

# FY 2019 BUDGET JUSTIFICATION

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Office of Inspector General  
Railroad Retirement Board



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

February 8, 2018

The Honorable Michael R. Pence  
President of the Senate  
Eisenhower Executive Office Building  
1650 Pennsylvania Avenue, NW  
Washington, DC 20501

Dear Mr. President:

We are respectfully submitting the fiscal year 2019 Congressional Budget Justification for the Office of Inspector General of the Railroad Retirement Board (RRB). This justification was prepared in compliance with Office of Management and Budget (OMB) Circular No. A-11. The President's proposed budget for fiscal year 2019 will provide \$8,437,000 to the Limitation on the Office of Inspector General for audit and investigative activities.

The RRB Office of Inspector General (OIG) focuses its audit and investigative efforts on protecting the integrity of the RRB's trust funds and improving the delivery of benefits to the railroad community. The OIG provides comprehensive oversight of all RRB operations and programs.

The OIG is the exclusive provider of financial and internal audit services to the agency and operates a nationwide investigative program to address allegations of fraud and employee misconduct.

We are requesting your support for the fiscal year 2019 funding level of \$8,437,000 to continue our oversight of agency programs. In fiscal year 2019, we will conduct audits of agency programs and perform investigations of allegations of waste, fraud, and abuse.

This office will continue to efficiently use all available resources to improve agency program operations, reduce fraud against agency benefit programs, and help ensure the agency provides the highest level of service to its constituents.

Thank you for your support of this proposed budget.

Sincerely,

Original signed  
Martin J. Dickman, Inspector General

Enclosure

cc: The Honorable Mick Mulvaney, Director  
Office of Management and Budget



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

February 8, 2018

The Honorable Paul D. Ryan  
Speaker of the House of Representatives  
Office of the Speaker  
United States Capitol  
Washington, DC 20515-6501

Dear Mr. Speaker:

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**OFFICE OF INSPECTOR GENERAL  
RAILROAD RETIREMENT BOARD**

**JUSTIFICATION OF BUDGET ESTIMATES  
FISCAL YEAR 2019**

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**OFFICE OF INSPECTOR GENERAL  
RAILROAD RETIREMENT BOARD**

**EXECUTIVE SUMMARY**

The fiscal year 2019 President's budget for the Railroad Retirement Board – Office of Inspector General (RRB-OIG) provides \$8,437,000 in budget authority for 45 full-time equivalent (FTEs) staff and miscellaneous expenses. With this funding, the RRB-OIG will endeavor to meet the productivity goals set forth in its Performance Budget.

The RRB-OIG will focus its efforts on: (1) conducting independent audits and investigations relating to agency programs and operations; (2) promoting economy, efficiency and effectiveness; (3) detecting fraud and abuse; and (4) keeping the Board Members and Congress informed about problems and recommending corrective actions concerning RRB operations.

The RRB-OIG is requesting \$8,437,000 in fiscal year 2019 to continue audit and investigative coverage of the RRB benefit programs, to identify program weaknesses, and reduce fraud in agency programs. The office will focus resources on operational areas with the greatest impact on RRB activities and related customer service. Investigative resources will be devoted to maintaining the integrity of RRB programs through the investigation of waste, fraud, and abuse.

## **JUSTIFICATION OF ESTIMATES**

### **The Administration's Proposed Appropriation Language**

#### **LIMITATION ON THE OFFICE OF INSPECTOR GENERAL**

*For expenses necessary for the Office of Inspector General for audit, investigatory and review activities, as authorized by the Inspector General Act of 1978, not more than \$8,437,000, to be derived from the railroad retirement accounts and railroad unemployment insurance account.*

Note. – A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for fiscal year 2018 reflect the annualized level provided by the continuing resolution.



## Explanation of Proposed Appropriation Language

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### Appropriation language

*For expenses necessary for the Office of Inspector General for audit, investigatory and review activities, as authorized by the Inspector General Act of 1978, not more than \$8,437,000, to be derived from the railroad retirement accounts and railroad unemployment insurance account.*

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### Explanation

This budget requests funding for audit, investigation, and review of the railroad retirement/survivor and unemployment/sickness insurance benefit programs. The Limitation on the Office of Inspector General draws on the following trust fund accounts for funding: Railroad Retirement Account, Social Security Equivalent Benefit Account, and the Railroad Unemployment Insurance Account.

**Authorizing Legislation**

| <b><u>Legislation</u></b>   | <b>FY 2018</b>           |                                | <b>FY 2019</b>           |                                       |
|---|--------------------------|--------------------------------|--------------------------|---------------------------------------|
|   | <b><u>Authorized</u></b> | <b><u>Current Estimate</u></b> | <b><u>Authorized</u></b> | <b><u>Appropriation Requested</u></b> |
| Authorizing legislation - Inspector General Act of 1978, as amended | Indefinite               | \$10,000,000 <u>a/</u>         | Indefinite               | \$8,437,000                           |

a/ This amount reflects the annualized level of funding provided by the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended).

Note: The 1988 amendments to the Inspector General Act of 1978 (P.L. 100-504) included the Railroad Retirement Board as an "establishment " covered by the Inspector General Act. Previously, the Railroad Solvency Act of 1983 (P.L. 98-76) amended the Railroad Retirement Act of 1974 (P.L. 93-445) to provide for an Office of Inspector General at the Railroad Retirement Board.

