U.S. RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

Controls Over Recoverable Unemployment and Sickness Overpayments Need Improvement

Report No. 22-09 June 24, 2022

OFFICE OF INSPECTOR GENERAL
U.S. RAILROAD RETIREMENT BOARD
Controls Over Recoverable Unemployment and Sickness Overpayments Need Improvement

What We Found

The Railroad Retirement Board (RRB) did not always have sufficient or effective controls to ensure that all Railroad Unemployment Insurance Act (RUIA) debts, identified to be collected from Railroad Retirement Act (RRA) benefit payments, were actually recovered. We found that approximately $183,858 in RUIA debts that had been identified for recovery during fiscal year 2019 had not been properly monitored or recovered. The unrecovered RUIA debts occurred because of insufficient controls over the recovery process, multiple disjointed systems, a lack of cross-organizational communication, and ineffective monitoring. The RUIA unrecovered amount for fiscal year 2019 is considered questioned (unsupported) costs and improper payments. Lastly, there is an increased risk that other similar RUIA debts not recovered, might remain uncovered.

What We Recommend

To address the weaknesses identified in this audit, we made eight recommendations related to improving policies, procedures, and internal controls, and researching and taking the appropriate action for the $183,858 in unrecovered RUIA debts.

RRB management concurred with all eight recommendations.

What We Did

We conducted this audit because a previous Office of Inspector General audit of improper payments found that the RRB did not always properly record or recover this type of RUIA debt. In addition, RUIA debts are considered improper payments so it is critical that RRB management has adequate controls in place to ensure that all RUIA debts are properly established, recorded, monitored, and recovered on a timely basis.

Our audit objective was to assess the effectiveness of controls to determine if they were adequate to ensure that RUIA debts that were coded for recovery from RRA benefits were actually recovered.

Our scope included RUIA debts (code 41 adjustments) that were identified for recovery from RRA benefits in fiscal year 2019. We focused on the controls related to the recording and the recovery (collections) of the RUIA debts.

We identified applicable laws and regulations, reviewed RRB policies and procedures related to the RUIA debt process, conducted walkthroughs, reviewed 100 percent of the identified RUIA debts, traced them to RRB systems, and assessed the effectiveness of controls.

Contents

INTRODUCTION

This report presents the results of the Office of Inspector General's (OIG) audit of controls over Railroad Unemployment Insurance Act (RUIA) debts that are recoverable from the Railroad Retirement Act (RRA) benefit payments process (the process). [1,2]

The Railroad Retirement Board (RRB) was created in the 1930s by legislation establishing a retirement program for the nation's railroad workers. The RRB is an independent agency in the executive branch of the Federal Government. The RRB's mission is to administer retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the RRA and the RUIA, respectively. These programs provide income protection during old age and in the event of disability, death, or temporary unemployment and sickness. The RRB's mission statement says that it will pay benefits to the right people, in the right amounts, in a timely manner, and will take appropriate action to safeguard their customers' trust funds. During fiscal year 2021, RRB paid approximately $13.3 billion in railroad retirement and survivor benefits and approximately $156.9 million in railroad unemployment and sickness insurance benefits.

Under the RUIA, unemployment insurance benefits are paid to qualified railroad workers who are unemployed but ready, willing, and able to work, and sickness insurance benefits are paid to railroad workers who are unable to work because of illness, injury, or pregnancy.

According to the RUIA, railroad employees may not receive RUIA (unemployment and sickness) benefits and RRA benefits (retirement annuities) for the same period. Therefore, if a railroad employee received unemployment insurance benefits for the time period for which they received retirement benefits, the overlapping benefits are deemed RUIA Receivables Recoverable from RRA Benefits (hereafter referred to as RUIA debts). These RUIA debts are recorded as code 41 adjustments in RRB systems.

