U.S. RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

The Railroad Retirement Board Complied with the Payment Integrity Information Act of 2019 for Fiscal Year 2025

Report No. 26-07

August 5, 2026

OFFICE OF INSPECTOR GENERAL
U.S. RAILROAD RETIREMENT BOARD
The Railroad Retirement Board Complied with the Payment Integrity Information Act of 2019 for Fiscal Year 2025

What HRK Found

Harper, Rains, Knight & Company, P.A. (HRK) found that for fiscal year 2025, the Railroad Retirement Board (RRB) complied with the Payment Integrity Information Act (PIIA) of 2019 because it satisfied all 10 payment integrity reporting requirements. While HRK found that RRB met all of the compliance requirements of PIIA, HRK did identify one finding related to improvements of process and internal controls for reporting improper payments.

What HRK Recommended

HRK made one new recommendation in this report related to potential improvements in Railroad Medicare reporting transparency. RRB management concurred with this recommendation.

What We Did

RRB OIG engaged HRK to conduct a performance audit of RRB's compliance with PIIA. During fiscal year 2025, the RRB paid $14.6 billion in retirement and survivor benefits and $82 million in unemployment and sickness insurance benefits to the railroad community, and through its Specialty Medicare Administrative Contractor, paid approximately $996 million for 7.6 million Railroad Medicare Part B claims.

This audit was conducted in accordance with generally accepted government auditing standards. HRK is responsible for the audit report and the conclusions expressed therein. RRB OIG does not express any assurance on the conclusions presented in HRK's audit report.

The overall mandated objectives of this audit were to evaluate the RRB's compliance with PIIA. For details on the five audit objectives, see the Objectives section in HRK's audit report.

The scope of this audit was the information published in the RRB's payment integrity section of its fiscal year 2025 Performance and Accountability Report, and accompanying materials.

Harper, Rains, Knight & Company

U.S. RAILROAD RETIREMENT BOARD
PERFORMANCE AUDIT OVER COMPLIANCE WITH THE
PAYMENT INTEGRITY INFORMATION ACT
FOR THE FISCAL YEAR 2025

THE RAILROAD RETIREMENT BOARD COMPLIED WITH THE PAYMENT INTEGRITY INFORMATION ACT FOR FISCAL YEAR 2025

Harper, Rains, Knight & Company, P.A.
1425 K ST NW, Suite 1120
Washington, DC 20005
601-605-0722
www.hrkcpa.com

TABLE OF CONTENTS

Harper, Rains, Knight & Company

Independent Auditors' Performance Audit Report of the U.S. Railroad Retirement Board's Compliance with the Payment Integrity Information Act for Fiscal Year 2025

Principal Deputy Performing the Duties of the Inspector General
U.S. Railroad Retirement Board
Chicago, IL

We were contracted by the U.S. Railroad Retirement Board (RRB), Office of Inspector General (OIG), to conduct a performance audit of the Railroad Retirement Board's Compliance with the Payment Integrity Information Act (PIIA) of 2019 for fiscal year 2025.

Our performance audit objectives were to (1) determine whether RRB complied with the PIIA for fiscal year 2025 (2) evaluate the accuracy of RRB risk assessments and improper payment estimates methodology, (3) evaluate whether RRB has correctly identified the causes of improper payments and whether the actions of RRB to address those causes are adequate and effective, (4) evaluate the adequacy of RRB action plans on how to address the causes of improper payments, and (5) evaluate RRB's efforts to prevent, reduce, and recover improper payments.

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

We concluded that RRB complied with the Payment Integrity Information Act of 2019 because it satisfied all 10 payment integrity reporting requirements. While we found that RRB met all of the compliance requirements of PIIA, we did identify one finding related to improvements of process and internal controls for preventing, detecting, and reporting improper payments.

This report is for the purpose of concluding on the audit objectives described above. Accordingly, this report is not suitable for any other purpose. We appreciate the cooperation and courtesies that RRB personnel extended to us during the execution of this performance audit.

Harper, Rains, Knight & Company, P.A.

August 3, 2026
Washington, D.C.

1052 Highland Colony Parkway, Suite 100
Ridgeland, MS 39157
p: 601-605-0722 · f: 601-605-0733

1425 K Street NW, Suite 1120
Washington, DC 20005
p: 202-558-5162 · f: 601-605-0733

Introduction

This report presents the results of HRK & Company's (HRK) performance audit of the Railroad Retirement Board's (RRB) Compliance with the Payment Integrity Information Act (PIIA) of 2019 for fiscal year 2025[1]. Section 3353 of PIIA requires the Inspector General of each executive agency to determine whether the executive agency is in compliance with PIIA and submit a report on the determination.