**BUDGET AUTHORITY AND STAFFING BY ACTIVITY**

|                                   | <u>FY 2017</u>         |                          | <u>FY 2018</u>            |                          | <u>FY 2019</u>            |                          |
|-----------------------------------|------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
|                                   | <u>ACTUAL<br/>FTES</u> | <u>BUDGET<br/>AMOUNT</u> | <u>PROJECTED<br/>FTES</u> | <u>BUDGET<br/>AMOUNT</u> | <u>PROJECTED<br/>FTES</u> | <u>BUDGET<br/>AMOUNT</u> |
| <b><u>Program by Activity</u></b> |                        |                          |                           |                          |                           |                          |
| Office of Inspector General       |                        |                          |                           |                          |                           |                          |
| Audit and Investigation           | 48                     | \$10,000,000             | 52                        | \$10,000,000             | 45                        | \$8,437,000              |
| Authorizing Legislation           |                        | \$10,000,000 <u>a/</u>   |                           | \$10,000,000 <u>b/</u>   |                           | \$8,437,000              |

a/ Represents the level of funding provided by the Consolidated Appropriations Act, 2017 (P.L. 115-31).

b/ Reflects the annualized level of funding provided by the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended).

**BUDGET AUTHORITY BY OBJECT CLASSIFICATION**

|   | FISCAL YEAR 2017<br>ACTUAL EXPENSES | FISCAL YEAR 2018<br>ESTIMATE  | FISCAL YEAR 2019<br>BUDGET ESTIMATE <u>a/</u> | FY 2019 vs. FY 2018<br>INCREASE/<br>(DECREASE) |
|---|-------------------------------------|-------------------------------|---|--|
| <b><u>Limitation on the Office of Inspector General</u></b> |                                     |                               |   |  |
| <b><u>Direct Obligations by Object Class</u></b>            |                                     |                               |   |  |
| <b>Personnel Compensation:</b>                              |                                     |                               |   |  |
| Full-time permanent   | \$4,897,400                         | \$5,625,200                   | \$4,966,000 <u>b/</u>                         | (\$659,200)                                    |
| Other than full-time permanent                              | 79,800                              | 70,000                        | 70,000 <u>b/</u>                              | 0  |
| Other personnel compensation                                | 230,000                             | 101,000                       | 101,000                                       | 0  |
| <b>Total Personnel Compensation</b>                         | <b>5,207,200</b>                    | <b>5,796,200</b>              | <b>5,137,000</b>                              | <b>(659,200)</b>                               |
| <b>Personnel Benefits: Civilian</b>                         | <b>1,857,200</b>                    | <b>2,158,800</b>              | <b>1,909,000 <u>b/</u></b>                    | <b>(249,800)</b>                               |
| Benefits for former personnel                               | 0                                   | 0                             | 0   | 0  |
| Travel and transportation of persons                        | 251,700                             | 350,000                       | 325,000                                       | (25,000)                                       |
| Rental Payments to GSA                                      | 300,000                             | 300,000                       | 300,000                                       | 0  |
| Communications, utilities, and miscellaneous charges        | 68,800                              | 89,000                        | 77,000  | (12,000)                                       |
| Consulting Services   | 0                                   | 0                             | 0   | 0  |
| Other Services  | 753,600                             | 1,077,000                     | 485,000 <u>c/</u>                             | (592,000)                                      |
| Supplies and materials                                      | 44,800                              | 54,000                        | 54,000  | 0  |
| Equipment   | 635,700                             | 175,000                       | 150,000                                       | (25,000)                                       |
| <b>Total Direct Obligations</b>                             | <b>\$9,119,000</b>                  | <b>\$10,000,000</b>           | <b>\$8,437,000</b>                            | <b>(\$1,563,000)</b>                           |
| <b>Unobligated Balance</b>                                  | <b>881,000</b>                      | <b>0</b>                      | <b>0</b>                                      | <b>0</b>                                       |
| <b>Total Budget Authority</b>                               | <b>\$10,000,000</b>                 | <b>\$10,000,000 <u>d/</u></b> | <b>\$8,437,000 <u>e/</u></b>                  | <b>(\$1,563,000)</b>                           |
| <b>Total Full-Time Equivalent Usage</b>                     | <b>48</b>                           | <b>52</b>                     | <b>45</b>                                     | <b>(7)</b>                                     |

a/ The Limitation on the Office of Inspector General excludes reimbursable funding the RRB-OIG expects to receive from the Centers for Medicare & Medicaid Services.

b/ Salary and benefit estimates for FY 2019 reflect an Office of Management and Budget policy pay freeze in 2019.

c/ Includes \$60,000 for RRB-OIG training in FY 2019, which will satisfy our minimum training requirements, and \$18,561 (0.22% of the budget estimate) for support of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) pursuant to the Inspector General Reform Act of 2008 (P.L. 110-409).

d/ Reflects the annualized level of funding provided by the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended).

e/ The RRB Office of Inspector General requested \$11,525,000 in its FY 2019 budget submission to OMB, including funding for 56 FTEs and contract funding for the financial audit. The RRB OIG request included \$70,000 for training. The request also reflected policy pay increase assumptions of 1.90% effective January 2018 and 2.0% effective January 2019.