By definition, RUIA debts are also considered "improper payments" that federal agencies are required (by law) to: identify, report on their efforts to collect on, and reduce. Therefore, it is critical that RRB management has adequate controls in place to ensure that all RUIA debts are properly established, recorded, monitored, and recovered on a timely basis. Furthermore, strong controls will assist the RRB in fulfilling its mission of paying benefits to the right people, in the right amounts, in a timely manner, and in safeguarding their customers' trust funds.

---

[1] 45 United States Code (U.S.C.) 11, *Railroad Unemployment Insurance Act.*

[2] 45 U.S.C. 9, *Railroad Retirement Act*.

We conducted this audit because a previous OIG audit of improper payments found that RRB did not always properly record or recover this type of RUIA debt.[3]

Objective, Scope, and Methodology

Our audit objective was to assess the effectiveness of controls to determine if they were adequate to ensure that RUIA debts that were coded for recovery from RRA benefits were actually recovered.

The scope of the audit was RUIA debts (code 41 adjustments) that were coded for recovery from RRA benefits in fiscal year 2019. We focused on the controls related to the recording and the recovery (collections) of the RUIA debts.

To accomplish the audit objective, we:

- reviewed prior OIG audit reports;
- reviewed other agency reports;
- identified applicable laws and regulations;
- identified and reviewed available RRB policies and procedures related to the RUIA debt process;
- determined and documented whether internal control was significant to the audit objective;
- interviewed appropriate RRB officials and agency staff, including management from the Office of Programs and the Bureau of Fiscal Operations (BFO);
- conducted walkthroughs of various pieces of the process in the Office of Programs and BFO;
- determined whether or not information system controls needed to be tested;
- conducted a risk assessment of the process;
- considered fraud and abuse risks in the process;
- tested the reliability of computer processed data;
- requested a listing of the universe of identified RUIA debts for fiscal year 2019 from the Office of Programs;
- worked with the OIG data analytics team to independently verify that the universe was complete;
- initially developed a test strategy and sampling plan but reviewed/tested 100 percent of RUIA debts;

[3] Railroad Retirement Board (RRB) Office of Inspector General, *Audit of the Railroad Retirement Board's Compliance with Improper Payments Elimination and Recovery Act of 2010 in Fiscal Year 2017 Performance and Accountability Report*, Report No. 18-05 (Chicago, IL: May 9, 2018).

- reviewed 100 percent of the identified RUIA debts and traced them to the Payment Rate and Entitlement History (PREH) screens in RRB's mainframe computer system to determine if the overpayment amounts were recorded as withheld from the individual beneficiary's RRA benefits, and if not, why not;
- traced the recoverable amounts (overpayments) to the RRB's financial system, Financial Management Integrated System (FMIS), to determine if the amounts were recorded as recovered in FMIS; and
- determined what internal controls were not in place or were not effective to ensure that amounts that were coded for recovery from RRA benefits were actually recovered.

We assessed the data reliability of the fiscal year 2019 RUIA debt data provided by the Office of Programs by: (1) performing electronic testing of required data elements, (2) reviewing existing information about the data, and (3) interviewing agency management and staff knowledgeable about the process. In addition, we compared the fiscal year 2019 RUIA debts data extract that we received from the Office of Programs to an independent extract from our own OIG, Office of Audit, Data Analytics Team. The data contained no data validity errors, using the Audit Command Language verify command, so we determined that the data was complete and sufficiently reliable to answer our audit objective.

We developed a sampling plan and test strategy to support our audit objective. Our plan was not to sample, but to review/test 100 percent of the identified universe and to trace each of the amounts to the PREH screens in the RRB's mainframe, and to the RRB's financial system, FMIS, to determine if they:

- had been properly recorded and shown as recovered in FMIS; and
- recorded as withheld from the individual beneficiaries' RRA annuities in the PREH system.

The 100 percent review was done to minimize our audit risk, as we found that this process was not completely automated and some RRB systems did not interface with the other.