Objectives, Scope, and Methodology

Objectives

The mandated objectives of this audit were to (1) determine whether RRB complied with the PIIA for fiscal year 2025, (2) evaluate the accuracy of RRB risk assessments and improper payment (IP) estimates methodology, (3) evaluate whether RRB has correctly identified the causes of improper payments and whether the action of RRB to address those causes are adequate and effective, (4) evaluate the adequacy of RRB action plans on how to address the causes of improper payments, and (5) evaluate RRB's efforts to prevent, reduce, and recover improper payments.

Scope

The scope of this audit was the information published in RRB's Payment Integrity Section of its fiscal year 2025 Performance and Accountability Report (PAR), and accompanying materials.

Methodology

To accomplish the audit objectives, we:

- assessed whether RRB was in compliance with the PIIA,
- assessed the accuracy and completeness of agency reporting,
- evaluated the accuracy of the agency's risk assessments and their improper payment estimates methodology,
- identified criteria from the law as well as Office of Management and Budget (OMB) governmentwide guidance,
- identified and reviewed internal guidance, policies and procedures for payment integrity reporting in RRB's PAR,
- reviewed the payment integrity section of RRB's PAR as provided in the fiscal year 2025, accompanying materials, and the OMB annual data call,
- requested and reviewed applicable source data and documentation form the agency to verify the support for the information and in the PAR and data call,
- evaluated whether RRB correctly identified the causes of improper payments and whether their actions addressed those causes adequately and effectively,
- evaluated the adequacy of RRB's action plans in addressing the causes of its improper payments,

[1] Pub. L. No 116-117, 134 Stat. 113, enacted March 2, 2020, codified at §31 U.S.C. 3353(a)(1).

- evaluated RRB's efforts in preventing, reducing, and recovering improper payments,
- interviewed RRB officials and agency staff in the Program Evaluation and Management Service (PEMS) and Bureau of Fiscal Operations (BFO), and the Railroad Specialty Medicare Administrative Contractor (RRB SMAC) Contracting Officer's Representative (COR),
- determined if Railroad Medicare's improper payment estimate had been reported in the appropriate Department of Health and Human Services (HHS) and/or Centers for Medicare and Medicaid Services (CMS) Agency Financial Report (AFR),
- reviewed appropriate CMS documentation, and
- reviewed agency documentation.

We assessed the data reliability of RRB's risk assessments and payment recapture data, appropriate to the use of the data by: (1) tracing payment integrity totals reported in the PAR and accompanying materials to source documents, (2) reviewing the underlying spreadsheet formulas supporting the source data calculations, and (3) considering the overall risk of RRB's systems that provided the source data. We determined that the data were sufficiently reliable for the purpose of responding to our objectives. In addition, we determined that reliability of data would not materially affect our findings, conclusions, or recommendations.

Our review of internal controls was limited to those necessary to address the objectives and scope of the audit. We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted our fieldwork remotely with RRB personnel based in Chicago, Illinois from January 2026 through June 2026.

Criteria

We used the following to perform the audit:

- GAO *Government Auditing Standards*, 2018 Revision Technical Update April 2021:
    - Chapter 8: Field Work Standards for Performance Audits;
    - Chapter 9: Reporting Standards for Performance Audits;
- Payment Integrity Information Act of 2019, Public Law No: 116-117, 134 STAT. 113 (03/02/2020);
- OMB Circular A-123, Appendix C *Requirements for Payment Integrity*, 03/05/2021;
- Council of Inspectors General on Integrity and Efficiency (CIGIE) Guidance for Payment Integrity Information Act Compliance Reviews, November 2025.

Background

RRB is an independent executive branch agency of the Federal Government that administers retirement-survivor and unemployment-sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA). RRB paid $14.6 billion in retirement and survivor benefits and $82 million in unemployment and sickness insurance benefits during fiscal year 2025. RRB also administers aspects of the Medicare Program (Railroad Medicare) under the Social Security Act[2]. RRB, through its Specialty Medicare Administrative Contractor (SMAC), paid $996 million for about 7.6 million Railroad Medicare Part B claims from October 1, 2024 through September 30, 2025.

OMB issued governmentwide guidance regarding reporting requirements based on improper payment legislation enacted to reduce improper payments. PIIA defines an improper payment as any payment that should not have been made or that was made in an incorrect amount (including an overpayment or underpayment) under a statutory, contractual, administrative, or other legally applicable requirement. An improper payment includes any payment to an ineligible recipient, and payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (excepted for such payments authorized by law), and any payment that does not account for credit in applicable discounts.

