The Honorable Erhard R. Chorlé, Chairman
Railroad Retirement Board
844 North Rush Street
Chicago, Illinois 60611-2092

Dear Mr. Chorlé,

I am pleased to submit our Semiannual Report to the Congress. This report provides a descriptive summary of our activities and accomplishments during the period of October 1, 2018 through March 31, 2019. This report is submitted in accordance with Section 5 of the Inspector General Act of 1978, as amended. Section 5(b) of the Act requires that you transmit this report to the appropriate Congressional committees or subcommittees within 30 days.

During this reporting period, the Office of Audit (OA) completed its annual mandated audit of the Railroad Retirement Board’s (RRB) comparative financial statements for the fiscal years ended September 30, 2018 and 2017 along with the related reports on internal control and compliance. Additionally, OA published reports regarding:

- the Inspector General’s statement of Management and Performance Challenges Facing the Railroad Retirement Board;
- information security at the RRB;
- oversight at the National Railroad Retirement Investment Trust;
- RRB’s write-off and waiver procedures;
- matters related to internal control identified during the financial statement audit (“Letter to Management”); and
- RRB’s compliance with the Government Charge Card Abuse Prevention Act of 2012.

Our criminal investigators achieved 4 arrests, 12 indictments and informations, 21 criminal convictions, 7 civil judgments, and more than $101 million in financial accomplishments. Financial accomplishments reflect the full amount of restitution, fines, damages, or penalties ordered including dollar amounts related to programs administered exclusively by the RRB and, in connection with OI’s joint investigative work, from other federal programs such as Medicare or Social Security that were included in the disposition. Note that sentences associated with joint casework are not necessarily delineated by agency.
We appreciate the ongoing assistance extended to our staff during the performance of their duties.

Sincerely,

Original Signed

Martin J. Dickman
Inspector General
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INTRODUCTION

Railroad Retirement Board

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the federal government. The RRB administers comprehensive disability, retirement-survivor, and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families. These programs are codified under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act, respectively. During fiscal year 2018, railroad retirement and survivor benefit payments totaled $13.1 billion, net of recoveries and offsetting collections. Railroad unemployment insurance (UI) and sickness insurance (SI) benefit payments totaled $100.2 million, net of recoveries and offsetting collections.

Additionally, the RRB has administrative responsibilities for certain benefit payments under the Social Security Act, including the administration of Medicare benefits for qualifying railroad workers and their dependents. Pursuant to statutory authority, the RRB, in consultation with the Centers for Medicare and Medicaid Services, awards and monitors a single nationwide Railroad Medicare Part B Services contract. The RRB’s Medicare Contractor, Palmetto, processed more than 8.5 million claims and paid almost $868 million in Medicare Part B benefits for fiscal year 2018.

Board Members

The RRB’s Board consists of three members who are appointed, with the advice and consent of the Senate, by the President of the United States. One member is appointed upon the recommendation of railroad employers; another member is appointed upon the recommendation of representatives of railroad employees; and the third, who is the Chairman, is appointed without recommendation by either employers or employees and shall not be in the employment of or be pecuniarily or otherwise interested in any employer or organization of employees. Board Members’ terms are five years in length and expire in staggered years. During this semiannual reporting period, new Board Members for all three positions were confirmed and sworn into office.

Office of Inspector General

The Railroad Retirement Solvency Act of 1983 amended the RRA to provide for an Office of Inspector General (OIG) for the RRB. The 1988 amendments to the Inspector General Act added the RRB to the list of covered agencies. The RRB’s Inspector General is a Presidential Appointee, with Senate confirmation, who serves as an independent and objective voice to the Board Members and the Congress. It is the Inspector General’s responsibility to promote economy, efficiency, and effectiveness in the RRB’s programs and operations. To that end, the OIG conducts audits/evaluations, management reviews, and inspections of the RRB’s programs and operations. As a
product of its efforts, the OIG offers recommendations for agency improvement to RRB management. The OIG also identifies and investigates cases of fraud, waste, and abuse in the RRB’s programs and operations. The OIG works closely with federal prosecutors and makes the appropriate referrals for criminal prosecution, civil prosecution, monetary recovery, or administrative action.

The OIG has three operational components: the immediate Office of the Inspector General, the Office of Audit, and the Office of Investigations. The OIG conducts operations from several locations including the RRB headquarters in Illinois and investigative field offices in California, Florida, Pennsylvania, and Texas. These field offices provide an increased investigative presence, which aids in the effective and efficient coordination of joint investigations with other Inspector General offices and law enforcement agencies.

EXECUTIVE SUMMARY

Office of Audit

The Office of Audit (OA) conducts financial, performance, and compliance audits and evaluations/inspections of the RRB’s programs and operations. In addition to focusing on mandated audit requirements, OA strategically identifies areas affecting program performance, the efficiency and effectiveness of agency operations, and areas of potential fraud, waste, and abuse. OA’s audit planning process takes into account mandated audits, Congressional and Presidential concerns, programmatic risk, and resource availability. During this reporting period, OA:

- completed its annual audit of the RRB’s comparative financial statements for fiscal years ended September 30, 2017 and 2018 along with the related reports on internal control and compliance (mandated);
- prepared and issued the Inspector General’s statement of Management and Performance Challenges Facing the Railroad Retirement Board (mandated);
- published abbreviated audit results regarding information security at the RRB in accordance with the Federal Information Security Modernization Act of 2014 (FISMA) (mandated);
- published the results of its management information report titled Limited Oversight of the National Railroad Retirement Investment Trust Puts Railroad Retirement Assets at Risk;
- completed its performance audit regarding the RRB’s write-off and waiver procedures;
- published its “Letter to Management” detailing matters related to internal control identified during the financial statement audit (mandated); and
- conducted a risk assessment, in compliance with the Government Charge Card Abuse Prevention Act of 2012, related to the RRB’s purchase and travel card programs for fiscal year 2018 (mandated).
OA’s activities, during this reporting period, are discussed in further detail on pages 4 through 13 of this report. All inspections, evaluations, or audits conducted during this semiannual reporting period were disclosed to the public on our website at https://www.rrb.gov/index.php/OurAgency/InspectorGeneral and on Oversight.gov. In general, reports that transmit non-releasable information have abstracts released publicly as noted above.

Office of Investigations

The Office of Investigations (OI) focuses its efforts on identifying, investigating, and presenting RRB benefit fraud cases for prosecution. OI conducts investigations throughout the United States related to:

- the fraudulent receipt of RRB benefit payments (disability, UI, SI, or retirement-survivor benefits);
- Railroad Medicare fraud;
- false reporting by railroad employers; and
- criminal violations and misconduct by RRB personnel.