Our testing methodology considered the risks inherent with unreliable data and the availability of corroborating evidence in the form of source documents, in accordance with Government Accountability Office (GAO) guidance.[4] We determined that the computer processed data obtained from the Office of Programs was sufficiently reliable for our testing purposes, and that using the data would not weaken our analysis of the audit objective or lead to an incorrect or unintentional conclusion about our findings, conclusions, or recommendations.

[4] Government Accountability Office (GAO), *Assessing Data Reliability*, GAO 20-283G (Washington, D.C.: December 2019).

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

We conducted our fieldwork at the RRB's headquarters in Chicago, Illinois from February to August 2020, and from December 2020 through April 2022. Our audit was suspended from August 2020 through November 2020 to devote resources to our mandated audits.

Background

Prior to the approval of RRA benefit payments, an RUIA Clearance Process must be completed. The RUIA Clearance Process, an automated process between the RRB's RRA – Retirement On-Line Calculations system and the RRB's RUIA Daily Processing system, is designed to identify and calculate an overlap in RUIA and RRA benefit payments.

Whenever a claimant has been overpaid under the RUIA, the RRB must attempt recovery. When a determination has been made that benefits were paid erroneously, a notice is required to be issued to the claimant informing them of the debt amount and the basis for the determination. The notice must also include a statement informing the claimant of his or her rights to request reconsideration of the determination and to request waiver of the debt.

There were four RRB organizations that were involved in the RUIA debt process during the scope of our audit – the Unemployment and Programs Support Division, the Retirement and Survivor Benefits Division (RSBD), and Policy and Systems (P&S), all within the Office of Programs; and the Debt Recovery Section (DRS) in BFO. However, there was no one organization or person to direct the entire RUIA debt process across the different organizations involved, and there was no central location where all the controls in the RUIA debt process were listed. Each organization monitored only its piece of the process. In addition, although the RRB had established a Management Control Review Process to monitor the management controls for major RRB units and processes, the RRB's Management Control Review Committee had not established a separate assessable unit (AU) for the RUIA debt process. Therefore, the controls for this process are contained in two separate AUs – the Debt Recovery AU and the Transfer of Funds AU. Appendix II provides information on internal control reviews and the roles and responsibilities of employees and other RRB entities involved with the RUIA debt process.

During fiscal year 2019, the RRB reported that they collected (recovered) $26,120,811 in RUIA debts, but still had an outstanding RUIA debt balance of $17,698,101 at the end of that fiscal year. For the period of fiscal years 2010 through 2019, the RRB reported that they recovered $261,291,434 in RUIA debts.[5]

[5] These reported amounts were for all RUIA debt types, including but not limited to RUIA debts recoverable from RRA benefits (code 41 adjustments).

RESULTS OF AUDIT

Our audit found that controls were not always sufficient or effective to ensure that all RUIA debts, identified to be collected from RRA benefit payments, were actually recovered.

Although RRB had an effective process in place to identify RUIA debts to be collected from RRA benefit payments, and were able to recover most of them from the annuitants' first retirement annuity payments (usually within about 30 days of identification), insufficient controls over the recovery process, multiple disjointed systems, a lack of cross-organizational communication, and ineffective monitoring increased the risk that the remaining RUIA debts (improper payments) could remain unrecovered.

Of the total $12,578,310 RUIA debts that RRB identified in fiscal year 2019 for recovery from RRA benefit payments, RRB systems showed that $12,394,451 (approximately 98.5 percent) was recovered, mostly because automated processes allowed for the recoveries to be made from the annuitants' first RRA benefit payment. However, the remaining $183,858 (approximately 1.5 percent) in identified RUIA debts were not recovered. The majority of individual unrecovered RUIA debts ranged from approximately $10.38 to $15,580.43 and involved approximately 42 beneficiaries.

The details of our audit findings and recommendations for corrective action are provided in this report.