PIIA aims to improve efforts to identify and reduce governmentwide improper payments. Agencies must identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by OMB. Payment integrity information is published with the agency's annual financial statement in accordance with payment integrity guidance in OMB Circular A-136. The agency must also publish applicable payment integrity information required in the accompanying materials to the annual financial statement in accordance with applicable guidance. The most common accompanying materials are the payment integrity information published on PaymentAccuracy.gov. Each agency Inspector General is to review payment integrity reporting for compliance and issue an annual report.

As directed by OMB and CIGIE, we conducted our fiscal year 2025 performance review using a combination of the requirements in OMB Circular A-123, Appendix C; OMB Circular A-136; GAO *Government Auditing Standards*, 2018 Revision; and CIGIE guidance required under PIIA.

OMB M-21-19[3] defined significant improper payments as "annual Improper Payments (IPs) and Unknown Payments (UPs) (i.e., the sum of monetary loss IPs, non-monetary loss IPs, and UPs) in the program exceeding (1) both 1.5 percent of program outlays and $10,000,000 of all program or activity payments made during the FY reported or (2) $100,000,000 (regardless of the IP percentage of total program outlays)."

The guidance also required agencies to approach improper payments with an Enterprise Risk Management (ERM) framework in mind and link agency efforts in establishing internal controls and preventing improper payments. According to OMB M-21-19,

[2] 42 U.S.C. §1395u (also known as Section 1842(g) of the Social Security Act.

[3] OMB Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, issued March 5, 2021.

> *[t]he [ERM] framework, introduced in OMB Circular A-123, can be used to assist in the identification and management of payment integrity risks for the agency. Ensuring the integrity of Federal payments is fundamental to the core mission for agencies. A significant risk in managing IP risk is the potential that agencies may make investments in risk controls that negatively affect program mission, efficiency, customer experience or the overall operations of the agency. Agency senior management is required to manage the payment integrity risk to an agency achieving its strategic, operations, reporting, or compliance objectives*[4].

Part of an ERM model is the extended enterprise. According to OMB M-16-17[5], the extended enterprise consists of interdependent relationships, parent-child relationships, and relationships external to an agency. Thus, no agency is self-contained, and risk drivers can arise out of organizations that extend beyond the enterprise. These relationships give rise to a need for assurance that risk is being managed in that relationship both appropriately and as planned.[6]

The risk environment is beyond the boundary of the extended enterprise. The environment generates risks that cannot be controlled, or constrained the way the organization is permitted to take on or address risk.

OMB guidance requires each agency's Inspector General to assess PIIA compliance and submit its final report within 180 days after the publication date for the agency's PAR and the accompanying materials.[7] Agencies that are noncompliant with PIIA are subject to additional reporting requirements. Noncompliance for one year requires that the agency submit a plan describing the actions to be taken to become compliant. Noncompliance for two consecutive fiscal years for the same program requires a review from OMB to determine if additional funding would help the agency become compliant.[8]

Within RRB, the Office of Programs compiles and reports payment integrity data for the annual PAR. For fiscal year 2025, RRB was required to report on four programs: 1) RRA benefit payments, 2) RUIA benefit payments, 3) vendor payments, and 4) employee payments. RRB also administratively maintains the Railroad Medicare program. RRB was responsible for reporting payment integrity for the Railroad Medicare program through fiscal year 2022.

Railroad Medicare is a nationwide healthcare program for railroad workers administratively maintained by RRB. Historically, RRB reported the Railroad Medicare improper payment rate once in fiscal year 2018, then subsequently did not report its Railroad Medicare improper payments because RRB management believed PIIA reporting was the responsibility of CMS and such reporting would result in duplicative reporting. However, RRB did not formalize a PIIA reporting agreement with CMS until the end of fiscal year 2022. During this period of PIIA noncompliance,

---

[4] OMB M-21-19, pg. 29.
[5] OMB Memorandum M-16-17, *OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control*, issued July 15, 2016.
[6] OMB M-16-17, pg. 14.
[7] OMB M-21-19, pg. 50.
[8] Pub. L. No. 116-117, 134 Stat. 114 (2020), codified at 31 U.S.C. §3351(4).

RRB excluded the Railroad Medicare program from its improper payment reporting and did not exercise corrective action to implement PIIA recommendations related to Railroad Medicare. RRB and CMS entered into a Memorandum of Understanding (MOU) on August 31, 2022, and CMS formally accepted responsibility for PIIA reporting.[9]

CMS and RRB agreed upon a revised MOU in February 2025. This MOU more clearly defines the roles and responsibilities of CMS and RRB for identifying improper payments and identifying and implementing corrective actions.

