of RRA initial cases for PES' quality assurance sample review to increase the completeness of initial award identification.
2. RRevise the sample selection process for RRA initial cases to ensure that the proper award actions are identified to achieve its intended purpose to assess the accuracy of the recurring payment amount at the annuity beginning date.
3. RRevise and implement its quality assurance policies and procedures to ensure the statistical validity of sample results.
4. RProvide training to PES staff related to statistical sampling to ensure that individual case results and overall results are statically valid.
5. RDocument the complete sampling methodology in its quality assurance reports and quality assurance policies and procedures.

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Office of Programs Response, Continued

Office of Programs Response

We do not concur. Our current monthly process of extracting initial claims data is efficient and creates an accurate universe of all initial approvals and denials in the fiscal year. The final approved sampling plan from the Actuary is representative of the total number of cases to be reviewed during a fiscal year. Our current sampling frequency on a monthly basis is statistically valid. In each processing month, all initial actions (both awards and denials) have an equal chance of being selected. The claim numbers selected can then be used by the QA personnel to identify the claims processing documents on Workdesk and other sources. Increasing the number of times cases are pulled into the universe will introduce unnecessary sampling complications.

The current sample selection methodology is statistically valid, it incorporates regular monthly PREH database queries designed to identify the proper initial claim award action activity, and reflects the complete initial award process. It is properly and effectively designed to measure the accuracy of recurring payment amounts. We have reviewed our procedures and find them to accurately and clearly reflect our methodology.

Recommendations 7, 8 and 9

7. Revise PES' documented policies and procedures to ensure that they are complete;
 8. Formally develop and document PES' internal controls needed to ensure the integrity and accuracy of its operation and related results.
 9. Periodically test PES' internal controls.
-

Office of Programs Response

We concur. In compliance with the Management Control Review Committee's concurrence with Recommendation #6 that PES is an assessable unit, we will revise documented policies and procedures and formally develop and document internal controls needed to ensure the integrity and accuracy of its operation. PES will periodically test internal controls.

Target date for completion: October 31, 2018.

Recommendation 10

Design and implement an annual sample of benefit payments without recent adjudicative activity to provide a more complete payment accuracy rate and to help further protect trust funds.

Continued on next page

Office of Programs Response, Continued

**Office of
Programs
Response**

We do not concur. The initial and post quality assurance study has been conducted annually since 1985. Each initial claim activity (awards and denials) and each eligible post award activity have been eligible for study selection during the fiscal year in which the events occurred. Study results are statistically valid and represent the universe of initial claim activities and eligible post award activities.

**Recommendations
11 and 12**

11. Revise its process for documenting benefit payment amounts used to compute its payment accuracy rates to ensure its accuracy.
 12. Revise its quality assurance policies and procedures to ensure that the three required reviews are all conducted and documented for the same award action.
-

**Office of
Programs
Response**

We do not concur. QA procedure objectives define our review as an evaluation of the complete initial award process. Our documentation methodology of the initial payment rate incorporates the entire initial process and provides an accurate measurement. In addition, adjustments made by the third reviewer are critical to ensure accuracy. Therefore, we currently utilize the appropriate benefit payment amounts in our initial QA review computations.

**Recommendation
13**

Revise the quality assurance policies and procedures used to ensure that the correct benefit payment amount is recorded in the database.

**Office of
Programs
Response**

We concur. In order to alert PES to potential manual keying errors, we shall develop an Excel tool for verification of data entry. The tool will incorporate conditional formatting to highlight cells in which first review, second review and third review payment amounts are not equal. The tool will also be used to validate data entered into the dBase program and ensure its accuracy.

Target date for completion: October 31, 2017.

**Recommendation
14**

Improve internal controls for quality assurance cases to ensure that supporting documentation is prepared in accordance with documented agency guidance.

**Office of
Programs
Response**

We concur. We shall develop and implement a standardized Non-Compliance documentation worksheet to assure documents are prepared in accordance with documented agency guidance.

Target date for completion: October 31, 2017.