From October 1, 2018 through March 31, 2019, OI achieved:

- 4 arrests;
- 12 indictments and informations;
- 21 criminal convictions;
- 7 civil judgments; and
- more than $101 million in financial accomplishments.\(^1\)

Defendants, in the aggregate, were sentenced to more than 120 years of prison, 64 years of probation, and 270 hours of community service. Additional details regarding OI activities are discussed on pages 15 through 22.

\(^1\) Financial accomplishments reflect the full amount of restitution, fines, damages, or penalties ordered including dollar amounts related to programs administered exclusively by the RRB and, in connection with OI’s joint investigative work, from other federal programs such as Medicare or Social Security that were included in the disposition. Sentences associated with joint casework are not necessarily delineated by agency.
OCTOBER 1, 2018 – MARCH 31, 2019 ACCOMPLISHMENTS

Office of Audit

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

Brief summaries of all audits completed during this reporting period follow.

Report on the Railroad Retirement Board’s Financial Statements Fiscal Year 2018 (Report No. 19-01)

What OA Did

During this reporting period, OA completed its annual mandated audit of the RRB's comparative financial statements for:

- the fiscal years ended September 30, 2018 and 2017;
- the balance sheet and related statements of net cost, changes in net position, and budgetary resources for the years then ended;
- the statement of social insurance as of October 1, 2017, October 1, 2016, October 1, 2015, January 1, 2015, and January 1, 2014; and
- the statement of changes in social insurance amounts for the period ended September 30, 2017; and the related notes to the financial statements.

What OA Found

For the reasons explained below, OA was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion regarding the financial position of the RRB and accordingly, did not express an opinion (disclaimed opinion) regarding the RRB's financial statements.

National Railroad Retirement Investment Trust Assets and Disclaimed Opinion

The National Railroad Retirement Investment Trust (NRRIT) is a tax-exempt entity independent of the federal government that was established by the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) to manage and invest railroad retirement assets.² The law also provides that the NRRIT annually engage an

² NRRIT is discussed further on pages 10, 11, 24, 25, 30, and 31.
independent, qualified public accountant to audit the financial statements of the NRRIT. The OIG has not audited the books and records of the NRRIT, nor had any input into the selection of the independent accountant retained by the NRRIT. The net assets of the NRRIT represent approximately $26.6 billion and $26.5 billion or 79 and 80 percent of the total assets reported for the RRB for fiscal years 2018 and 2017, respectively.

Pursuant to the group financial statement audit requirements promulgated by the American Institute of Certified Public Accountants (AICPA) in AICPA Professional Standards in AU-C section 600, Special Considerations - Audits of Group Financial Statements, OA made an inquiry requesting communication with and cooperation from NRRIT auditors. In response, the RRB’s Chief Financial Officer informed OA that contact between OIG and NRRIT auditors is inconsistent with the independent status of the NRRIT under section 15(j) of the RRA. As a result, NRRIT auditors were unable to comply with the group financial statement audit requirements. Consequently, OA was unable to perform the specified AU-C section 600 group audit procedures and have determined that undetected misstatements, which could be material and pervasive, could exist. Additionally, on July 13, 2018, OIG notified RRB management that NRRIT auditors’ system of quality control received a peer review rating of pass with deficiency, for the year ended March 31, 2017. This created a situation in which the independent public accountant might not have reasonable assurance of performing or reporting in conformity with applicable professional standards.

For the reasons above, OA continues to render disclaimer opinions on the RRB’s financial statements since fiscal year 2013 because of RRB management’s unwillingness to provide OA with cooperation and communication from NRRIT auditors. This lack of cooperation and communication prevents OA from obtaining sufficient appropriate audit evidence regarding the RRB’s financial statements.

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3 Misstatements in the National Railroad Retirement Investment Trust net assets could be both material and pervasive. American Institute of Certified Public Accountants (AICPA) AU-C 705.06 defines pervasive as, “[a] term used in the context of misstatements to describe the effects on the financial statements of misstatements or the possible effects on the financial statements of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence.” In context to the RRB’s financial statements, the “[p]ervasive effects on the financial statements are those that, in the auditor’s professional judgment” are confined to specific elements, accounts, or items of the financial statements, and “represent or could represent a substantial proportion of the financial statements.”
Material Weaknesses

Financial Reporting

- Ineffective Controls

This portion of the overall material weakness was initially reported in fiscal year 2014 and OA made recommendations for improvement. During this current audit, OA continued to see the need for internal control improvements because some of the corrective actions related to this material weakness remain open. OA also found that monetarily significant vouchers were approved in the RRB’s financial reporting system without adequate review of supporting documentation.

- Communication with the NRRIT’s Auditor

As stated previously, OA has rendered disclaimer opinions on the RRB’s financial statements since fiscal year 2013 because of RRB management’s unwillingness to provide OIG auditors with cooperation and communication from NRRIT auditors. This lack of cooperation and communication prevents OIG auditors from obtaining sufficient appropriate audit evidence regarding the RRB’s financial statements. During fiscal year 2014, OA recommended that an independent committee be established to identify a functional solution that would enable communication between OIG and NRRIT’s auditors. Although RRB management did not concur with this recommendation, OA will continue to cite this issue and the need for corrective action.

Deficient Internal Controls at the Agencywide Level

The control environment had been identified in prior audit opinions as a separate material weakness. This year it is included in the overall material weakness for deficient internal controls at the agencywide level. The control environment material weakness had originally been reported in fiscal year 2016. During a separate audit, OA found that the remaining four components of internal control were never assessed by the RRB in conformance with Government Accountability Office (GAO) and Office of Management and Budget (OMB) requirements at the agencywide level. Although the RRB’s control environment was assessed at the agencywide level, OA has other concerns with the control environment.

Effectiveness of RRB System of Internal Control

<table>
<thead>
<tr>
<th>Internal Control Component</th>
<th>Designed &amp; Implemented</th>
<th>Operating Effectively</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Control Environment</td>
<td>Yes</td>
<td>Ineffective</td>
</tr>
<tr>
<td>2. Risk Assessment</td>
<td>No</td>
<td>Ineffective</td>
</tr>
<tr>
<td>3. Control Activities</td>
<td>No</td>
<td>Ineffective</td>
</tr>
<tr>
<td>4. Information and Communication</td>
<td>No</td>
<td>Ineffective</td>
</tr>
<tr>
<td>5. Monitoring</td>
<td>No</td>
<td>Ineffective</td>
</tr>
<tr>
<td><strong>Are all Components operating together in an integrated manner?</strong></td>
<td><strong>No</strong></td>
<td><strong>Ineffective</strong></td>
</tr>
</tbody>
</table>

OMB Circular A-123 states that an evaluation of internal controls must be performed for the agency as a whole. If control principles or components have not been fully designed and implemented they cannot be tested and must be considered ineffective. Because each of the required components were not designed, implemented, and operating effectively, consistent with GAO and OMB guidance, OIG must conclude that the overall system of internal control was not operating effectively and an entity-level control material weakness must be reported.\(^8\) OA’s specific concerns with the RRB’s internal control components as observed are discussed below.