Railroad Medicare, Payment Integrity Reporting, and Improper Payment Data

At the end of fiscal year 2025, more than 425,850 qualified railroad beneficiaries were enrolled in RRB's administered portion of Medicare Part B. During fiscal year 2024, RRB contracted with a SMAC and administered certain provisions of the Medicare Program.[10] These provisions included eligibility determination, enrollment or removal from enrollment, premium collection, processing state buy-ins, processing arrearages and refunds, liaison work with the SMAC, quality assurance and oversight of the SMAC, records maintenance, and answering inquiries. According to RRB, these costs for fiscal year 2025 were offset by approximately $13.4 million in Railroad Medicare administrative expense reimbursements and $18.5 million in transfers from CMS to fund the SMAC.[11] Currently, RRB is operating under the 2024 contract with the SMAC that includes nine 1-year options.

CMS has paid RRB for these administrative services through an existing and ongoing cost reimbursement agreement. For fiscal year 2025, the total expenses of $31.9 million covered both direct and indirect costs for RRB and RRB OIG and the costs of its SMAC contract to support the separate Railroad Medicare program.

With respect to the Railroad Medicare program, payment integrity reporting, and improper payment data, RRB maintained an extended enterprise relationship with CMS and RRB's SMAC. At the time of this audit, the governing document between RRB, CMS, and the SMAC were the:

- Interagency Agreement between HHS/CMS and RRB, dated April 19, 1991, signed by the Health Care Finance Administration's (now CMS) Director of Office of Budget and Administration on April 16, 1991, and by RRB's Chief Executive Officer on March 22, 1991;
- Addendum to the Interagency Agreement between HHS (CMS) and RRB, dated July 26, 2004, signed by CMS' Director of Office of Financial Management on July 23, 2004, and by RRB's Senior Executive Officer on July 30, 2004;

[9] *Memorandum of Understanding Between the Department of Health and Human Services, Centers for Medicare & Medicaid Services and Railroad Retirement Board*, RRB MOU22-191 (Chicago, IL: August 31, 2022).
[10] As part of its administrative responsibilities, RRB selected a SMAC to process Railroad Medicare claims nationwide and administer the contract with the carrier. The contracting officer, contracting officer representative, and the contracting team are all RRB employees.
[11] The Centers for Medicare and Medicaid Services (CMS), a branch of the U.S. Department of Health and Human Services, the federal agency that administers the national Medicare program.

- MOU between CMS and RRB (MOU13-61), signed by CMS' Deputy Center Director of the Center for Medicare on April 11, 2013, and by RRB's Director of Administration and Senior Procurement Executive on April 12, 2013;
- RRB's SMAC contract – RRB12C011 and corresponding statement of work. The SMAC contract was signed by the SMAC President on November 26, 2012, and by RRB's Chief of Acquisition Management and Contracting Officer on November 27, 2012. That 10-year contract should have ended on December 31, 2022. Due to award challenges, the SMAC operated under a bridge contract with the base period through 3/31/2024, and one six-month option period from 4/1/24 through 10/31/24. A new 10-year (1 base year with 9 option years) SMAC contract was awarded in June 2024 that will run through 7/31/34;
- MOU between CMS and RRB (MOU22-191), signed by CMS' Deputy Director, Center for Medicare on August 31, 2022, and by RRB's Chief of Acquisition Management on August 31, 2022; and
- MOU between CMS and RRB (MOU25-70) signed by CMS' Deputy Director, Center for Medicare on February 18, 2025 and by RRB's Chief of Acquisition Management on February 6, 2025.

The MOU signed August 31, 2022 documented CMS' acceptance of responsibility for reporting improper payment information for Railroad Medicare. The MOU signed February 18, 2025 continues the agreement for CMS to report Railroad Medicare.

As part of an extended enterprise, CMS provided RRB with Railroad Medicare payment integrity information and data for the ninth year in a row, in time for fiscal year 2025 PAR reporting. The Railroad Medicare improper payment rate and estimates were determined through the CMS' Comprehensive Error Rate Testing (CERT) program. The most recent Railroad Medicare payment integrity information revealed a 2.8 percent improper payment rate, representing a projected $25.1 million of improper payments according to an internal report prepared by CMS and provided to RRB. The projected improper payment is below the threshold for significant improper payments of $100,000,000 for a program. Neither RRB nor CMS were transparent with this data in either of their annual reports.

Results of Audit

Our audit concluded that RRB was compliant with the PIIA because it satisfied all of the 10 payment reporting requirements that were applicable as shown in Table 1.[12] Eight requirements were not applicable for three programs because they were not susceptible to significant improper payments, and six requirements were not applicable for RUIA as it is not susceptible to significant improper payments and an IP risk assessment was performed in fiscal year 2025. We did not review Railroad Medicare compliance for the reasons explained in the subsequent section.