RRB Lacks Effective Controls Over the RUIA Receivable and Recovery Process

We found that approximately $183,858 in RUIA debts that had been identified for recovery during fiscal year 2019 had not been properly monitored or recovered. This unrecovered amount is considered questioned (unsupported) costs because RRB documentation did not support the reason why this RUIA debt was not recovered.[6] We found that controls were not always effective to ensure that RUIA debts, identified to be collected from RRA benefit payments, were actually recovered. Other RUIA debts remain at risk for nonrecovery for the reasons explained in this finding. These RUIA debts are also improper payments.

[6] For the purpose of this reported finding and according to the Inspector General Act Amendments of 1988, SEC.106.(d)(f)(1)(B), which states "the term 'questioned cost' means a cost that is questioned by the Office because of - - … (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation…."

RUIA debts coded for recovery from RRA benefits were not always recovered because the following controls were missing or ineffective:

- The Office of Programs' P&S and RSBD and BFO's DRS did not have documented controls (policies, procedures, or flowcharts) that described the RUIA debt process from beginning to end (e.g., establishment of RUIA debt by the Office of Programs to the RUIA debt collection or other action by BFO). Therefore, they could not determine why RUIA debts were not always recovered.
- RRB systems (e.g., PREH, FMIS, etc.) were not fully integrated.
- RRB organizations did not always communicate or work together effectively to ensure the proper recording and recovery of RUIA debts.
- Once the RUIA debts were identified and established, neither the Office of Programs nor BFO monitored their status to determine if they were recovered or if further action was needed to affect recovery.
- In addition, BFO's DRS did not provide the Office of Programs (P&S and RSBD) a listing of the outstanding code 41 transactions established in fiscal year 2019 so that the Office of Programs could determine whether each RUIA debt was properly established or modified.
- BFO's DRS did not always notify RUIA debtors of the overpayment, or the debt notification documentation was not always maintained in RRB records.

RRB procedures have specific requirements regarding recovery and debt notification. RRB's procedures state that whenever a claimant has been overpaid under the RUIA, the RRB must attempt recovery of the erroneously paid benefits. When a determination has been made that benefits were paid erroneously, notice is issued to the claimant of the amount of the erroneous payment and the basis for the determination. The notice must also include a statement telling the claimant of his or her rights to request reconsideration of the determination and to request waiver.

GAO's *Standards for Internal Control in the Federal Government* (GAO's Standards for Internal Control) require that management (1) identifies changes in the internal control system that either have occurred or are needed because of changes in the entity and its environment; (2) considers whether current controls address the identified issues and modifies controls if necessary; (3) documents in policies the internal control responsibilities of the organization; and (4) communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities. This includes management documenting, in policies for each unit, its responsibility for process objectives and risks, control activity design, implementation, and operating effectiveness. "Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity."[7]

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

GAO's *Standards for Internal Control* state the following regarding monitoring activities:

- *Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.*
- *Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues. Management uses this evaluation to determine the effectiveness of the internal control system. Differences between the results of monitoring activities and the previously established baseline may indicate internal control issues, including undocumented changes in the internal control system or potential internal control deficiencies.*

GAO's Standards for Internal Control, section 11.01 states that "management should design the entity's information system and related control activities to achieve objectives and respond to risks." Specifically, section 11.09 states that "management designs control activities over the information technology infrastructure to support the completeness, accuracy, and validity of information processing by information technology."

The RRB's Management Control Guide states that the Federal Managers' Financial Integrity Act of 1982 provides that the objectives of internal accounting and administrative controls are to provide reasonable assurance that revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.[8]

Improper payment legislation was enacted to reduce improper payments and directed OMB to issue governmentwide guidance regarding reporting requirements. An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. An improper payment includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, and any payment for a good or service not received (except for such payments authorized by law). Improper payment legislation requires agencies to assess the risk of, reduce, prevent, and report on the recovery of improper payments.[9]

As a result, a total of approximately $183,858 (approximately 1.5 percent) of the $12,578,310 RUIA debts that were identified for recovery in fiscal year 2019, which were considered improper payments, were not recovered. In addition, there is an increased risk that other similar RUIA debts not recovered, might remain unrecovered.