- **Control Environment**

OA determined that RRB management had not taken corrective actions to address high level, monetarily significant matters that were not in accordance with authoritative guidance, previous agreements, and laws and regulations regarding matters that could have a detrimental effect on the reliability of financial reporting at the RRB and at governmentwide levels.

- **Other Internal Control Components**

In a separate audit conducted during fiscal year 2018, OA found that the RRB’s enterprise risk management (ERM) process was not fully effective.\(^9\) RRB had not complied with all of the internal control requirements in OMB A-123 and did not implement the ERM process agencywide. OMB revised Circular A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control* (OMB A-123) in July 2016.\(^{10}\)

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\(^9\) RRB OIG, Report No. 18-07.

\(^{10}\) OMB, M-16-17.
In prior year audits, RRB had not agreed with the material weakness for the control environment and therefore did not make some of OA’s recommended corrective actions. Recommendations for the ERM process were included in OIG audit report number 18-07. Most of those recommendations remain open. OA continues to see the need to implement all of their recommended corrective actions as related to these material weaknesses.

RRB Management's Response and OA’s Comments

Agency management commented that they reject the material weaknesses identified in OA’s audit opinion and continue to disagree that a disclaimer of opinion on the agency’s financial statements is necessary. RRB’s response and their progress towards compliance, when applicable, are discussed in Appendix C – Significant Matters.


What OA Did

OA annually identifies management and performance challenges facing the RRB and reports on them in the RRB’s Performance and Accountability Report. This statement is prepared pursuant to the Reports Consolidation Act of 2000 and the requirements of OMB Circular A-136. This Circular requires Inspector General offices to identify the most serious management challenges facing their parent agency and to briefly assess the agency’s progress in addressing those challenges.

What OA Found

OA’s identification of challenges facing RRB management is based on recent audits, evaluations, investigations, and current issues of concern to the Inspector General. During fiscal year 2018, the Inspector General identified the following seven major management challenges facing the RRB.
Most Serious Management and Performance Challenges Facing the Railroad Retirement Board as of October 1, 2018 (as identified by the Inspector General)

| Challenge 1 | Program Integrity to Strengthen Disability Programs |
| Challenge 2 | Information Technology Security and System Modernization |
| Challenge 3 | Management of Railroad Medicare |
| Challenge 4 | Assessing Payment Accuracy and Transparency |
| Challenge 5 | Human Capital Management |
| Challenge 6 | Material Weaknesses Related to Financial Statement Reporting and the Control Environment |
| Challenge 7 | RRB Oversight of the National Railroad Retirement Investment Trust |

Additional details regarding some of these identified management challenges are discussed in Appendix C – Significant Matters.

RRB management responded by identifying corrective actions taken and plans for future corrective actions. In some instances, RRB management disagreed with the audit work that supports some of the challenges.

Performance Audit of the RRB’s Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2018 (Report No. 19-03)

What Kearney Did

The OIG engaged Kearney & Company, P.C. (Kearney) to conduct a performance audit of Information Security Program at RRB for fiscal year 2018. This audit, which was conducted in accordance with the performance audit standards established by Generally Accepted Government Auditing Standards, was mandated by FISMA. Kearney is responsible for the audit report and the conclusions expressed therein. OIG does not express any assurance on the conclusions presented in Kearney’s audit report. The scope of this audit is information security at the RRB during fiscal year 2018.

What Kearney Found

“Kearney determined that RRB did not comply with FISMA legislation and [Office of Management and Budget] OMB guidance and that sampled security controls selected from [National Institute of Standards and Technology Special Publication] NIST SP 800-53, Rev.4 demonstrated ineffectiveness, and thus the RRB’s Information Security Program did not provide reasonable assurance of adequate security.” Each of the eight FISMA metric domains and their corresponding cybersecurity framework functions were assessed as “Not Effective” when evaluated using the maturity model. However, Kearney found that the RRB has established an Information Security Program and...
practices, and has implemented controls to support the Cybersecurity framework. Additional work is needed to achieve a rating of effective because of shortfalls in select information technology security controls. The overall Information Security Program has weaknesses that impact the cybersecurity framework. These weaknesses include deficiencies in the areas of risk management, configuration management, identity and access management, data protection and privacy, security training, information security continuous monitoring, incident response, and contingency planning.

What Kearney Recommends

To address the weaknesses identified in this audit, Kearney made 31 detailed recommendations. RRB Management concurred with 30 of the recommendations. Kearney stated that implementing “the recommended corrective actions will help minimize the risk of unauthorized disclosure, modification, use, and disruption of RRB sensitive, non-public information; improve compliance with FISMA requirements; and assist the RRB Information Security Program reach the next maturity level.”

RRB management disagreed with the conclusion that the RRB Information Security Program is not providing adequate assurance.


What OA Did

During this semiannual reporting period, OA published its management information report pertaining to the RRB’s oversight of the NRRIT’s financial and operational activities. The objective of this report was to evaluate the adequacy of RRB’s oversight and its enforcement authority in protecting the RRB’s trust funds as required by the RRSIA.

The NRRIT was established by the RRSIA for the purpose of managing and investing RRB assets reserved for payment of some retirement and survivor benefits. NRRIT holds and invests more than $26 billion in federal pension assets.

What OA Found

OA’s review determined that RRB oversight of NRRIT has not been effective in protecting the railroad retirement program and its trust funds. OA also found that the investment performance used by the NRRIT underperformed some other indexed based funds that may have resulted in the payment of higher payroll taxes paid by railroad employees and employers. OA’s review also concluded that instead of adding value, the NRRIT is adding expense for the railroad retirement program.
What OA Recommends

While this management information report did not include any recommendations, it requested that RRB management and the Congress determine how the $70 million in annual administrative and investment management expense could be better utilized to reduce payroll taxes for railroad employees and employers, while also maintaining long term railroad retirement program investment solvency. OA also requested that Congress consider amending RRSIA to make the NRRIT subject to the Employee Retirement Income Security Act of 1974.

RRB management stated that the report lacks a framework for proper evaluation of the RRB’s oversight of the NRRIT.