**CONTRACTUAL SERVICES**

| <b><u>Program by Activity</u></b><br><b><u>Contractual Services</u></b> | <b><u>FY 2017</u></b><br><b><u>ACTUAL</u></b> | <b><u>FY 2018</u></b><br><b><u>ESTIMATE</u></b> | <b><u>FY 2019</u></b><br><b><u>ESTIMATE</u></b> |
|---|---|---|---|
| <b><u>Contracts</u></b>   |   |   |   |
| OPM security investigations   | \$23,800                                      | \$30,000  | \$22,500  |
| Information technology support services                                 | 108,320                                       | 110,000   | 75,000  |
| OIG network assessment  | 47,400  | 0   | 0   |
| Microsoft Enterprise  | 54,348  | 55,000  | 55,000  |
| ACL Analytics - data analytics  | 15,686  | 0   | 0   |
| Tripwire security software  | 11,842  | 0   | 0   |
| Audit of Statement of Social Insurance                                  | 41,000  | 50,000  | 50,000  |
| <b>Contract Program Total</b>   | <b>\$302,396</b>                              | <b>\$245,000</b>                                | <b>\$202,500</b>                                |

**RAILROAD RETIREMENT BOARD - OFFICE OF INSPECTOR GENERAL**

**PERSONNEL SUMMARY**

|   | <u>FY 2017</u><br><u>ACTUAL</u> | <u>FY 2018</u><br><u>ESTIMATE</u> | <u>FY 2019</u><br><u>ESTIMATE</u> |
|---|---------------------------------|-----------------------------------|-----------------------------------|
| IG  | 1                               | 1                                 | 1                                 |
| Subtotal  | <u>1</u>                        | <u>1</u>                          | <u>1</u>                          |
| ES-00   | 3                               | 3                                 | 3                                 |
| Subtotal  | <u>3</u>                        | <u>3</u>                          | <u>3</u>                          |
| GS/GM-15  | 2                               | 2                                 | 2                                 |
| GS/GM-14  | 8                               | 8                                 | 8                                 |
| GS/GM-13  | 19                              | 20                                | 17                                |
| GS-12   | 12                              | 12                                | 10                                |
| GS-11   | 2                               | 2                                 | 2                                 |
| GS-10   | 0                               | 0                                 | 0                                 |
| GS-09   | 2                               | 2                                 | 2                                 |
| GS-08   | 0                               | 0                                 | 0                                 |
| GS-07   | 0                               | 0                                 | 0                                 |
| GS-06   | 0                               | 0                                 | 0                                 |
| GS-05   | 0                               | 0                                 | 0                                 |
| GS-04   | 0                               | 0                                 | 0                                 |
| GS-03   | 0                               | 0                                 | 0                                 |
| GS-02   | 0                               | 0                                 | 0                                 |
| GS-01   | 0                               | 0                                 | 0                                 |
| Subtotal  | <u>45</u>                       | <u>46</u>                         | <u>41</u>                         |
| End of Year: total full-time permanent employment | 49                              | 50                                | 45                                |
| Full-time equivalent (FTE) usage                  | 48                              | 52                                | 45                                |
| <u>END OF YEAR</u>                                |                                 |                                   |                                   |
| Average ES Salary                                 | \$183,850                       | \$186,400                         | \$188,300                         |
| Average GS/GM Grade                               | 12.73                           | 12.74                             | 12.76                             |
| Average GS/GM Salary without Premium Pay          | \$108,222                       | \$110,400                         | \$111,500                         |
| Average GS/GM Salary with Premium Pay             | \$118,873                       | \$121,200                         | \$122,400                         |

**LIMITATION ON THE OFFICE OF INSPECTOR GENERAL**

**AMOUNTS AVAILABLE FOR OBLIGATION**

**Office of Inspector General**

| <u>Financing</u>                                     | <u>FY 2017<br/>actual</u> | <u>FY 2018<br/>estimate</u> | <u>FY 2019<br/>estimate</u> |
|--|---------------------------|-----------------------------|-----------------------------|
| Obligations from new authority                       | \$9,119,000               | \$10,000,000                | \$8,437,000                 |
| Plus: Unobligated balance                            | <u>881,000</u>            | <u>0</u>                    | <u>0</u>                    |
| <b>Limitation on the Office of Inspector General</b> | \$10,000,000 <b>a/</b>    | \$10,000,000 <b>b/</b>      | \$8,437,000                 |

**Relation of direct obligations to outlays**

|                                  |                    |                    |                    |
|----------------------------------|--------------------|--------------------|--------------------|
| Obligations incurred             | \$9,119,000        | \$10,000,000       | \$8,437,000        |
| Obligated balance, start of year | ---                | 1,088,000          | 1,088,000          |
| Obligated balance, end of year   | <u>(1,088,000)</u> | <u>(1,088,000)</u> | <u>(1,088,000)</u> |
| <b>Direct Outlays</b>            | \$8,031,000        | \$10,000,000       | \$8,437,000        |

**a/** Represents the resources provided by the Consolidated Appropriations Act, 2017 (P.L. 115-31).

**b/** Reflects the annualized level of funding provided by the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended).