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Office of Programs Response, Continued

Recommendation 15	Improve internal controls for quality assurance cases to ensure that corrective actions are initiated and completed in accordance with its policies and procedures.
Office of Programs Response	We do not concur. The role of the program evaluation process is to identify and disseminate findings of errors and patterns of errors. We also initiate the establishment of corrective actions and completion timeframes with the responsible managers. Though ensuring corrective actions are completed is not our role, we maintain a full historical inventory of all pending corrective actions and, on an annual basis, we update our inventory with current status as reported to us by the responsible managers.
Recommendation 16	Revise its policy and procedures to include controls to ensure that the appropriate office is notified regarding the need for timely corrective action to be taken on noncompliance errors that impact the integrity of annuitant information in underlying RRB systems.
Office of Programs Response	We concur. We will revise policy and procedures to ensure that the appropriate office is notified regarding the need for corrective action on noncompliance errors. Target date for completion: October 31, 2017.
Recommendation 17	Revise its policies to obtain greater assurance of accuracy and integrity by independently validating RRA performance results provided by other RRB organizational units.
Office of Programs Response	We do not concur. The current policy according to Administrative Circular RRB-2 stipulates the Reporting Managers and their staffs are responsible and accountable for collecting data, validating data, retaining data, attesting to data, disclosing data exceptions and reporting data. This is proper organizational placement for these performance data certification responsibilities. In addition, through the Management Control process, each manager states and certifies to the validity of its data on a periodic basis. PEMS role should not extend to auditing the output from other organizational units.

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Office of Programs Response, Continued

**Recommendations
18 and 19**

18. Revise the applicable quality assurance checklist used for segregation of duties compensating control to include verification that the annuitant's name matches the name on the exam date.
19. Conduct the name match assessment for fiscal year 2014 through the current period to determine accuracy of the reported results. If reported results were erroneous, update as appropriate.
-

**Office of
Programs
Response**

We do not concur. The omission of a "name" field on our exam checklist had no impact on our *Quarterly Sampling of Consultative Medical Exams and Opinions* reports for FY 2014, FY 2015 or FY 2016. Each exam case reviewed was checked against the claim number for verification which in fact does provide assurance that the medical examinations ordered were for the specified RRB annuitant. The opinion checklist does contain the "name" category on the checklist. This is further validation that the name was appropriately checked for each exam that also had a matching opinion reviewed.

Beginning with the FY 2017 quarterly consultative exam and opinion review, we will ensure the annuitant name is appropriately recorded for each exam and opinion case reviewed.

**Recommendation
20**

Ensure that PES staff receive ongoing training sufficient for their job duties.

**Office of
Programs
Response**

We concur. We shall provide periodic ongoing technical training opportunities for the PES-QA staff in the areas of RRA claims processing (entitlement and calculations) as offered by the Retirement and Survivor Benefits Division.

Target date for completion: October 31, 2017

**Recommendation
21**

Ensure that PES staff receive fraud awareness training sufficient to aide in the identification of potential fraud.

**Office of
Programs
Response**

We concur. We shall ensure the PES-QA staff receive appropriate fraud awareness training. This is above and beyond the annual fraud awareness training already required of all RRB employees.

Target date for completion: March 31, 2018



UNITED STATES GOVERNMENT
MEMORANDUM

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

July 7, 2017

TO : Heather J. Dunahoo
Assistant Inspector General for Audit

FROM : Timothy Hogueisson *Timothy Hogueisson*
Financial Management & Program Analysis Manager
Chair - Management Control Review Committee (MCRC)

SUBJECT: Draft Report – Improvements Needed for the Program Evaluation Process at the Railroad Retirement Board

Thank you for the opportunity to review the Office of Inspector General's draft audit report entitled "Improvements Needed for the Program Evaluation Process at the Railroad Retirement Board." We have reviewed the draft report and offer the following comment to the recommendation directed to the Management Control Review Committee:

OIG Recommendation #6

We recommend that the Management Control Review Committee identify the Program Evaluation Section as an assessable unit due to the importance of its function in monitoring the accuracy and integrity of RRB benefit payments.

The Management Control Review Committee concurs.

Target Completion Date: October 31, 2018