Railroad Retirement Board Write-off and Waiver Processes were not Fully Efficient, Effective, or Adequate (Report No. 19-05)

What OA Did

OA’s objective was to determine if RRB’s processes for waiving and writing off debt were efficient, effective, and adequate to ensure compliance with laws, regulations, and guidance in order to protect RRB’s trust funds. In order to complete this work, OA considered laws, regulations, and guidance, and compared criteria to RRB policies, procedures, and documentation, and reviewed agency documentation to assess effectiveness. OA also interviewed applicable agency staff and conducted walkthroughs. Because OA determined that RRB’s policies and procedures were either incomplete or outdated, and did not clearly define roles and responsibilities, OA tested three samples to verify the accuracy and completeness of waiver and write-off transactions, and to assess compliance with RRB’s existing internal policies, procedures, and practices. The scope of the audit was waiver and write-off transactions from fiscal year 2013 through fiscal year 2017.

What OA Found

This audit determined that the RRB’s processes for waiving and writing off debt were not fully efficient or effective, and were not adequate to ensure compliance with laws, regulations, and guidance in order to protect RRB trust funds. Processes were not fully efficient, effective, or adequate because policies and procedures were either incomplete or outdated, and did not clearly define roles and responsibilities. During sample testing, OA found significant weaknesses and inconsistencies related to approvals and support, waiver processing, and defined thresholds. In the testing of waiver transactions, OA found inconsistencies in waiver processing and subjectivity in the Debt Recovery Section’s decision making. OA also found that defined thresholds for automatic write-offs and automatically granted waivers were not always efficient and effective.
What OA Recommends

To address the weaknesses identified in this audit, OA made a total of four recommendations, two of which include developing and implementing comprehensive written policies and procedures and conducting training on the new policies and procedures. A third recommendation was to establish controls to ensure non-forfeiture of debt balances due to automatic thresholds, and a fourth was to update Management Control Review documentation to reflect changes in write-off and waiver processing due to the RRB’s migration to a new financial management system.

RRB management stated that this audit was fundamentally flawed and not in compliance with Government Auditing Standards. They neither concurred nor non-concurred with OA’s findings and observations, but ultimately concurred with three recommendations, and partially concurred with one recommendation.

Fiscal Year 2018 Financial Statement Audit Letter to Management (Report No. 19-06)

What OA Did

OA’s Financial Statement Audit Letter to Management addresses certain matters involving the RRB’s internal control structure and its operation, which individually did not rise to the level of a material weakness or a significant deficiency. Accordingly, this report is not suitable for any other purpose.

In planning and performing the fiscal year 2018 financial statement audit, OA considered internal control in order to determine its auditing procedures for the purpose of issuing OA’s reports on the RRB’s financial statements, and not to provide assurance on internal control.

What OA Found

OA identified numerous reporting errors in the preliminary and final draft financial statements and related notes provided in the fiscal year 2018 Performance and Accountability Report and closing package data. RRB experienced problems generating certain financial statements through its general ledger system reporting that required the statements to be manually created in Excel from data extracts. OA identified 21 monthly reconciliations performed by the Bureau of Fiscal Operations that were not performed in a timely manner. None of the reconciliations were completed until the OIG auditors requested them. OA identified numerous voucher preparation errors related to both missing recommended supporting documentation and documentation where personally identifiable information was not redacted. The RRB did not accrue the outstanding balance of its annual funding when it received final funding for the fiscal year, but recorded the amount one month late.
What OA Recommends

To address the weaknesses identified in this audit report, OA made seven recommendations related to improving the RRB’s internal control and operations. Recommendations included: (1) improving controls over the accuracy of the Performance and Accountability Report, financial statements, notes and closing package; (2) mapping and testing general ledger accounts to financial statement lines in the general ledger system; (3) ensuring required reconciliations are performed in a timely manner; (4) strengthening controls to prevent personally identifiable information from being included in voucher documentation; and (5) ensuring appropriations are accrued in the correct period. RRB management concurred with four recommendations and did not concur with three recommendations.

Fiscal Year 2018 Risk Assessment for the Government Charge Card Abuse Prevention Act of 2012 (Special Report)

What OA Did

In compliance with the Government Charge Card Abuse Prevention Act of 2012 (the Act), OA conducted a risk assessment related the RRB’s purchase and travel card programs for fiscal year 2018. RRB’s purchase and travel card spending totaled approximately $755,000 and $407,000, respectively. RRB’s spending was below the $10 million threshold established for increased oversight and reporting, therefore OA did not perform any such audits or reviews during fiscal year 2018.

What OA Found

Based on low financial impact and the lack of correction actions for 11 related recommendations that remain open, OA assessed the overall risk level as moderate.

What OA Recommends

OA did not make any new recommendations.
Management Decisions and Implementation

As part of its oversight activities, the OIG tracks the agency’s implementation of audit recommendations. The reporting of management decisions and corrective actions for all audit recommendations is required by the OMB Circular No. A-50 (Revised) and the Inspector General Act, as amended.

<table>
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<tr>
<td>Management Decision on Previous Recommendations</td>
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<td>Recommendations Pending Management Decision on March 31, 2019</td>
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<td>Recommendations Issued During Reporting Period</td>
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<tr>
<td>Corrective Actions Completed During Reporting Period</td>
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<td>Recommendations Rejected During Reporting Period</td>
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<td>Final Actions Pending on March 31, 2019</td>
<td>369</td>
</tr>
</tbody>
</table>

The Inspector General Empowerment Act of 2016 requires additional details pertaining to outstanding and unimplemented recommendations. This information, including the associated potential cost savings, regarding the 369 open audit recommendations is incorporated into this report by reference and may be accessed in the library section of our website.\[11\] This report is titled Open or Unimplemented Audit Recommendations and Cost Savings as of March 31, 2019.

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Office of Investigations

OI’s primary objective is to identify, investigate, and refer for prosecution or monetary recovery action cases of fraud, waste, or abuse in the RRB’s programs. OI also seeks to prevent and deter program fraud by reporting systemic weaknesses identified through investigative work. In order to maximize the impact of its resources, OI pursues cooperative investigative activities in coordination with other Inspectors General such as the Office of Inspector General for the Department of Health and Human Services, the Office of Inspector General for the Social Security Administration, and other law enforcement agencies, such as the Federal Bureau of Investigation and the U.S. Secret Service.

Current Caseload

During this reporting period, OI opened 84 new investigative cases.

<table>
<thead>
<tr>
<th>Investigative Caseload Data</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigative Cases Open as of October 1, 2018(^{12})</td>
<td>272</td>
</tr>
<tr>
<td>Investigative Cases Closed During Reporting Period</td>
<td>73</td>
</tr>
<tr>
<td>Investigative Cases Opened During Reporting Period</td>
<td>84</td>
</tr>
<tr>
<td>Investigative Cases Open as of March 31, 2019</td>
<td>283</td>
</tr>
</tbody>
</table>

As of March 31, 2019, OI’s investigative caseload totaled 283 matters which represents more than $210 million in potential fraud losses.\(^{13}\) The chart on the following page reflects the distribution of OI cases open at the end of the reporting period.