TABLE 1. ASSESSMENT OF RRB'S COMPLIANCE WITH PIIA REQUIREMENT

Program Name	1a-Published Information with the AFS	1b – Posted the AFS & Accompanying Materials on the Agency Website	2a – Conducted IP RAs for Each Program with Annual Outlays > $10,000,000 at least once in the last three years	2b – Adequately Concluded Whether the Program is Likely to Make IPs & Ups Above or Below the Statutory Threshold	3 - Published IP & UP Estimates for Programs Susceptible to Significant IPs in the Accompanying Materials to the AFS	#4 - Published Corrective Action Plans for Each Program for Which an Estimate Above the Statutory Threshold was Published in the Accompanying Materials to the AFS	5a - 5a - Published IP & UP Reduction Targets for each Program for Which an Estimate Above the Statutory Threshold was Published in the Accompanying Materials to the AFS	5b - #5b - Has Demonstrated Improvements to PI or Reached a Tolerable IP & UP Rate	5c - #5c - Has Developed a Plan to Meet the IP & UP Reduction Target	6 - 6 - Reported an IP & UP Estimate of Less than 10 Percent for Each Program for Which an Estimate was Published in the Accompanying Materials to the AFS
RRA	C	C	NA	NA	NA	NA	NA	NA	NA	NA
RUIA	C	C	C	C	NA	NA	NA	NA	NA	NA
Vendor Payments	C	C	NA	NA	NA	NA	NA	NA	NA	NA
Employee Payments	C	C	NA	NA	NA	NA	NA	NA	NA	NA

Source: IPA analysis of fiscal year 2025 Performance and Accountability Report (PAR) and accompanying materials. *Note*: Table 1 acronyms are Compliant (C), Payment Integrity (PI), Annual Financial Statement (AFS), Risk Assessment (RA), Improper Payment (IP), and Unknown Payment (UP).

[12] Pub. L. 116-117, 134 Stat. 113 (2020), codified at 31 U.S.C. § 3351(2).

We have one finding related to RRB's Railroad Medicare reporting. The finding is described in detail below. Management Comments can be found in Appendix I of this report. The status of previous OIG recommendations can be found in Appendix II. A listing of all abbreviations in this report are included in Appendix III.

We determined the agency's payment integrity reporting was complete and accurate. Risk assessments were required for RUIA during fiscal year 2025. The RUIA risk assessment was reviewed during this audit and was determined to be compliant. Risk assessments were not required for the RRA, Vendor Pay, and Employee Pay program due to the prescribed three-year cycle and were reviewed during this audit.

RRB is not responsible for reporting improper payment information for Railroad Medicare. A Memorandum of Understanding between RRB, CMS, and HHS, signed August 31, 2022, clarified that CMS will calculate the Railroad Medicare improper payment rate and report Railroad Medicare improper payment information under the PIIA. However, we determined that the Railroad Medicare improper payment rate and information is masked within the CMS and HHS reporting. Therefore, improper payment information for Railroad Medicare is not fully transparent to Congress, the public taxpayers, the railroad community, or other interested parties. Additionally, the OIG determined in the prior year that the Railroad Medicare improper payment sampling methodology used by CMS' CERT team could be improved. In Audit Report 23-04, issued May 19, 2023, RRB OIG identified five weaknesses in Railroad Medicare Reporting. These recommendations are not included in Appendix II: *Status of Previous Office of Inspector General Audit Recommendations for Improper Payment Reporting*, as these findings were closed without implementation in September of 2024. The Principal Deputy Performing the Duties of the Inspector General has indicated that prior year recommendations closed without implementation may be subject to audits in the future.

Payment Integrity Reporting Required in Statute

RRB complied with the PIIA because it satisfied the two applicable reporting requirements for the RRA benefit payment, vendor payment, employee payment program, and the RUIA benefit payment program. Eight improper payment requirements were not applicable for the four in-scope programs as shown in Table 1.[13] These requirements were not applicable because the programs were not susceptible to significant improper payments. We discuss our findings in the following sections.

RRB Published and Posted Payment Integrity Information in its Performance and Accountability Report (PAR) and in its Accompanying Materials

Under PIIA requirements 1a and 1b, an executive agency shall publish improper payments information with the annual financial statement of the executive agency for the most recent fiscal year. The agency shall post this statement and any accompanying materials required under OMB's guidance on their website, Paymentaccuracy.gov.

[13] OMB M-21, 19, pg. 52; Pub. L. 116-117, 134 Stat. 113 (2020), codified at 31 U.S.C. § 3351(2).