**Note:** Funding for the audit and investigative activities of the Railroad Retirement Board - Office of Inspector General is transferred from the Railroad Retirement Account (RRA), the Social Security Equivalent Benefit (SSEB) Account, and the Railroad Unemployment Insurance Account (RUIA). The President's budget reflects budget authority for administrative expenses in the RRA, SSEB Account, and the RUIA. The Limitation on the Office of Inspector General receives its spending authority from offsetting collections equal to the appropriation amount.

## APPROPRIATIONS HISTORY TABLE

| <u>FISCAL<br/>YEAR</u> | <u>PRESIDENT'S<br/>BUDGET<br/>TO CONGRESS</u> | <u>HOUSE<br/>ALLOWANCE</u> | <u>SENATE<br/>ALLOWANCE</u> | <u>APPROPRIATION</u> |           |
|------------------------|---|----------------------------|-----------------------------|----------------------|-----------|
| 2009                   | \$7,806,000                                   | \$7,806,000                | \$7,806,000                 | \$7,806,000          | <u>a/</u> |
| 2010                   | \$8,186,000                                   | \$8,186,000                | \$8,186,000                 | \$8,186,000          | <u>b/</u> |
| 2011                   | \$8,936,000                                   | ----                       | ----                        | \$8,169,628          | <u>c/</u> |
| 2012                   | \$9,259,000                                   | ----                       | ----                        | \$8,154,559          | <u>d/</u> |
| 2013                   | \$8,820,000                                   | ----                       | ----                        | \$7,973,686          | <u>e/</u> |
| 2014                   | \$8,877,000                                   | ----                       | ----                        | \$8,272,000          | <u>f/</u> |
| 2015                   | \$8,750,000                                   | ----                       | ----                        | \$8,437,000          | <u>g/</u> |
| 2016                   | \$9,450,000                                   | ----                       | ----                        | \$8,437,000          | <u>h/</u> |
| 2017                   | \$10,499,000                                  | ----                       | ----                        | \$10,000,000         | <u>i/</u> |
| 2018                   | \$8,437,000                                   | ----                       | ----                        | \$10,000,000         | <u>i/</u> |
| 2019                   | \$8,437,000                                   |                            |                             |                      |           |

a/ Represents the amount made available by the Consolidated Appropriations Act, 2009 (P.L. 111-8).

b/ Represents the amount made available by the Consolidated Appropriations Act, 2010 (P.L. 111-117).

c/ Represents the amount made available by the Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10), less \$16,372 rescinded in accordance with P.L. 112-10.

d/ Represents the Consolidated Appropriations Act, 2012 (P.L. 112-74) amount of \$8,170,000, less \$15,441 rescinded in accordance with P.L. 112-74.

e/ Represents the level of funding provided by the Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6).

f/ Represents the level of funding provided by the Consolidated Appropriations Act, 2014 (P.L. 113-76).

g/ Represents the level of funding provided by the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235).

h/ Represents the level of funding provided by the Consolidated Appropriations Act, 2016 (P.L. 114-113).

i/ Represents the level of funding provided by the Consolidated Appropriations Act, 2017 (P.L. 115-31).

i/ Reflects the annualized level of funding provided by the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended).



## STAFFING HISTORY

### Railroad Retirement Board - Office of Inspector General Actual and Projected Full-Time Equivalent Employment

| <u>Fiscal Year</u> | <u>Total FTEs</u> | <u>Change from previous year</u> | <u>Percent change from previous year</u> | <u>Cumulative FTE Changes</u> | <u>Cumulative percent change since fiscal year 1993</u> |
|--------------------|-------------------|----------------------------------|--|-------------------------------|---|
| 1993               | 99                | ---                              | ---                                      | ---                           | ---   |
| 1994               | 93                | -6                               | -6.1%                                    | -6                            | -6.1%   |
| 1995               | 88                | -5                               | -5.4%                                    | -11                           | -11.1%  |
| 1996               | 74                | -14                              | -15.9%                                   | -25                           | -25.3%  |
| 1997               | 62                | -12                              | -16.2%                                   | -37                           | -37.4%  |
| 1998               | 59                | -3                               | -4.8%                                    | -40                           | -40.4%  |
| 1999               | 59                | 0                                | 0.0%                                     | -40                           | -40.4%  |
| 2000               | 54                | -5                               | -8.5%                                    | -45                           | -45.5%  |
| 2001               | 51                | -3                               | -5.6%                                    | -48                           | -48.5%  |
| 2002               | 51                | 0                                | 0.0%                                     | -48                           | -48.5%  |
| 2003               | 53                | 2                                | 3.9%                                     | -46                           | -46.5%  |
| 2004               | 51                | -2                               | -3.8%                                    | -48                           | -48.5%  |
| 2005               | 50                | -1                               | -2.0%                                    | -49                           | -49.5%  |
| 2006               | 51                | 1                                | 2.0%                                     | -48                           | -48.5%  |
| 2007               | 48                | -3                               | -5.9%                                    | -51                           | -51.5%  |
| 2008               | 47                | -1                               | -2.1%                                    | -52                           | -52.5%  |
| 2009               | 48                | 1                                | 2.1%                                     | -51                           | -51.5%  |
| 2010               | 53                | 5                                | 10.4%                                    | -46                           | -46.5%  |
| 2011               | 53                | 0                                | 0.0%                                     | -46                           | -46.5%  |
| 2012               | 52                | -1                               | -1.9%                                    | -47                           | -47.5%  |
| 2013               | 48                | -4                               | -7.7%                                    | -51                           | -51.5%  |
| 2014               | 49                | 1                                | 2.1%                                     | -50                           | -50.5%  |
| 2015               | 48                | -1                               | -2.0%                                    | -51                           | -51.5%  |
| 2016               | 47                | -1                               | -2.1%                                    | -52                           | -52.5%  |
| 2017               | 48                | 1                                | 2.1%                                     | -51                           | -51.5%  |
| 2018               | 52                | <u>a/</u> 4                      | 8.3%                                     | -47                           | -47.5%  |
| 2019               | 45                | <u>a/</u> -7                     | -13.5%                                   | -54                           | -54.5%  |