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\(^{12}\) An investigative case may include multiple subjects.

\(^{13}\) This reflects potential fraud amounts related to programs administered exclusively by the RRB and potential fraud amounts from other federal programs such as Medicare or Social Security which have been identified during OI’s joint investigative work.
Investigative Caseload by Case Type

*Other case type is an amalgam of various types of cases involving matters such as misconduct by RRB employees, threats against agency employees, false reporting by railroad employers, and others.
Investigative Accomplishments

<table>
<thead>
<tr>
<th>Action</th>
<th>October 1, 2018 – March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Investigative Reports Issued</td>
<td>32</td>
</tr>
<tr>
<td>Total Number of Persons Referred to the Department of Justice for Criminal Prosecution</td>
<td>18</td>
</tr>
<tr>
<td>Total Number of Persons Referred to State or Local Prosecuting Authorities for Criminal Prosecution</td>
<td>2</td>
</tr>
<tr>
<td>Indictments/Informations Issued During Reporting Period (Original Prosecutive Referral Made Prior to October 1, 2018)</td>
<td>6</td>
</tr>
<tr>
<td>Indictments/Informations Issued During Reporting Period (Original Prosecutive Referral Made After October 1, 2018)</td>
<td>6</td>
</tr>
<tr>
<td>Subpoenas Issued</td>
<td>81</td>
</tr>
<tr>
<td>Arrests</td>
<td>4</td>
</tr>
<tr>
<td>Criminal Convictions</td>
<td>21</td>
</tr>
<tr>
<td>Civil Complaints</td>
<td>5</td>
</tr>
<tr>
<td>Civil Judgments</td>
<td>7</td>
</tr>
<tr>
<td>Restitution and Fines(^{14})</td>
<td>More Than $100 Million</td>
</tr>
<tr>
<td>Civil Damages and Penalties(^{15})</td>
<td>Almost $856,000</td>
</tr>
<tr>
<td>Prison</td>
<td>120.3 Years</td>
</tr>
<tr>
<td>Probation</td>
<td>64 Years</td>
</tr>
<tr>
<td>Community Service</td>
<td>270 Hours</td>
</tr>
</tbody>
</table>

OI Special Agents refer potential cases to federal, state, or local prosecutors through the use of specialized prosecution reports (investigative reports). These reports are utilized to explain the alleged offenses and present the evidence developed to substantiate these allegations. During this semiannual reporting period, OI issued a total of 32 investigative reports. Prosecution referrals may result in criminal convictions, civil judgments and penalties, and/or a recommendation for administrative recovery.

\(^{14}\) The totals in this table reflect dollar amounts related to programs administered exclusively by the RRB and, in connection with OI’s joint investigative work, from other federal programs such as Medicare or Social Security that were included in the disposition. Sentences associated with joint casework are not necessarily delineated by agency.

\(^{15}\) See above footnote.
Investigative Case Summaries

Brief descriptions of representative matters referred to prosecutorial authorities and the resulting convictions are summarized on pages 18 through 22. Ongoing investigations are not included. OI does not have any substantiated senior government employee misconduct cases or incidents of whistleblower retaliation to report.

Disability Investigations

OI conducts fraud investigations relating to the RRB's disability program. Railroad workers who are awarded an RRB disability annuity are subject to work restrictions and earnings limitations. Disability benefit fraud may involve applicant fraud or sophisticated schemes to hide disqualifying work activities/earnings from the RRB.

During this reporting period, OI obtained five criminal convictions and one civil judgment for disability fraud cases. Defendants in these cases received, in the aggregate, sentences totaling 15 months of prison, 16 years of probation, 150 hours of community service, and were ordered to pay more than $739,000 in restitution, fines, and civil damages/penalties.

Descriptions of representative disability fraud cases completed during this reporting period follow.

Annuitant’s Wages Fraudulently Paid Under Son’s Name

An OI Special Agent worked cooperatively with the Office of Inspector General for the Department of Veterans Affairs (VA) to investigate an RRB/VA disability annuitant who, in order to conceal his earnings, received his wages under his son’s name.

This case was referred to the United States Attorney’s Office for the District of Nebraska which filed an information against the annuitant. The annuitant subsequently pleaded guilty to Theft of Government Funds and was sentenced to 5 years of probation, 150 hours of community service, and ordered to repay almost $171,000 in restitution and fines.

Previously Convicted UI Claimant Sentenced for Disability Fraud

OI investigated an RRB disability annuitant who failed to report medical improvement and earnings to the RRB.

This case was referred to the United States Attorney’s Office for the Western District of Pennsylvania which filed an indictment against the annuitant. The annuitant subsequently pleaded guilty to Theft of Government Funds and was sentenced to six months of prison, three years of probation, and almost $58,000 in restitution. This annuitant was previously convicted of RRB UI fraud.
Disability Annuitant Prosecuted in a Parallel Proceeding

OI investigated a disability annuitant who failed to report income and excess earnings to the RRB.

This case was referred to the United States Attorney’s Office for the Western District of Washington which filed an indictment against the annuitant. The annuitant subsequently pleaded guilty to Wire Fraud and Theft of Government Property and was sentenced to nine months of prison, two years of probation, and ordered to repay more than $177,000 in restitution and fines. The annuitant also entered into a settlement agreement with the United States Attorney’s Office for more than $177,000 to settle charges under the False Claims Act.

Unemployment-Sickness Insurance Investigations

UI and SI benefit fraud typically involves individuals claiming and receiving benefits while working or collecting state administered unemployment benefits. OI receives the majority of these case referrals from the RRB’s Sickness and Unemployment Benefits Division.

During this reporting period, OI obtained four criminal convictions and five civil judgments for UI-SI fraud cases. Defendants in these cases received, in the aggregate, sentences totaling 7 years of probation, 120 hours of community service, and were ordered to pay almost $156,000 in restitution, fines, and civil damages/penalties.

Descriptions of representative UI-SI cases completed during this reporting period follow.

UI Claimant Fails to Report Work and Earnings to the RRB

OI investigated a UI claimant based upon a referral from the RRB. OI’s investigation determined that during the period of May 2017 through February 2018, the claimant applied for UI benefits on the same days he was working and being paid by private employers. The claimant submitted a total of 20 false claims and received more than $12,000 in fraudulent UI benefits.

This case was referred to the United States Attorney’s Office for the Southern District of Illinois. The United States Attorney’s Office indicted the claimant for Wire Fraud and False Statements. He subsequently pleaded guilty to Wire Fraud and was sentenced to two years of probation, and ordered to pay full restitution plus a special assessment. The claimant has rendered full payment.
UI Claimant Enters into a Settlement Agreement and a Consent Judgment to Settle Fraud Charges

OI investigated a UI claimant based upon a referral from the RRB. OI’s investigation determined that during the period of October 2015 through May 2016, the claimant applied for UI benefits on the same days he was working and being paid by a private employer. The claimant submitted a total of 18 false claims and received more than $11,000 in fraudulent UI benefits.