[8] RRB, *Management Control Guide* (Chicago, IL: Revised June 2019).

[9] On March 2, 2020, Pub. L. No. 116-117, 134 Stat. 113 (2020) repealed and replaced Pub. L. No. 114-186, 130 Stat. 546 (2016), Pub. L. No. 112-248, 126 Stat. 2390 (2013), Pub. L. No. 111-204, 124 Stat. 2224 (2010), Pub. L. No. 107-300, 116 Stat. 2350 (2002).

Recommendations

We recommend that the Bureau of Fiscal Operations and the Office of Programs work together to:

1. develop and document written policies and procedures for the Railroad Unemployment Insurance Act process for debts identified for recovery from Railroad Retirement Act benefit payments, across all applicable organizational units involved in the process (both the automated and manual processes;
2. create and document flowcharts for the Railroad Unemployment Insurance Act process for debts identified for recovery from Railroad Retirement Act benefit payments, across all applicable organizational units involved in both the automated and manual processes;
3. determine if there are additional missing or ineffective controls in the automated and manual processes (for the Railroad Unemployment Insurance Act debts identified for recovery from Railroad Retirement Act benefit payments) which would decrease the likelihood of recoveries, and develop and implement the necessary internal controls;
4. research the unrecovered debts identified in this audit and take action to:
   - recover them;
   - properly record the recoveries in the Financial Management Integrated System and other applicable agency systems; and/or
   - record the reasons why they were not recovered, and if there are legitimate reasons why they should no longer be recovered.
5. identify the organizational unit with debtor notification responsibility and take the necessary actions to ensure that the debt notification process addressed in this audit is properly documented and maintained in agency records; and
6. ensure that Railroad Unemployment Insurance Act debtors for the debt process addressed in this audit are properly notified of the debt, as required.

We recommend that the Bureau of Fiscal Operations:

7. implement a process to periodically monitor the status of each Railroad Unemployment Insurance Act debt transaction (adjustment type code 41) and prepare a report that contains the status of each Railroad Unemployment Insurance Act debt recoverable from Railroad Retirement Act benefits that is also to be provided to the Office of Programs to aid in their monitoring efforts of these Railroad Unemployment Insurance Act debts.

We recommend that the Office of Programs:

8. develop and implement a process to periodically monitor the new report that the Bureau of Fiscal Operations will provide, (that will identify adjustment type code 41 Railroad Unemployment Insurance Act debts) to determine if any of the Railroad Unemployment Insurance Act debts need further action to recover them from the annuitants' Railroad Retirement Act benefits.

Management's Comments and Our Response

In a joint response to our draft report, the Office of Programs and the Bureau of Fiscal Operations concurred with all eight recommendations. See the full text of management's response in Appendix I.

Also, in their joint response, management provided a point of clarification that they do not consider the RUIA debts that were the subject of our audit (code 41 adjustments, or RUIA receivables recoverable from railroad retirement benefits) as improper payments. They consider code 41 adjustments a transfer of funds from the railroad retirement (RRA) benefits account to the RUIA benefit account. They explained that code 41 adjustments are needed to true-up the balances between the RUIA and RRA trust funds as a result of an overlapping effective time period for properly issued sickness and disability benefit payments.

While we acknowledge that most of the RUIA debts (code 41 adjustments) that RRB identified as recoverable from railroad retirement benefits were usually recovered from the railroad retirement benefits within the first 30 days, the $183,858 in unrecovered RUIA debts were overpayments and, by definition, improper payments. Therefore, RRB management needs to strengthen the controls and documentation to show that these RUIA debts are tracked, reported on, and recovered.