a/ Reflects estimated FTEs to be used.

**OFFICE OF INSPECTOR GENERAL  
RAILROAD RETIREMENT BOARD**

**EXPLANATION OF THE FISCAL YEAR 2019 REQUEST**

The Office of Inspector General (OIG) at the Railroad Retirement Board (RRB) is responsible for promoting economy, efficiency and effectiveness; and for identifying and preventing fraud, waste and abuse in agency programs. The RRB administers comprehensive retirement-survivor and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families. It is the Railroad Retirement Board's (RRB) mission to pay accurate and timely benefits. During fiscal year (FY) 2017 the RRB paid approximately \$12.5 billion in retirement and survivor benefits to 548,000 beneficiaries, including about \$1.2 in disability annuities. It also paid \$105.4 million in unemployment and sickness insurance benefits to about 12,000 unemployment insurance beneficiaries and 16,000 sickness insurance beneficiaries.

The RRB contracts with a separate Medicare Part B carrier to process the Medicare Part B claims of qualified railroad retirement beneficiaries. As of September 30, 2017, there were about 456,000 such beneficiaries enrolled in the Medicare Part B program through the RRB. During FY 2017, the RRB's separate Part B carrier paid approximately \$850 million in benefits.

The OIG conducts audits, management reviews, inspections of RRB program operations, and provides recommendations for improvement to agency management. The OIG also identifies and investigates cases of waste, fraud and abuse in RRB programs, and makes referrals for prosecution and monetary recovery actions.

The FY 2019 Performance Budget, including the President's proposed administrative budget and projected performance statistics for fiscal years 2018 and 2019, is included in this budget justification.

The OIG is requesting \$8,437,000 in FY 2019 to conduct its independent oversight of agency operations. The OIG will continue its efforts to perform fraud investigations, identify operational weaknesses, and detect internal control deficiencies in RRB benefit programs. The OIG will also continue its work with agency managers to ensure implementation of corrective actions.

The Office of Inspector General conducts its operations through two major components: the Office of Audit and the Office of Investigations. A discussion of the priority areas in FY 2019 for audit and investigative activities follows.

## **OFFICE OF AUDIT**

The mission of the Office of Audit (OA) is to (1) promote economy, efficiency, and effectiveness in the administration of RRB programs, and (2) detect and prevent fraud and abuse in such programs. Through the Inspector General, OA keeps the Board Members and the Congress informed of current and potential problems and deficiencies in RRB operations and the status of progress towards corrective action.

During FY 2019, in addition to its mandated work, OA will focus on areas affecting program performance, the efficiency and effectiveness of agency operations, and areas of potential fraud, waste and abuse. In FY 2019, OA will continue its emphasis on long term systemic problems and solutions, and will address major issues that affect the RRB's service to rail beneficiaries and their families. OA has identified six broad areas of potential audit coverage:

- Financial Accountability
- RRA and RUIA Benefit Program Operations
- RRB Contracts and Contracting Activities
- Railroad Medicare Program Operations
- Security, Privacy and Information Management
- Improper Payments Elimination and Recovery Act of 2010 oversight

During FY 2019, OA must accomplish the following mandated activities:

- Audit of the RRB's Financial Statements pursuant to the requirements of the Accountability of Tax Dollars Act of 2002
- Evaluation of information security pursuant to the Federal Information Security Management Act of 2014 (FISMA)
- Audit of the RRB's Compliance with the Improper Payments Elimination and Recovery Act of 2010
- Audit required under the Digital Accountability and Transparency Act of 2014

- Review of IG Requirements for Government Charge Card Abuse and Prevention Act of 2012
- Identification of Performance and Management Challenges for FY 2019
- Semiannual reporting in accordance with the Inspector General Act of 1978, as amended

The portion of OA resources dedicated to conducting mandated audits continues to be significant. In FY 2017, nearly 65 percent of direct audit time was spent completing mandated audits, and this number will be consistent, if not more, in FY 2019 as audit work related to the Data Act must be completed and there is continued expansion of FISMA reporting requirements. These are in addition to the significant resource investment in completing the annual financial statement audit, semiannual reporting, improper payment audit activities, and information technology security work. This mandated work results in important audit findings and agency oversight but also increasingly limits other audits that can be undertaken without an increase in resources. OA currently reports on seven major challenges facing the RRB. An increase in resources would allow OA to provide additional audit oversight to these areas, which represent billions in taxpayer dollars, and still meet the important mandates of the Congress.