This case was referred to the United States Attorney’s Office for the Western District of Oklahoma. The claimant entered into a settlement agreement with the United States Attorney’s Office agreeing to repay $15,000 to settle charges under the False Claims Act. He also signed a Consent Judgment in favor of the United States in the amount of $45,000. The Consent Judgment will not be enforced unless the claimant defaults on his payments under the settlement agreement.

UI Claimant Pleaded Guilty to Wire Fraud

OI investigated a UI claimant based upon a referral from the RRB. OI’s investigation determined that during the period of July 2016 through December 2016, the claimant applied for UI benefits on the same days he was working and being paid by a private employer. The claimant submitted a total of 14 false claims and received almost $9,000 in fraudulent UI benefits.

This case was referred to the United States Attorney’s Office for the Middle District of Alabama. The United States Attorney’s Office indicted the claimant for Wire Fraud. He subsequently pleaded guilty to one count of Wire Fraud and was sentenced to three years of probation, and ordered to pay full restitution plus a special assessment.

Retirement-Survivor Investigations

The RRA provides retirement-survivor benefits for qualified railroad workers and their families. RRB retirement-survivor benefit fraud typically involves:

- an individual failing to report information to the RRB that may disqualify the annuitant from receiving benefits;
- instances of theft or fraudulent cashing of retirement benefit checks by someone other than the authorized RRB annuitant; or
- an individual designated to receive RRB benefits on behalf of an RRB annuitant fraudulently using the funds for their own personal use.

During this reporting period, OI obtained three criminal convictions for Retirement-Survivor benefit fraud. Defendants in these cases received, in the aggregate, sentences totaling 14 years of probation and were ordered to pay almost $272,000 in restitution and fines.
Descriptions of representative Retirement-Survivor cases completed during this reporting period follow.

**Annuitant’s Daughter Steals More Than $130,000 in RRB and Social Security Benefits**

OI Special Agents determined that an annuitant’s daughter failed to report her mother’s death to the RRB, repeatedly ignored RRB’s request of information, and fraudulently collected more than $130,000 worth of RRB and Social Security payments.

This case was referred to the United States Attorney’s Office for the District of Colorado which filed an information against the daughter. She subsequently pleaded guilty to Theft of Government Funds and was sentenced to five years of probation and ordered to repay almost $130,000 in restitution and fines.

**Annuitant’s Daughter Indicted for Theft of Government Funds**

OI investigated a deceased payee case against an annuitant’s daughter.

This case was referred to the United States Attorney’s Office for the Northern District of Georgia which filed an indictment against the daughter. The daughter subsequently pleaded guilty to Theft of Government Funds and was sentenced to two years of probation and ordered to repay almost $68,000 in restitution plus a special assessment.

**Railroad Medicare Investigations**

All of OI’s active Railroad Medicare cases are being worked jointly with either the Office of Inspector General for the U.S. Department of Health and Human Services, the Office of Inspector General for the Office of Personnel Management, or other agencies responsible for investigating health care fraud. Interagency cooperation is imperative to effective law enforcement especially among agencies responsible for investigating the complexities of health care fraud committed against multiple federal agencies.

During this reporting period, OI obtained nine criminal convictions and one civil judgment in Railroad Medicare related fraud cases. Defendants in these cases received, in the aggregate, sentences totaling more than 119 years of prison, 27 years of probation, and were ordered to pay more than $100 million in restitution, fines, and civil damages/penalties.\(^\text{16}\)

\[^{16}\text{This total reflects the full amount of restitution, fines, damages, or penalties ordered. Since OI’s Railroad Medicare fraud cases are joint investigations, the total dollar amount includes losses to other health care programs. Sentences associated with joint casework are not necessarily delineated by agency.}\]
Descriptions of representative Railroad Medicare cases completed during this reporting period follows.

**Laboratory Prosecuted for Medicare Fraud**

An OI Special Agent participated as a member of a multi-agency team investigating allegations into the medical billing practices of a medical laboratory. The investigation revealed that the laboratory owners billed for medically unnecessary toxicology services in addition to violating anti-kickback regulations.

This case was prosecuted by the United States Attorney’s Office for the Southern District of Florida. The defendants ultimately pleaded guilty to Conspiracy to Commit Health Care Fraud and were sentenced, in the aggregate, to more than nine years of prison, nine years of probation, and more than $9.7 million in restitution and fines.

**Orthopedic Medical Clinic Settles Fraud Charges**

An OI Special Agent participated as a member of a multi-agency team investigating allegations against an orthopedic medical clinic. The investigation revealed that the clinic administered reimported injections that were not approved for use within the United States.

This case was handled by the United States Attorney’s Office for the Southern District of Illinois which entered into a settlement agreement with the clinic for almost $600,000.

**$143 Million in Restitution Ordered in Health Care Fraud Case**

An OI Special Agent worked cooperatively as a member of the Medicare Fraud Strike Force to investigate allegations against a hospital and a number of medical professionals. The team’s investigation revealed that the subject providers submitted more than $155 million in fraudulent Medicare claims for partial hospitalization program services.

This case was referred to the United States Attorney’s Office for the Southern District of Texas. Four defendants were found guilty at trial and several others pleaded guilty. They were sentenced to a combined total of more than 123 years of prison, 24 years of probation, and more than $143 million in restitution.¹⁷

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¹⁷ Due to the timing of multiple convictions, a portion of these sentences were previously reported.
Hotline Contacts

The OIG’s hotline provides an open line of communication for individuals to report suspected criminal activity and mismanagement/waste of RRB funds. During this reporting period, the hotline received 145 contacts in the following manner: 67 percent by telephone, 30 percent by email, and 3 percent by mail. The following chart summarizes the disposition of these received hotline contacts.
OTHER OVERSIGHT ACTIVITIES

Inspections, Evaluations, Audits, and OIG Alerts Not Disclosed to the Public

No inspections, evaluations, or audits were conducted and not disclosed to the public during the reporting period. Reports that transmit non-releasable information have abstracts released publicly on our website.

OIG Alerts supplement the current audit and investigative processes by providing the Inspector General with a quick and efficient mechanism to suggest program integrity improvements. During this semiannual reporting period, the Inspector General issued one OIG Alert relating to the RRB’s disability program. OIG Alerts are restricted from public distribution because they generally contain non-releasable information.

Additionally, OA issued a Priority Audit Memorandum relating to excess Medicare reimbursements. The purpose of this memorandum was to reiterate audit concerns regarding reimbursements the RRB received for Medicare contract expenditures and to request documents from the agency. This memorandum was restricted from public distribution due to non-releasable content.