APPENDIX I: MANAGEMENT COMMENTS

UNITED STATES GOVERNMENT
MEMORANDUM

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

June 17, 2022

TO : Debra Stringfellow-Wheat
Assistant Inspector General for Audit

FROM : Shawna R. Weekley
Chief Financial Officer

SHAWNA WEEKLEY Digitally signed by SHAWNA WEEKLEY Date: 2022.06.17 13:31:49 -05'00'

Arturo Cardenas
Director, Office of Programs

ARTURO CARDENAS Digitally signed by ARTURO CARDENAS Date: 2022.06.17 13:22:24 -05'00'

SUBJECT : Response to the Office of Inspector General's Draft Report of the Audit of Controls over Railroad Unemployment Insurance Act (RUIA) debts that are Recoverable from the Railroad Retirement Act (RRA) benefit payments process

Thank you for the opportunity to comment on the referenced draft report that we received on June 14, 2022. The following is management's response to your finding and related recommendations:

Point of Clarification:

From page 1, **Background** - Paragraphs 3 & 4

> According to the RUIA, railroad employees may not receive RUIA (unemployment and sickness) benefits and RRA benefits (retirement annuities) for the same period. Therefore, if a railroad employee received unemployment insurance benefits for the time period for which they received retirement benefits, the overlapping benefits are deemed RUIA Receivables Recoverable from RRA Benefits (hereafter referred to as RUIA debts). These RUIA debts are recorded as code 41 adjustments in RRB systems.
>
> By definition, RUIA debts are also considered "improper payments" that federal agencies are required (by law) to: identify, report on their efforts to collect on, and reduce.

While we agree that RUIA debts generally are considered improper payments, we disagree with the OIG's statements highlighted above as it relates to the particular RUIA code 41 adjustments covered within the scope of this audit. We disagree with the OIG's reference to RUIA Receivables Recoverable from RRA Benefits as "RUIA debt." As noted above, the RRB classifies the RUIA Receivables Recoverable from RRA Benefits as code 41 adjustments. Code 41 adjustments are transfer of funds from the RRA account to the RUIA. Code 41 adjustments are needed to true-up the balances between the RUIA and RRA trust funds as a result of an overlapping effective time period for properly issued sickness and disability benefit payments.

For context, under the RUIA, RRB pays SI benefits to a qualified employee who is unable to work due to illness or injury. Often the SI claimant does not recover from the illness for which they are receiving SI benefits or additional health conditions arise that prevent return to work on a permanent basis. These situations are very common and can result in the employee subsequently filing for disability benefits awarded under the RRA. Accordingly, RRB properly continues to pay SI benefits to these eligible recipients until the RRB awards the RRA disability benefits. In this situation, the disability annuity beginning date usually overlaps the time-period sickness benefits were previously paid. While, the RRB properly determined SI and disability benefits, the overlapping payments from the RUIA and RRA trust funds is not permitted by law. Thus, upon initial payment of the disability annuity, the RRB offsets/recovers the properly paid SI benefits from the RRA accrual. This transaction is a transfer of funds, otherwise noted as code 41, and reflects our internal accounting adjustment process.

It is important to note that the Office of Programs began reporting improper payments in 2002 and have always categorized the code 41 adjustments as *proper* payments. The OIG has conducted annual IPERA/PIIA audits since 2012 without challenge to our methodology regarding code 41 cases.

Finding – RRB Lacks Effective Controls Over the RUIA Receivable and Recovery Process

We would like to express our appreciation to the OIG for audit work in this area, which did not identify material unrecoverable RUIA code 41 amounts from the RRA. We note that the OIG audited 100 percent (totaling $12,578,310) of RUIA code 41 adjustments and only found $183,858 (less than 1.5 percent) of these amounts were unrecovered from the RRA. We reiterate that code 41 adjustments are transfer of fund transactions between the RUIA and RRA accounts due to overlapping effective time period for issued sickness and disability benefit payments.

In our opinion, the audit results do not support the auditor's statement that "…insufficient controls over the recovery process, multiple disjointed systems, lack of cross-organizational communication, and ineffective monitoring increased the risk that remaining RUIA debts (improper payments) could remain unrecovered." Nevertheless, we will update our written policies, procedures and flowcharts as well as maintain consistent communication across all applicable organizational units involved with the RUIA code 41 transfer of fund adjustments.