During FY 2019, OA will complete the audit of the RRB's FY 2018 financial statements and begin its audit of the agency's FY 2019 financial statements. OA contracts with a consulting actuary for technical assistance in auditing the RRB's Statement of Social Insurance, which became basic financial information effective for FY 2006. In addition to performing the annual evaluation of information security, OA also conducts audits of individual computer application systems that are required to support the annual FISMA evaluation. Our work in this area is targeted toward the identification and elimination of security deficiencies and system vulnerabilities, including controls over sensitive personally identifiable information.

OA undertakes additional projects with the objective of allocating available audit resources to areas in which they will have the greatest value. In making that determination, OA utilizes a strategic planning process to focus on areas affecting program performance, the efficiency and effectiveness of agency operations, and areas of potential fraud, waste and abuse. OA also considers staff availability, current trends in management, and Congressional and Presidential concerns. The OA annual work plan is the primary tool for directing and controlling OA activities annually.

## OFFICE OF INVESTIGATIONS

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

OI initiates cases based on information from a variety of sources. The RRB conducts computer matching of employment and earnings information reported to state governments and the Social Security Administration with RRB benefits paid data. Fraud referrals are made to OI if a match is found. OI also receives allegations of fraud through the OIG Hotline, contacts with state, local and Federal agencies, and information developed through audits conducted by the OIG's Office of Audit.

Fraud referrals from the RRB have reduced over the last several fiscal years. The Inspector General Empowerment Act (IGEA) of 2016 strengthened an OIG's ability to identify fraudulent or improper government payments through data analytics. The OIG will continue their commitment to proactively designing projects aimed at promoting economy, efficiency, and effectiveness in the RRB's program and operations. In addition to identifying potential targets previously undetected through the RRB's standard program integrity measures, OIG will make the necessary recommendations to resolve identified program weaknesses and prevent future occurrences.

### OI Investigative Results for FY 2017

| <u>Civil Judgments</u> | <u>Indictments/Informations</u> | <u>Convictions</u> | <u>Financial Accomplishments</u> |
|------------------------|---------------------------------|--------------------|----------------------------------|
| 11                     | 29                              | 37                 | \$149,060,851 <sup>1</sup>       |

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<sup>1</sup> The total amount of financial accomplishments reflect fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other Federal Programs such as Medicare or Social Security, which were included in the disposition resulting from the investigation.

OI anticipates an ongoing caseload of approximately 280 investigations in FY 2019. During FY 2017, OI opened 211 new cases and closed 155. As of September 30, 2017, OI had cases open in 40 states and the District of Columbia, with estimated fraud losses totaling over \$553 million.

OI will concentrate its resources on cases with the highest fraud losses. Typically, these cases are related to the RRB's disability and Medicare programs. Disability fraud cases currently constitute approximately 37% of OI's total caseload. These cases involve more complicated schemes and often result in the recovery of substantial funds for the agency's trust funds. OI will continue to dedicate considerable time and resources in the investigation of nationwide schemes to defraud the RRB disability program. These types of cases require sizeable resources for travel by special agents to conduct surveillance, or more sophisticated investigative techniques, and numerous witness interviews. The schemes are often complex and, in some instances, may include conspiratorial involvement by attorneys. These cases also require very sophisticated financial analysis, since the schemes are often cloaked in what could appear to be legitimate business practices.

The OI continues to work joint cases with other Offices of Inspector General and Federal law enforcement agencies that have responsibility for healthcare fraud matters. Medicare fraud investigations currently represent approximately 20% of OI's total caseload and more than \$334 million in fraud losses. OI's collaborative joint investigative efforts ensure that RRB beneficiaries are protected from sham medical practitioners, and that the Railroad Medicare program's interests are safeguarded from fraudulent schemes.

OI will also continue to investigate fraud violations of railroad employees collecting unemployment or sickness insurance benefits while working and receiving wages from an employer. Unemployment fraud cases currently constitute 23% of the total caseload of our investigators.

OI will also investigate retirement fraud which typically involves the theft and fraudulent cashing of U.S. Treasury checks or the withdrawal of electronically deposited RRB benefits. OI will also use the Department of Justice's Affirmative Civil Enforcement Program to recover trust fund monies from cases that do not meet U.S. Attorney's guidelines for criminal prosecution.

In FY 2019, OI will continue to coordinate its efforts with agency program managers to address vulnerabilities in benefit programs that allow fraudulent activity to occur and will recommend changes to ensure program integrity. OI plans to continue proactive projects to identify fraud matters that are not detected through the agency's program policing mechanisms. Findings will be conveyed to agency management through OIG systemic implication reports to alert officials of operational weaknesses that may result in fraud against RRB programs. OI will also continue to work with RRB program managers to ensure the appropriate and timely referral of all fraud matters to the OIG.

The OIG will continue their commitment to proactively designing projects aimed at promoting economy, efficiency, and effectiveness in the RRB's program and operations. In addition to identifying potential targets previously undetected through the RRB's standard program integrity measures, OIG will make the necessary recommendations to resolve identified program weaknesses and prevent future occurrences.

