

**Railroad Retirement Board-Office of Inspector General
Semiannual Report to the Congress
October 1, 2000 - March 31, 2001**

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EXECUTIVE SUMMARY

This Semiannual Report describes the activities of the Office of Inspector General (OIG) at the Railroad Retirement Board (RRB) during the six month period ending March 31, 2001.

The OIG issued its report on the audit of the RRB's financial statements and related internal controls for fiscal year (FY) 2000. The RRB received its first unqualified opinion since audits of the financial statements were initiated in FY 1993. The OIG also continued monitoring two critical RRB areas: the activities of the agency's Investment Committee and the proposed comprehensive amendments to the Railroad Retirement Act.

The Office of Audit conducted an audit of the agency's FY 1999 Performance Report to ensure compliance with the Government Performance and Results Act of 1993. Auditors also provided their findings in another audit concerning the RRB's document imaging initiatives in the unemployment and sickness insurance programs. The report cited weaknesses in current procedures and recommended necessary corrective actions. Management plans completion of corrective action for all recommendations in FY 2001.

The Office of Investigations achieved 21 convictions, 16 indictments and information, and \$1.2 million in recoveries, restitutions, fines, civil damages and penalties, and potential economic loss prevented.

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INTRODUCTION

Office of Inspector General

The Office of Inspector General (OIG) has the responsibility for promoting economy, efficiency and effectiveness in the programs of the Railroad Retirement Board. The office is also charged with the detection, prevention and elimination of fraud, waste and abuse in agency operations. To accomplish its mission, the OIG conducts audits, management reviews, and investigations.

The Railroad Retirement Solvency Act of 1983 established the Office of Inspector General at the Railroad Retirement Board by naming the agency as “one of such establishments” identified under Section 2 of the Inspector General Act of 1978. The Inspector General Act Amendments of 1988 added the RRB to the list of agencies covered by the Inspector General Act.

In fiscal year 2000, the OIG had 58 employees and an operational budget of \$5,380,000. The organization has three major components: the immediate office of the Inspector General, the Office of Audit, and the Office of Investigations. The office conducts its operations from two locations: the headquarters of the Railroad Retirement Board in Chicago, Illinois, and an investigative field office in Philadelphia, Pennsylvania.

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Railroad Retirement Board

The Railroad Retirement Board (RRB) is an independent agency in the Executive Branch of the Federal government that is headed by a three member Board appointed by the President of the United States, with the advice and consent of the Senate. One member is appointed upon the recommendation of railroad employers, one is appointed upon the recommendation of railroad labor organizations, and the third, who is the Chair, is appointed to represent the public interest.

The agency administers comprehensive retirement-survivor and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts. The RRB also has administrative responsibilities under the Social Security Act for certain benefit payments and Medicare coverage for railroad workers.

During fiscal year (FY) 2000, the RRB paid \$8.3 billion in retirement and survivor benefits to approximately 724,000 beneficiaries, while net unemployment and sickness insurance benefits of \$79 million were paid to almost 35,000 claimants. The RRB also administers its own Medicare Part B program through a single carrier, Palmetto GBA. The carrier made payments totaling \$695 million to provide medical insurance benefits for 650,000 beneficiaries.

SIGNIFICANT ISSUES

FINANCIAL STATEMENT AUDIT

During this semiannual reporting period, the Office of Inspector General (OIG) issued its audit report of the RRB's financial statements and related internal controls for fiscal year (FY) 2000. The RRB received its first unqualified (clean) opinion since Arthur Andersen was engaged to audit the financial statements for FY 1993.

Every previous audit has resulted in a disclaimer of opinion as a result of the uncertainty of estimates used to record and report on the financial interchange. The financial interchange is an annual funds transfer among the RRB, the Social Security Administration and the Health Care Financing Administration. Auditors had stated that, because the estimates are prepared six months prior to the actual settlement date, the extensive estimation had previously resulted in significant differences between the amounts accrued and the actual settlement. The auditors were unable to determine what adjustments, if any, might be necessary.