Accordingly, the OIG recommended that the Bureau of Fiscal Operations and Office of Programs work together in recommendations 1 thru 6:

> ***Recommendation No. 1:*** *"develop and document written policies and procedures for the Railroad Unemployment Insurance Act process for debts identified for recovery from Railroad Retirement Act benefit payments, across all applicable organizational units involved in the process (both the automated and manual processes);"*
>
> **Management Response No. 1**: Concur; estimated completion date: 12.31.2023
>
> ***Recommendation No. 2:*** *"create and document flowcharts for the Railroad Unemployment Insurance Act process for debts identified for recovery from Railroad Retirement Act benefit payments, across all applicable organizational units involved in both the automated and manual processes;"*
>
> **Management Response No. 2:** Concur; estimated completion date: 12.31.2023
>
> ***Recommendation No. 3:*** *"determine if there are additional missing or ineffective controls in the automated and manual processes (for the Railroad Unemployment Insurance Act debts identified for recovery from Railroad Retirement Act benefit payments) which would decrease the likelihood of recoveries, and develop and implement the necessary internal controls;"*
>
> **Management Response No. 3:** Concur; estimated completion date: 12.31.2023
>
> ***Recommendation No. 4:*** *"research the unrecovered debts identified in this audit and take action to recover them, properly record the recoveries in the Financial Management Integrated System and other applicable agency systems, and/or record the reasons why they were not recovered, and if there are legitimate reasons why they should no longer be recovered;"*
>
> **Management Response No. 4:** Concur; estimated completion date: 12.31.2023

Recommendation No. 5: *"identify the organizational unit with debtor notification responsibility and take the necessary actions to ensure that the debt notification process addressed in this audit is properly documented and maintained in agency records; and"*

Management Response No. 5: Concur; estimated completion date: 12.31.2023

Recommendation No. 6: *"ensure that Railroad Unemployment Insurance Act debtors for the debt process addressed in this audit are properly notified of the debt as required."*

Management Response No. 6: Concur; estimated completion date: 9.30.2023

Additionally, the OIG recommended that the Bureau of Fiscal Operations:

Recommendation No. 7: *"implement a process to periodically monitor the status of each Railroad Unemployment Insurance Act debt transaction (adjustment type code = 41) and prepare a report that contains the status of each Railroad Unemployment Insurance Act debt recoverable from Railroad Retirement Act benefits that is also to be provided to the Office of Programs to aid in their monitoring efforts of these Railroad Unemployment Insurance Act debts."*

Management Response No. 7: Concur; estimated completion date: 12.31.2023

Lastly, the OIG recommended that the Office of Programs:

Recommendation No. 8: *"develop and implement a process to periodically monitor the new report that the Bureau of Fiscal Operations will provide (that will identify adjustment type code = 41 Railroad Unemployment Insurance Act debts, to determine if any of the Railroad Unemployment Insurance Act debts need further action to recover them from the annuitants' Railroad Retirement Act benefits)."*

Management Response No. 8: Concur; estimated completion date: 12.31.2023

cc: Timothy Hogueisson, Director of Audit Affairs and Compliance Division
Patty Conliss, Supervisory Auditor
Daniel J. Fadden, Director of Administration and Senior Executive Officer
Micheal T. Pawlak, Deputy Director of Programs
Letitia C. Carthans, Director of Retirement and Survivor Benefits Division
Janet Hallman, Director of Program Evaluation and Management Services
Guadalupe B. Contreras, Acting Director of Policy and Systems
Randolph J. Hayden, Chief of RRA Application & Calculation
Ana M. Kocur, General Counsel

APPENDIX II: INTERNAL CONTROL REQUIREMENTS, ROLES, AND RESPONSIBILITIES AT THE RRB

This appendix presents the internal control requirements, roles, and responsibilities at the Railroad Retirement Board (RRB) pertaining to the Railroad Unemployment Insurance Act (RUIA) debt process, and the Debt Recovery and Transfer of Funds assessable units (AU), as some, but not all controls related to the RUIA debt process are documented in the charts of control for these two AUs.