RRB complied with this requirement by publishing payment integrity information in its PAR, including the link to OMB's PaymentAccuracy.gov website, and posting RRB's PAR on their website. RRB responded to OMB's Annual Data call and this response was the source of RRB's payment integrity information included in PaymentAccuracy.gov. This information represents RRB's accompanying materials to the annual financial statement.

RRB Conducted its Required Risk Assessment and Adequately Concluded with Regard to the Statutory Threshold

Under PIIA requirement 2a, the agency must conduct an improper payment risk assessment at least once every three years, for each program with annual outlays greater than $10 million to determine whether the program is likely to make improper payments plus unknown payments that would be in total above the statutory threshold[14]. Under PIIA requirement 2b, the agency must ensure that the improper payment risk assessment methodology used adequately concludes whether the program is likely to make improper payments plus unknown payments above or below the statutory threshold.[15] For programs that are not deemed to be susceptible to significant improper payments, agencies are required to perform risk assessments at least once every three years. If a program has a significant change in legislation or significant increase in funding, a risk assessment may be needed in the next annual cycle.

During fiscal year 2025 payment integrity reporting, RRB was required to conduct a risk assessment for the RUIA program and conclude whether the programs were likely to result in improper or unknown payments above OMB's statutory threshold. RRB performed the risk assessment for RUIA and adequately concluded that the program was not susceptible to making improper or unknown payments above the statutory threshold.

During fiscal year 2025 payment integrity reporting, RRB was not required to conduct risk assessments for the RRA benefit program, employee pay program, or vendor pay program. nor conclude whether the programs were likely to result in improper or unknown payments above OMB's statutory threshold. RRB last performed risk assessments for these programs in fiscal year 2023. The risk assessments for these programs concluded that the programs were not susceptible to significant improper payments above the PIIA threshold. The fiscal year 2023 risk assessments were assessed by RRB OIG's independent auditor during their fiscal year 2023 performance audit of PIIA compliance, and were determined to be compliant, as reported in OIG Report 2024-07. Risk assessments for these programs are on a three-year cycle and will be performed in fiscal year 2026.

[14] Programs are considered to be above the statutory threshold if they are reporting an annual improper payment and unknown payment estimate that is either above $10 million and 1.5 percent of the program's total annual outlays or above $100 million.
Pub. L. 116-117, 134 Stat. 113 (2020), codified at 31 U.S.C. § 3351(2)(B).
[15] OMB M-21-19, pg. 44.

Payment Integrity Information Act of 2019 Requirements Sections 3 through 6 were Not Applicable to RRB.

If applicable, federal agencies must report on the following requirements:

- Requirement #3 – Publish improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement.
- Requirement #4 – Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- Requirement #5a – Publish improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- Requirement #5b – Demonstrate improvements to payment integrity or reach a tolerable improper payment and unknown payment rate.
- Requirement #5c – Develop a plan to meet the improper payment and unknown payment reduction target.
- Requirement #6 – Report an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.[16]

Because of the latest risk assessments performed for RRB's four payment integrity programs, RRB determined the programs were not susceptible to significant improper payments or unknown payments (these programs remained in Phase 1). Therefore, requirements three through six were not applicable to these programs.

Agency's Efforts to Prevent and Reduce Improper Payments (IPs) and Unknown Payments (UPs)

OMB Circular A-123 Appendix C, section VI.C.3, requires the OIG to "...include an evaluation of agency efforts to prevent and reduce [improper payments] and [unknown payments]." In addition, "...the OIG must include recommendation(s) for action(s) to further improve prevention and reduction of [improper payments] and [unknown payments] within the program" for each agency program reporting an estimate above the statutory threshold.[17]

Additionally, RRB was not required to report an RRA program improper payment rate or amount since fiscal year 2017. However, they did include these amounts in their fiscal year 2023 risk assessment. Estimated improper payments for fiscal year 2023 were $76.66 million, or 0.54% of program outlays of $14,196.40 million. This was a small increase in the amount of improper payments, but a small decrease in the improper payment rate from fiscal year 2022 ($75.91 million,

[16] OMB M-21-19, pgs. 45-49; Pub. L. 116-117, 134 Stat. 113 (2020), codified at 31 U.S.C. § 3351(2).
[17] OMB M-21-19, pg. 51.

or 0.56% of outlays of $13,436.23 million). RRA continues to maintain a rate of less than 1%, and improper payment amounts below the significant threshold of $100 million, as program outlays have increased from $12,484 million in fiscal year 2017 to $14,196 million in fiscal year 2023.The passage of the PIIA of 2019 required all programs with more than $10 million in annual outlays to conduct an improper payment risk assessment at least once every three years. RRB performed risk assessments for RUIA in fiscal year 2025 which included improper payment totals and rates. The improper payment rate and amount were 10.02 percent and $9.26 million for the fiscal year 2024. RRB is performing ongoing activities to target the two root causes of improper payments: failure to access data, and inability to access data. These efforts include State Wage Matching programs with all fifty states and District of Columbia, quality assurance programs, validation reviews, and a prepayment verification process.