The auditors have now concluded that (1) it is not possible to obtain more accurate estimates of the financial interchange receivables and payables; (2) accrual accounting treatment is mandated; and (3) unless the OIG accepts a higher degree of risk, it will never be possible to express an opinion on the RRB's financial statements. Therefore, auditors concluded that it is appropriate for the OIG to accept a higher level of audit risk, and that the

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accuracy of financial interchange accrual accounting estimates will not, by itself, present a cause for disclaimer.

Material Weakness: Overall Control Environment

The RRB's overall control environment has been cited as a material weakness since FY 1993. In this most recent audit, the OIG states that the RRB's present administrative structure is the primary cause of this internal control weakness. Again, auditors found that the RRB's internal control environment is focused on control objectives and techniques designed to meet the organizational responsibilities of each individual operating unit, rather than the overall objectives of the RRB. As a result, the agency has experienced difficulties in resolving financial accounting and reporting issues that require cross-organizational cooperation. In addition, the Board Members have significant involvement in the operational affairs of the agency.

Agency management believes that previous reorganizations and the increased role of the RRB's Executive Committee have eliminated this material weakness. The agency did not include this finding in its Federal Managers' Financial Integrity Act reports for FYs 1997, 1998, 1999 or 2000. However, the OIG believes the overall control environment continues to be a material weakness. Although the RRB has implemented changes to the agency's organizational structure, the conditions that led to the original finding continue to exist and have an adverse effect on the agency's ability to meet its internal control objectives related to financial statement reporting.

Since the RRB no longer recognizes this material weakness, the OIG made no further formal recommendations for corrective action concerning the overall control environment in its present audit.

INVESTMENT ACTIVITIES

The OIG continues to monitor and comment upon the activities of the RRB's Investment Committee. During this semiannual period, the interest environment has resulted in minimal investment activity with short-term investments in Treasury bills with maturities of less than two months. Other than the sale of a bill prior to maturity, the Investment Committee has approved only one marketable security sale since June 1999. The OIG is concerned that the lower interest rates result in less income to the trust funds. The positive aspect is that the decline in interest rates has translated into fewer transactions authorized by the Investment Committee and an increase in the market value of the investments.

PENDING LEGISLATION

A coalition of railroad labor and management has proposed comprehensive amendments to the Railroad Retirement Act that resulted in proposed legislation during the previous session of Congress. The proposal was not enacted, but similar legislation has recently been introduced in both the House of Representatives and in the Senate.

The benefit measures included in the proposed legislation provide for the acceleration of vesting, improvements in widow(er) annuities, elimination of a maximum annuity provision and reducing the age requirement for full retirement after 30 years of service. In addition, the proposed legislation eliminates the supplemental annuity tax, reduces the Tier II payroll tax,

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establishes a method for determining the future Tier II tax rate and transfers the RRB's investment authority to an independent board of trustees.

The OIG initiated monitoring activity of this evolving legislation approximately one year ago and has expressed specific concerns to each Board Member. In addition, the OIG has initiated a review of the RRB's contingency planning effort to determine the agency's ability to implement the provisions of the proposed legislation if it were passed in the current form.

OFFICE OF AUDIT

The Office of Audit (OA) conducts reviews to promote economy, efficiency, and effectiveness in the administration of RRB programs, and detect and prevent waste, fraud, and abuse in such programs. Through the Inspector General, the office ensures that the Board Members and the U.S. Congress are informed of current and potential problems in the RRB's programs and operations, and advised of recommended improvements, as well as the status of corrective actions. OA examines programmatic, financial, and administrative aspects of RRB operations.

During this reporting period, OA issued its audit of the RRB's fiscal year 2000 financial statements and continued major monitoring projects concerning the agency's implementation of the Government Performance and Results Act, the expansion of document imaging initiatives, pending legislative changes to the Railroad Retirement Act, and activities of the RRB's Investment Committee.