OI will also investigate complaints involving administrative irregularities and any alleged misconduct by agency employees.

## **Conclusion**

In FY 2019, the OIG will continue to focus its resources on the review and improvement of RRB operations and will conduct activities to ensure the integrity of the agency trust funds. This office will continue to work with agency officials to ensure the agency is providing quality service to railroad workers and their families. The OIG will also aggressively pursue all individuals who engage in activities to fraudulently receive RRB funds, including Railroad Medicare funds.

**RAILROAD RETIREMENT BOARD**  
**OFFICE OF INSPECTOR GENERAL**

**FISCAL 2019 PERFORMANCE BUDGET**

The audit and investigative programs of the Office of Inspector General (OIG) are dedicated to protecting the integrity of the Railroad Retirement Board's trust funds and improving the delivery of benefits to the railroad community. The OIG has developed the Fiscal Year 2019 Performance Budget to support our mission by establishing performance measures for our strategic goals.

The OIG is aware that external factors may significantly affect planned activities and the allocation of resources during any given fiscal year. New legislative mandates may necessitate the delay of scheduled projects to ensure that we meet new statutory requirements.

**MISSION STATEMENT**

The OIG promotes economy, efficiency, and effectiveness in the RRB's programs and operations by focusing our audit and investigative efforts on protecting the integrity of the RRB's trust funds and improving the delivery of benefits to the railroad community.

**VISION STATEMENT**

The OIG employs a skilled and professional workforce dedicated to the goals and mission of the Office. The OIG:

- conducts audits/evaluations, management reviews, and inspections of the RRB's programs and operations;
- provides recommendations for improvement to RRB management;
- prevents and detects fraud, waste, and abuse in the RRB's programs and operations;
- reviews and makes recommendations regarding existing and proposed legislation and regulations relating to the RRB's programs and operations; and
- informs RRB Board Members and the Congress of problems in the RRB's programs and operations.



## STRATEGIC GOALS

This plan establishes three strategic goals:

1. Add value to the RRB's programs and operations.
2. Protect the integrity of the RRB's programs, operations, and trust funds.
3. Ensure quality and excellence in the OIG's work and products.

The first goal addresses our independent oversight of the RRB's programs and operations. In support of this goal, we evaluate agency program functions, assess program efficiency, and advise management regarding necessary actions to improve agency performance.

The second goal involves compliance reviews and enforcement activities to identify systemic weaknesses in the RRB's programs and operations. Our objective is to reduce the potential for waste, fraud, and abuse in the RRB's programs and operations and to create a deterrent for future fraudulent activities.

The third goal focuses on the OIG's internal operations. We will identify ways to streamline audits and investigations by utilizing new technologies, providing staff training, and improving planning processes.

### **Goal 1 – Add value to the RRB's programs and operations.**

The OIG's products and services are used by the RRB, the Congress, and other interested parties to improve the efficiency, effectiveness, and integrity of the RRB's programs and operations.

We will achieve this goal by:

- Focusing the OIG's work on major RRB programs and operations. Major areas include the annual financial statement audit, information systems and security, improper payments, and e-Government initiatives. We will review operating performance in both program and administrative functions to ensure that agency activities promote efficiency and minimize the potential for fraud, waste, and abuse.
- Providing accurate, objective, and timely information to the RRB, the Congress, and other interested parties.
- Promoting actions on the OIG's recommendations.

## **Goal 2 – Protect the integrity of the agency’s programs, operations, and trust funds.**

This goal addresses the third element of the OIG’s vision, to prevent and detect fraud and abuse in the RRB’s programs and operations. To achieve this goal, we will review and investigate allegations of fraud that are referred to our office through a variety of internal and external sources. We will also develop proactive strategies to identify systemic fraud and abuse and make recommendations to address the causes. Based on the recommendations issued by this office, the agency has the responsibility to establish the necessary controls in its programs and operations.

We will achieve this goal by:

- Analyzing RRB programs and operations to identify those that are most susceptible to fraud and abuse and those programs for which the agency’s policing mechanisms are ineffective. We will continue to develop traditional information sources, both within and outside the agency, that provide information concerning allegations of fraud and abuse.
- Taking timely actions in response to allegations of fraud and abuse. We will take a proactive approach to developing electronic information sources and methodologies that will allow us to conduct our investigations and analysis in the most efficient manner. We will provide the necessary support for prosecutors to conduct appropriate criminal or civil actions to address allegations of fraud or abuse.
- Providing all interested parties, i.e., prosecutors, agency officials, the Congress, and others as warranted, with complete, accurate, and timely reports concerning the results of our audit and investigative activities. We will alert agency officials and the Congress regarding significant issues that will impact agency programs and operations. We will encourage publication of judicial results by prosecutors to strengthen the deterrent effect of those actions.
- Conducting timely follow-up actions to ensure the agency addresses our systemic issue recommendations.
- Monitoring progress for all matters referred for judicial action.
- Encouraging prosecutors to complete a satisfaction survey at the conclusion of all judicial proceedings to provide honest feedback regarding OI’s investigative activities.