As Table 2 below demonstrates, RRA program recoveries of $49.02 million in fiscal year 2024 represent an increase from the 2023 amount of $47.62. This increase mirrors the increase in RRA debts reported to the Debt Recovery Service ($54.82 million in 2023 to $57.16 million in 2024). Prior to fiscal year 2020, recoveries increased every year from fiscal year 2017 ($70.22) to fiscal year 2019 ($82.73). RUIA recovery amounts generally increased in most years from 2017 to 2022 seen in Table 2. The amount of recoveries plateaued in 2023 and 2024. Additionally, RRB has identified the major causes of overpayments for both the RRA and RUIA benefit payment programs and implemented actions for improving the accuracy of the payments and reducing erroneous payments.

Table 2. Overpayments Recaptured Outside of Payment Recapture Audits ($ in millions)

Program	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
RRA	$49.02	$47.62	$50.09	$43.30	$53.50	$82.73	$72.00	$70.22
RUIA	$32.00	$32.06	$31.13	$26.32	$22.89	$26.12	$25.49	$25.95

Source: RRB Bureau of Fiscal Operations-Debt Recovery Service. Fiscal Year 2024 is the most recent year available.

RRB has determined that it would not be cost effective to recapture employee and vendor payments; therefore, we could not make a determination with regard to RRB’s adequacy in this area.

Potential Improvements in Railroad Medicare Reporting Transparency

We have one finding that the HHS AFR does not specifically reflect that Railroad Medicare SMAC information was included in the reported FFS improper payment information; instead, the AFR referred generally to all MACs or Medicare contractors. In addition, RRB did not report where Railroad Medicare improper payment transactions were tested, or where improper payment information was reported in RRB PAR. Therefore, this information is not transparent to Congress, the public taxpayers, the railroad community, or other interested parties.

OMB Circular A-123, Appendix C, Requirements for Payment Integrity Improvement, March 5, 2021, requires the following

II. C.1. Statutory Threshold and Phases of Assessment

> "The statutory threshold is determined by statute. Programs are considered to be above the statutory threshold if they are reporting an annual Improper Payment (IP) and Unknown Payment (UP) estimate that is either above $10 million and 1.5% of the program's total annual outlays or above $100 million regardless of the associated percentage of the program's total annual outlays that the estimated IP and UP amount represents.
>
> Overview-Prevention
>
> To be effective, programs should prioritize efforts toward preventing IPs and UPs from occurring so that they can avoid operating in a "pay-and-chase" environment. All programs should have a structured and systematic approach to recognizing where the potential for IPs and UPs can arise and subsequently addressing the risk, as appropriate."
>
> Reporting
>
> At a minimum, there are reporting requirements that apply to all agencies with programs in Phase 1 as well as those with programs in Phase 2.
>
> Agencies should consult OMB Circular A-136 annually to determine which of the Payment Integrity reporting requirements apply to their agency. At a minimum, all agencies with programs in Phase 1 as well as those with programs in Phase 2 will provide a link in their AFR or PAR to paymentaccuracy.gov so the reader can access information about agency IP risk assessments, recoveries, and other agency-wide reporting requirements.

Neither RRB nor CMS was individually reporting Railroad Medicare improper payment information in their respective financial reports.

Per the MOU, the sample for the calculation of the Medicare FFS improper payment rate includes Medicare FFS claims processed by the MACs and the SMACs. Further, the MOU states that CMS shall furnish the SMAC and RRB Medicare Contractor Operations program staff with the SMAC-specific improper payment data. However, neither CMS nor RRB report improper payment information related to Railroad Medicare in their respective financial reports.

As a result, users of RRB's PAR could not discern that Railroad Medicare payments were assessed for improper payment risk by CMS, included in the population of nationwide Medicare FFS payments, assessed for improper payments, and included in reporting of improper payments to PaymentAccuracy.gov, as part of the overall nationwide Medicare FFS program. Therefore, this information is not transparent to Congress, the public taxpayers, the railroad community, or other interested parties.

Recommendation:

1. We recommend that RRB report in the RRB PAR that CMS calculates and reports the Medicare FFS program improper payment rate as required by PIIA, and that the sample used for CMS' improper payment calculation for Medicare includes Medicare FFS claims processed by the MACS and the Railroad Medicare SMAC.

Management's Comments and Our Response

The Bureau of Fiscal Operations concurred with recommendation one. No modifications to our report were made in response to Management's comments.