Review of Document Imaging - Railroad Unemployment Insurance Act Programs

This audit report presents the results of the ongoing OIG monitoring of the Railroad Retirement Board's (RRB) document imaging initiative, and focuses on imaging initiatives in the RRB's unemployment and sickness insurance programs. The first monitoring report was issued on September 23, 1999 and addressed the cost benefit analysis for the Railroad Retirement Act imaging initiative and the planning stage of the Railroad Unemployment Insurance Act (RUIA) replacement initiative. Auditors recommended that management review and approve a detailed implementation plan before approving additional funding for the RRA imaging project.

In June 1999, the agency implemented a document imaging system to process sickness insurance applications and to retain copies of tax statements. The system will permit faster adjudication of claims and improved control over work items. In March 2000, the RRB completed expansion of the RUIA imaging system to include correspondence and to allow limited access to other operational units. Work is continuing to make the system available to agency field offices.

Auditors conducted this review to determine if (1) the agency is in compliance with Federal regulations on document retention; (2) controls are in place to ensure reliability of the imaged documents; and (3) controls are in place to ensure security over access to the documents. Although the OIG did not find any violations of Federal regulations, the review indicated that several

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weaknesses must be addressed. Inadequate procedures currently create the potential for the illegal destruction of paper documents; the agency has not finalized procedures for the storage and destruction of paper input documents. Auditors also identified documents that were not on the imaging systems, had missing and/or unreadable pages, and had incorrect index information. Improvements are also needed in the document imaging system's access controls, management reports, and backup and recovery procedures. Program management agreed with all the report recommendations and has planned completion of all corrective actions by August 31, 2001.

The OIG will continue to closely monitor the development and implementation of the RRB's document imaging systems because of the significant impact on RRB operations. Ongoing OIG monitoring of this major initiative will provide the oversight necessary to ensure the RRB is in compliance with applicable laws and regulations.

**Review of the Railroad Retirement Board's Fiscal Year 1999
Performance Report**

This audit examined the Railroad Retirement Board's performance report for fiscal year 1999 to ensure compliance with the Government Performance and Results Act (GPRA) of 1993. In fiscal year 1998, the OIG conducted a review on the agency's implementation of the GPRA and recommended that changes be made in some performance goals and indicators. The OIG urged the RRB to automate the process to produce performance indicators, develop target levels

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for each performance indicator or explain why there is no target level, and ensure all cost information came from the agency's cost accounting system or was reconcilable to that system's data.

The RRB's Executive Committee did not agree with the auditors' recommendations, and indicated that each performance indicator reflected a specific management commitment to achieve specific task for which managers could be held accountable. However, the current review found that the RRB subsequently developed target levels for 10 of 14 performance indicators that previously did not have targets. Agency management explained that target levels were not set for two indicators because of a lack of funding and a lack of resources. Targets for the remaining two indicators were listed as deferred or none.

The OIG reviewed the reportable performance indicators in the RRB's 1999 performance report, and found the report generally met the basic requirements of GPRA and OMB Circular A-11, Sections 230-233.

In its 1999 performance report, the agency provided an explanation for all non-achievement of performance goals and the agency's plans and schedules for achieving goals that were not met. The report also included fiscal year 1998 performance data as well as a description of recent restructuring activities and significant automation initiatives at the agency.

Auditors determined the RRB's 1999 performance report complied with GPRA guidelines with only minor discrepancies. The agency failed to include a

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summary of findings presented in the RRB program evaluation reports, such as the Federal Managers' Financial Integrity Act Reports and the Annual Financial Statement Audit, prepared during FY 1999. The latter cited the agency for a material weakness related to the RRB's overall control environment. Management had concluded that sufficient corrective action had been taken to address this issue and the control environment was no longer a material weakness. The agency and the OIG disagreed over this issue, and the financial statement audit opinion concluded the material weakness continued to exist. Auditors recommended that the agency include program evaluation activities in its annual performance reports. Management concurred and included a brief discussion of the situation regarding the RRB's overall control environment in the agency's FY 2000 performance report.

The OIG will continue to monitor the RRB's efforts to implement GPRA and to provide management with recommendations for improving the reporting of performance information.