### **Goal 3 – Ensure quality and excellence in the OIG’s work and products.**

To carry out its mission in a competent and efficient manner, the OIG must have a skilled and motivated work force. All staff members must have the knowledge and skills required to perform their duties. The OIG’s management will support its staff by providing the means to carry out the mission of the Office and implementing a comprehensive quality assurance program.

We will achieve this goal by:

- Focusing on recruitment and retention of a professional staff that is highly skilled and appropriately developed.
- Ensuring that the staff is fully supported with the necessary training, tools, services, and direction to carry out their oversight duties effectively and efficiently.
- Implementing a comprehensive quality assurance program that ensures compliance with OIG policies and procedures; Generally Accepted Government Auditing Standards; the Council of the Inspectors General on Integrity and Efficiency quality standards for Federal Offices of Inspector General; and other requirements.

### **PERFORMANCE BUDGET**

The Annual Performance Budget for FY 2019 provides performance indicators consistent with our strategic goals. Actual performance is provided in the following exhibit for fiscal years 2014 through 2017. Performance for fiscal year 2018 reflects the annualized level of resources provided by the Continuing Appropriations Act, 2018 (Division D of P.L.115-56, as amended), and fiscal year 2019 performance reflects the President’s proposed budget level of \$8,437,000.

| <b>Railroad Retirement Board<br/>Office of Inspector General<br/>FY 2019 Performance Budget</b>  | <u>FY 2014</u><br>Actual<br>(\$8.272M) | <u>FY 2015</u><br>Actual<br>(\$8.437M) | <u>FY 2016</u><br>Actual<br>(\$8.437M) | <u>FY 2017</u><br>Actual<br>(\$10.000M) | <u>FY 2018</u><br>Estimate<br>(\$10.000M) | <u>FY 2019</u><br>Request<br>Level<br>(\$8.437M) |
|--|--|--|--|---|---|--|
| <b>Strategic Goal I: Add value to the RRB's programs and operations.</b>   |  |  |  |   |   |  |
| The OIG will solicit suggestions for audits and reviews for the annual audit work plan from 100% of the agency's organizational components.                  | 100%                                   | 100%                                   | 100%                                   | 100%                                    | 100%                                      | 100%   |
| Seventy-five percent of audit reports will be issued within 240 days of entrance, or by the mandated reporting deadline.                                     | 67%                                    | 65%                                    | 67%                                    | 75%                                     | 75%                                       | 65%  |
| Agency management agrees with 80% of recommendations made in audit, evaluation, and inspection reports.  | 86%                                    | 80%                                    | 75%                                    | 76%                                     | 75%                                       | 75%  |
| Reports on the progress of corrective actions for audit recommendations will be issued to the RRB Chairman within 35 days of the six month reporting period. | 35 days                                | 35 days                                | 35 days                                | 35 days                                 | 35 days                                   | 35 days  |
| The OIG will file 100% of reports on time, and acknowledge 100% of requests for information within three working days.                                       | 100%                                   | 100%                                   | 100%                                   | 100%                                    | 100%                                      | 100%   |
|  | 100%                                   | 100%                                   | 100%                                   | 100%                                    | 100%                                      | 100%   |
| <b>Strategic Goal II: Protect the integrity of the RRB's programs, operations, and trust funds.</b>  |  |  |  |   |   |  |
| Percentage of allegations evaluated and submitted for disposition within 30 days of receipt.   | 90%                                    | 90%                                    | 93%                                    | 93%                                     | 90%                                       | 90%  |

| <b>Railroad Retirement Board<br/>Office of Inspector General<br/>FY 2019 Performance Budget</b>   | <u>FY 2014</u><br>Actual<br>(\$8.272M) | <u>FY 2015</u><br>Actual<br>(\$8.437M) | <u>FY 2016</u><br>Actual<br>(\$8.437M) | <u>FY 2017</u><br>Actual<br>(\$10.000M) | <u>FY 2018</u><br>Estimate<br>(\$10.000M) | <u>FY 2019</u><br>Request<br>Level<br>(\$8.437M) |
|---|--|--|--|---|---|--|
| Percentage of investigative cases closed, or in judicial process, during a fiscal year which resulted in a successful action, i.e., criminal indictment, criminal conviction, civil judgment or settlement, administrative action, or monetary recovery | 42%                                    | 36%                                    | 36%                                    | 44%                                     | 30%                                       | 30%  |
| The OIG will complete 4 projects to identify fraud cases that are not detected through agency policing procedures.  | 5                                      | 7                                      | 10                                     | 7                                       | 7   | 7  |
| <b>Strategic Goal III: Ensure quality and excellence in the OIG's work and products.</b>  |  |  |  |   |   |  |
| Percentage of employees meeting the training requirements of their profession.  | 90%                                    | 90%                                    | 100%                                   | 100%                                    | 100%                                      | 100%   |
| All auditors hold the appropriate credentials to satisfy government, PCIE and applicable standards.   | 100%                                   | 100%                                   | 100%                                   | 100%                                    | 100%                                      | 100%   |
| All auditors will receive 80 hours of continuing professional education over 2 years.   | 100%                                   | 100%                                   | 100%                                   | 100%                                    | 100%                                      | 100%   |
| Eighty percent of audits, evaluations, and inspections are subjected to an internal quality assurance review.   | 100%                                   | 100%                                   | 100%                                   | 100%                                    | 100%                                      | 100%   |