Internal Control Requirements at the RRB

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires executive branch agencies to establish and maintain internal control to ensure that federal programs operate efficiently, effectively, and in compliance with relevant laws.[10] Management is responsible for developing and maintaining effective internal control. Effective internal control provides assurance that significant weaknesses in the design or operation of internal control, that could adversely affect the agency's ability to meet its objectives, would be prevented or detected in a timely manner.[11]

The RRB created the Management Control Review Committee (MCRC) to establish and oversee a process to identify and eliminate management control weaknesses. The RRB uses the management control review process as a means of reviewing critical agency processes in order to provide reasonable assurance of the effectiveness and efficiency of agency programs and operations. The MCRC's Management Control Guide provides guidance for compliance with FMFIA. RRB managers prepare management control documentation for the agency's AUs and submit it to the MCRC. AUs, defined by agency management, encompass all agency activities that can impact the RRB's mission. The Responsible Officials (RO) prepare certifications annually which assess their unit's substantial compliance with the requirements of the FMFIA.

Roles and Responsibilities at the RRB

A three-member Board appointed by the President of the United States, with the advice and consent of the Senate, leads the RRB. The President appoints one member upon the recommendation of railroad employers; another upon the recommendation of railroad labor organizations; and the third, who is the Chairman, to represent the public interest. The Board Members' terms of office are 5 years and expire in different years.

[10] Pub. L. No. 97-255 (1982).
[11] GAO-14-704G.

The RRB Executive Committee functions as the RRB's senior management council with respect to the responsibilities outlined in federal guidance for internal control. The council consists of the Director of Administration, Director of Programs, Chief Information Officer, Chief Financial Officer, Chief Actuary, General Counsel, and Director of Field Service. These officials are responsible for ensuring that controls are designed, implemented, and monitored for effectiveness; and that needed changes are identified and completed.

The MCRC provides the RRB Executive Committee and the RRB Board Members with the information required by the FMFIA for inclusion in the agency's annual Performance and Accountability Report. The MCRC was approved by the Board Members and is subject to oversight by RRB's Executive Committee.

The RO for the Debt Recovery AU and Transfer of Funds AU is held accountable for the operations of these AUs through performance and through the submission of annual certifications and periodic management control review documentation (for each of the AUs) to the MCRC. The RO makes the first level determination of whether a material weakness exists, prepares and implements corrective action plans as needed, and reports on each of these activities.

According to the RO's Annual Certification for the Debt Recovery AU, the mission of the Debt Recovery AU is to record, manage, collect, and accounts for all debts under the Railroad Retirement Act (RRA) and the RUIA. Debt Recovery is also responsible for establishing RRA debts based on information provided by the Office of Programs; promptly releasing notices of delinquent debts; responding to inquiries regarding delinquent debts; promptly and correctly employing all appropriate collection tools; accurately and efficiently accounting for all collections; adjudicating waiver requests; and reporting on the status of debts and collections.

According to the RO's Annual Certification for the Transfer of Funds AU, the mission of the Transfer of Funds AU is to appropriately transfer the correct amount of trust funds to various payment accounts and federal agencies, safeguarding the RRB's customers' trust funds through prudent stewardship. Specifically, the Transfer of Funds AU is responsible for transferring funds between RRA and RUIA accounts for RUIA debts.

The Office of Programs' Retirement and Survivor Benefits Division (RSBD) is responsible for processing retirement and survivor benefits. The retirement benefits process for identifying RUIA debt is fully automated. The survivor benefit process is not fully automated and is missing one or more controls, so the RSBD examiners have to check multiple systems and send emails to RUIA staff to help ensure that all RUIA debts are identified.