OPERATIONAL ISSUES

The following operational issues impact the OIG’s ability to effectively carry out its oversight role.

Attempts to Interfere with the Independence of the Office of Inspector General

During this semiannual reporting period, RRB management interfered with some of OA’s audits by making statements to discredit OA’s results. Agency management has also attempted to exert its influence over one of OA’s contract audits by directing the audit contractors regarding audit scope and planned interviews. OIG has discussed these matters with agency management in an effort to effect resolution.

National Railroad Retirement Investment Trust

The NRRIT is a tax-exempt entity independent of the federal government which was established by the RRSIA to manage and invest railroad retirement assets. RRSIA requires that the NRRIT report to the RRB but does not provide the OIG with oversight authority to conduct audits and investigations of the NRRIT. OIG has, however, monitored the NRRIT since 2001 and has continually expressed concerns regarding lack of meaningful oversight. Despite these concerns, the RRB continues to maintain a
passive relationship with the NRRIT. A lack of NRRIT investment fund management accountability, transparency, and stringent financial oversight can be precursors to fraud, waste, or abuse. Yet, the NRRIT fund, which supports the railroad retirement program, continues to remain outside the purview of those appointed to protect the interests of the program’s beneficiaries and tax-paying public. To ensure the integrity, economy, and long-term viability of the NRRIT, RRB management must establish and implement independent performance audit requirements that will strengthen administrative and financial oversight and ensure fund transparency.

Additionally, as discussed elsewhere in this report, the OIG is not able to comply with the AICPA auditing standards (section 600) and disclaimed on the RRB's financial statements this year and will do so in future years until legislative changes are made regarding the relationship between the OIG, the NRRIT, and its auditors.

LEGISLATIVE & REGULATORY REVIEW

The Inspector General Act of 1978, as amended, requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the agency. The agency did not submit any legislative proposals for OIG review during this reporting period.
## APPENDICES

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Title</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Office of Inspector General Reports and Other Publicly Available Papers Issued</td>
<td>27</td>
</tr>
<tr>
<td>B</td>
<td>Audit Reports with Questioned Costs or with Recommendations that Funds be Put to Better Use</td>
<td>28</td>
</tr>
<tr>
<td>C</td>
<td>Significant Matters</td>
<td>30</td>
</tr>
<tr>
<td>D</td>
<td>Peer Reviews</td>
<td>33</td>
</tr>
<tr>
<td>E</td>
<td>Reporting Requirements</td>
<td>34</td>
</tr>
<tr>
<td>F</td>
<td>Acronyms</td>
<td>36</td>
</tr>
<tr>
<td>G</td>
<td>Legal References</td>
<td>37</td>
</tr>
</tbody>
</table>
Appendix A – Office of Inspector General Reports and Other Publicly Available Papers Issued

- Report on the Railroad Retirement Board’s Financial Statements Fiscal Year 2018 (Report No. 19-01)


- Performance Audit of RRB’s Compliance with the Federal Information Security Moderation Act of 2014 Fiscal Year 2018 (Report No. 19-03)


- Railroad Retirement Board Write-off and Waiver Processes were not Fully Efficient, Effective, or Adequate (Report No. 19-05)

- Fiscal Year 2018 Financial Statement Audit Letter to Management (Report No. 19-06)

- Fiscal Year 2018 Risk Assessment for the Government Charge Card Abuse Prevention Act of 2012 (Special Report)

All publicly available audit reports and papers are available on our website at https://www.rrb.gov/index.php/OurAgency/InspectorGeneral.
Appendix B – Audit Reports with Questioned Costs or with Recommendations That Funds Be Put to Better Use

<table>
<thead>
<tr>
<th>Audit Reports With Questioned Costs</th>
<th>Amount of Questioned Costs</th>
<th>Amount of Unsupported Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. For which no management decision had been made by October 1, 2018</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>B. Which were issued from October 1, 2018 through March 31, 2019</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal (A + B)</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>C. For which a management decision was made between October 1, 2018 through March 31, 2019</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>(i) dollar value of disallowed costs (agreed to by management)</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>(ii) dollar value of costs not disallowed (not agreed to by management)</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>D. For which no management decision had been made by March 31, 2019</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>A. For which no management decision had been made by October 1, 2018</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>B. Which were issued from October 1, 2018 through March 31, 2019</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal (A + B)</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>C. For which a management decision was made between October 1, 2018 through March 31, 2019</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>(i) dollar value of recommendations agreed to by management</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>(ii) dollar value of recommendations not agreed to by management</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>D. For which no management decision had been made by March 31, 2019</td>
<td>0</td>
<td>$0</td>
</tr>
</tbody>
</table>
Appendix C – Significant Matters

The OIG has identified deficiencies in RRB management controls as a significant matter. A summary of the issues and related recommendations for corrective action follow.

Financial Controls and Reporting

Ineffective Controls

This material weakness was initially reported in fiscal year 2014 as part of the overall material weakness for financial reporting and OA made recommendations for improvement. During OA’s current audit, OA continued to see the need for internal control improvements. In addition, some corrective actions related to this material weakness remain open.

Communication with the NRRIT’s Auditor

This portion of the overall material weakness in financial reporting continues to exist. Communication between OIG and NRRIT auditors is required to achieve compliance with AICPA standards. RRB management continues to cite statutory limitations as the basis for not permitting OIG auditors to communicate with NRRIT auditors, and therefore, did not concur with the recommendation for corrective action. OA continues to look for resolution of this issue.

Deficient Internal Controls at the Agencywide Level

During fiscal year 2018, OA determined that the RRB’s required control components were not designed, implemented, and operating effectively, consistent with GAO and OMB guidance. Because the RRB’s overall system of internal control was not operating effectively OA reported an entity-level control material weakness. OMB Circular A-123 states that an evaluation of internal controls must be performed for the agency as a whole. If control principles or components have not been fully designed and implemented they cannot be tested and must be considered ineffective. The control environment had been identified in prior audit opinions as a separate material weakness. This year it is included in the overall material weakness for deficient internal controls at the agencywide level.

In addition, OA reported that RRB management had not always communicated matters of audit significance with OIG auditors. AICPA AU-C section 260, The Auditor’s Communication with Those Charged with Governance, explains the importance of communication between auditors and agency management and indicates that inadequate two-way communication may indicate an unsatisfactory control environment, thereby impacting the risk of material misstatements.