Appendix I – Management Comments

UNITED STATES GOVERNMENT
MEMORANDUM

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

August 3, 2026

TO: Shanon E. Holman
Assistant Inspector General for Audit

FROM: Shawna R. Weekley
Chair of the Executive Committee
Chief Financial Officer

SHAWNA WEEKLEY
Digitally signed by SHAWNA WEEKLEY
Date: 2026.08.03 12:59:48 -05'00'

SUBJECT: Management Response – FY 2025 Payment Integrity Information Act of 2019 (PIIA) Performance Audit

Thank you for the opportunity to review and provide comments on the draft report for the "FY 2025 Payment Integrity Information Act of 2019 (PIIA) Performance Audit" that was issued on August 3, 2026. The following is management's response and planned corrective actions to address the recommendation related to Railroad Medicare.

Recommendation 1: We recommend that RRB report in the RRB PAR that CMS calculates and reports the Medicare FFS program improper payment rate as required by PIIA, and that the sample used for CMS' improper payment calculation for Medicare includes Medicare FFS claims processed by the MACS and the Railroad Medicare SMAC.

Management Decision: Concur

Planned Corrective Actions: The RRB will add a statement to its PAR to explain that CMS calculates and reports the Medicare FFS program improper payment rate as required by PIIA, and that the sample used for the calculation includes Medicare FFS claims processed by all MACS, including the Railroad Medicare SMAC.

Milestone 1: The Chief Financial Officer (CFO) will ensure the following statement is included in the RRB's annual PAR, "CMS calculates and reports the Medicare FFS program improper payment rate as required by PIIA; the sample for the calculation includes Medicare FFS claims processed by all MACs, including the Railroad Medicare SMAC."

Responsible Party: CFO

Resource Requirements: None.

Target Completion Date: November 2026

cc: Jebby Rasputnis, Director, Office of Programs
Danielle M. Clark, Director, Audit Affairs and Compliance Division
Mario Moreno Jr., Deputy Chief Financial Officer

Appendix II – Status of Previous Office of Inspector General Audit Recommendation for Improper Payment Reporting

Report	Recommendation	Status
25-05	The Office of Programs amend its policies and procedures to capture the following point if the RUIA quality assurance review internal control will not be performed as designed: Document its consideration of potential risks of not performing the quarterly RUIA quality assurance review procedures. This documentation should include both quantitative and qualitative risks (Recommendation 1)	Closed as Implemented on June 4, 2026
25-05	The Office of Programs amend its policies and procedures to capture the following point if the RUIA quality assurance review internal control will not be performed as designed: Document the compensating controls or alternative procedures which will be performed timely to mitigate the risks of not performing the quarterly assurance review procedures, as designed. (Recommendation 2)	Closed as Implemented on June 4, 2026
25-05	The Office of Programs amend its policies and procedures to capture the following point if the RUIA quality assurance review internal control will not be performed as designed: Ensure that the other compensating controls for detecting and preventing unemployment and sickness improper payments are operating effectively. (Recommendation 3)	Open as of report date

Report	Recommendation	Status
25-05	The Bureau of Fiscal Operations develop and document compensating controls to determine if employee pay is calculated using the correct gross pay amount and is supported with source documentation available to BFO. If improper gross pay amounts are identified, determine the root cause and take action to resolve the improper pay amounts. (Recommendation 4)	Open as of report date
25-05	The Office of Administration reach out to CMS to discuss how Railroad Medicare improper payment reporting could be more transparent. (Recommendation 5)	Closed as Implemented on March 4, 2026
25-05	The Bureau of Fiscal Operations work with the Office of Programs to establish one assessable unit for payment integrity. This assessable unit should address payment integrity risks and controls across both organizations. Both the certifying official for BFO and the Office of Programs should certify their organization’s improper payment controls within the new assessable unit. (Recommendation 6)	Closed as Implemented on March 26, 2026

Appendix III – Abbreviations

BFO	Bureau of Fiscal Operations
CERT	Comprehensive Error Rate Testing
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CMS	Centers for Medicare and Medicaid Services
ERM	Enterprise Risk Management
GAGAS	Generally Accepted Government Auditing Standards
GSA	General Services Administration
GSA PAR	General Services Administration ePayroll
HHS	U.S. Department of Health and Human Services
IP	Improper Payment
MOU	Memorandum of Understanding
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
PEMS	Program Evaluation and Management Service
PIIA	Payment Integrity Information Act of 2019
RRA	Railroad Retirement Act
RRB	Railroad Retirement Board
RUIA	Railroad Unemployment Insurance Act
SMAC	Specialty Medicare Administrative Contractor
UP	Unknown Payment