<table>
<thead>
<tr>
<th>Financial Controls and Reporting Issue Area</th>
<th>Date of Report</th>
<th>Audit Report and Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ineffective Controls</td>
<td>August 1, 2014</td>
<td>OIG Report 14-10, 1-2</td>
</tr>
<tr>
<td></td>
<td>March 31, 2015</td>
<td>OIG Report 15-05, 2</td>
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<td></td>
<td>August 14, 2015</td>
<td>OIG Report 15-08, 1,3-4, 6, 9-12, 16</td>
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<tr>
<td></td>
<td>November 30, 2015</td>
<td>OIG Report 16-02, 8-11</td>
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<tr>
<td>Communication with the NRRIT’s Auditor</td>
<td>March 31, 2015</td>
<td>OIG Report 15-05, 8</td>
</tr>
<tr>
<td>Deficient Internal Controls at the Agencywide Level</td>
<td>February 16, 2017</td>
<td>OIG Report 17-03, 2, 3</td>
</tr>
<tr>
<td></td>
<td>April 11, 2017</td>
<td>OIG Report 17-04, 1-19</td>
</tr>
<tr>
<td></td>
<td>September 28, 2017</td>
<td>OIG Report 17-08, 1-13</td>
</tr>
<tr>
<td></td>
<td>July 9, 2018</td>
<td>OIG Report 18-07, 1-3, 5, 10</td>
</tr>
</tbody>
</table>

**Information Technology**

As with all federal agencies, the RRB faces the challenge of how to modernize its information technology and safeguard sensitive data, while accomplishing the agency’s mission. On October 18, 2018, OA released its fiscal year 2018 online CyberScope report on the information security at the RRB as mandated by FISMA. Each of the five cybersecurity framework functions and seven corresponding OIG FISMA metric domains were assessed as not effective when evaluated using the five level maturity model. The overall Information Security Program has weaknesses that impact more than one area of the cybersecurity framework.

Prior information technology reports included recommendations for improvement, many of which continue to be open or unimplemented. OA’s last performance audit report was issued for fiscal year 2018.

<table>
<thead>
<tr>
<th>Information Technology Issue Area</th>
<th>Date of Report</th>
<th>Audit Report and Recommendations</th>
</tr>
</thead>
</table>
**Major Management Challenges**

For more information on the seven major management challenges identified by the Inspector General, see *Management and Performance Challenges Facing the Railroad Retirement Board*, OIG Management Information Report No. 19-02, November 30, 2018.

See pages 8 and 9 for an additional discussion of Report No. 19-02.
Appendix D – Peer Reviews

Office of Audit

In general, federal audit organizations may receive a peer review rating of pass, pass with deficiencies, or fail.

The results of OA’s most recently completed peer review for the period ending March 31, 2018, was transmitted on August 28, 2018. OA received a peer review rating of pass. The system review report did not contain any recommendations and a letter of comment was not issued. The Pension Benefit Guaranty Corporation’s OIG determined that the system of quality control for the audit organization of RRB OIG in effect for the period ended March 31, 2018 has been suitably designed and complied with to provide RRB OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

During this semiannual reporting period, OA conducted a peer review of the audit organization of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP). On October 30, 2018, the SIGTARP received a peer review rating of pass. OA did not issue any recommendations in the system review report. OA determined the system of quality control for the audit organization of SIGTARP, in effect for the year ended March 31, 2018, has been suitably designed and complied with to provide SIGTARP with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

Office of Investigations

A rating of compliant conveys that the reviewed Office of Inspector General has adequate internal safeguards and management procedures to ensure that Council of Inspectors General on Integrity and Efficiency standards are followed and that law enforcement powers conferred by the Inspector General Act, as amended, are properly exercised.

The results of OI’s most recent peer review, for the period ending August 25, 2017, was transmitted on November 6, 2017. OI received a rating of compliant.

During this semiannual reporting period, OI did not complete any peer reviews of other investigative offices.
## Appendix E – Reporting Requirements

<table>
<thead>
<tr>
<th>Act Section</th>
<th>Inspector General Reporting Requirements</th>
<th>Page(s)</th>
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</thead>
<tbody>
<tr>
<td>4(a)(2)</td>
<td>Review of Legislation and Regulations</td>
<td>25</td>
</tr>
<tr>
<td>5(a)(1)</td>
<td>Significant Problems, Abuses, and Deficiencies</td>
<td>30 – 32</td>
</tr>
<tr>
<td>5(a)(2)</td>
<td>Recommendations With Respect to Significant Problems, Abuses, and Deficiencies</td>
<td>30 – 32</td>
</tr>
<tr>
<td>5(a)(3)</td>
<td>Prior Significant Recommendations Not Yet Implemented</td>
<td>30 – 32</td>
</tr>
<tr>
<td>5(a)(4)</td>
<td>Matters Referred to Prosecutive Authorities</td>
<td>17</td>
</tr>
<tr>
<td>5(a)(5)</td>
<td>Summary of Reports to the Chairman</td>
<td>None</td>
</tr>
<tr>
<td>5(a)(6)</td>
<td>Open or Unimplemented Audit Recommendations and the Associated Cost Savings</td>
<td>14</td>
</tr>
<tr>
<td>5(a)(7)</td>
<td>Summary of Each Significant Report</td>
<td>4 – 13</td>
</tr>
<tr>
<td>5(a)(8)</td>
<td>Statistical Table on Management Decisions on Questioned Costs</td>
<td>28</td>
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### Appendix F – Acronyms

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<th>Explanation</th>
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<tr>
<td>AICPA</td>
<td>American Institute of Certified Public Accountants</td>
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<tr>
<td>ERM</td>
<td>Enterprise Risk Management</td>
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<tr>
<td>FISMA</td>
<td>Federal Information Security Modernization Act of 2014</td>
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<tr>
<td>GAO</td>
<td>Government Accountability Office</td>
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<td>NRRIT</td>
<td>National Railroad Retirement Investment Trust</td>
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<td>OA</td>
<td>Office of Inspector General for the Railroad Retirement Board – Office of Audit</td>
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<td>OIG</td>
<td>Office of Inspector General for the Railroad Retirement Board</td>
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<td>OMB</td>
<td>Office of Management and Budget</td>
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<td>RRA</td>
<td>Railroad Retirement Act</td>
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<td>RRB</td>
<td>Railroad Retirement Board</td>
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<td>RRSIA</td>
<td>Railroad Retirement and Survivors’ Improvement Act of 2001</td>
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<td>SI</td>
<td>Sickness Insurance</td>
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<td>SIGTARP</td>
<td>Special Inspector General for the Troubled Asset Relief Program</td>
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<td>UI</td>
<td>Unemployment Insurance</td>
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<td>VA</td>
<td>Department of Veterans Affairs</td>
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Appendix G – Legal References

Government Charge Card Abuse Prevention Act of 2012 – P.L. 112-194
Railroad Retirement and Survivors’ Improvement Act of 2001 – P.L 107–90
Reports Consolidation Act of 2000 – P.L. 106-531
REPORT
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