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AUDITS: MANAGEMENT DECISIONS AND IMPLEMENTATION

Through a Memorandum of Understanding, the Director of Administration transferred the responsibility for managing the open audit follow-up system to the Office of Inspector General. This system tracks the status of corrective actions for all audit recommendations. Procedures are in place to ensure that the agency is in compliance with all applicable regulations. Office of Management and Budget Circular No. A-50 (Revised) and the Inspector General Act Amendments of 1988 require the reporting of management decisions and corrective actions for all audit recommendations.

Management Decisions

Recommendations requiring a management decision on October 1, 2000	0
New recommendations issued during this period	
pending a management decision	0
Previous recommendations for which a management decision was made	<u>0</u>
Number of recommendations pending a management decision on March 31, 2001	0

Corrective Actions

Prior recommendations requiring action on October 1, 2000	92
New recommendations issued during this six month reporting period	22
Recommendations for which corrective actions were completed from October 1, 2000 - March 31, 2001	<u>- 37</u>
Recommendations pending final action on March 31, 2001	77

OFFICE OF INVESTIGATIONS

The Office of Investigations (OI) focuses on RRB benefit program fraud. OI's primary objective is to identify, investigate, and refer for prosecution and monetary recovery action, cases of waste, fraud and abuse in RRB programs. Through its investigations, OI also seeks to prevent and deter program fraud. In order to maximize the effect of its resources, OI continues to pursue cooperative investigative activities and coordination with other Inspectors General and law enforcement agencies, which include the Social Security Administration-Office of Inspector General (SSA-OIG), the Federal Bureau of Investigation (FBI), the U.S. Secret Service, the Internal Revenue Service, and the Postal Inspection Service.

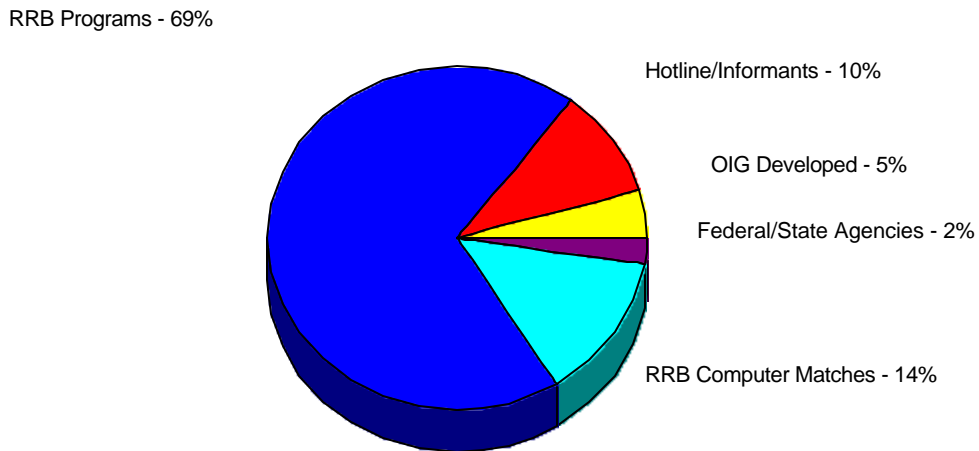
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INVESTIGATIVE ACCOMPLISHMENTS	FY 2000	10//01/00 - 03/31/01
Convictions	66	21
Civil Judgements	45	24
Indictments/Informations	35	16
Investigative Recoveries	\$ 1,054,972	\$ 127,658
Restitutions and Fines	\$ 1,575,074	\$ 309,620
Civil Damages and Penalties	\$ 898,788	\$ 305,878
Potential Economic Loss Prevented (PELP)	\$ 426,551	\$ 458,432
Community Service Hours	1094	150
Disciplinary/Administrative Action	1	0
Civil Complaints	36	12
Criminal Complaints	8	3
Arrests	2	3
Subpoena Service:		
Inspector General	17	12
Federal Grand Jury	68	6
Trial	30	0
Program Fraud Civil Remedies Act Referrals	6	5
U.S. Attorney Referrals	397	201

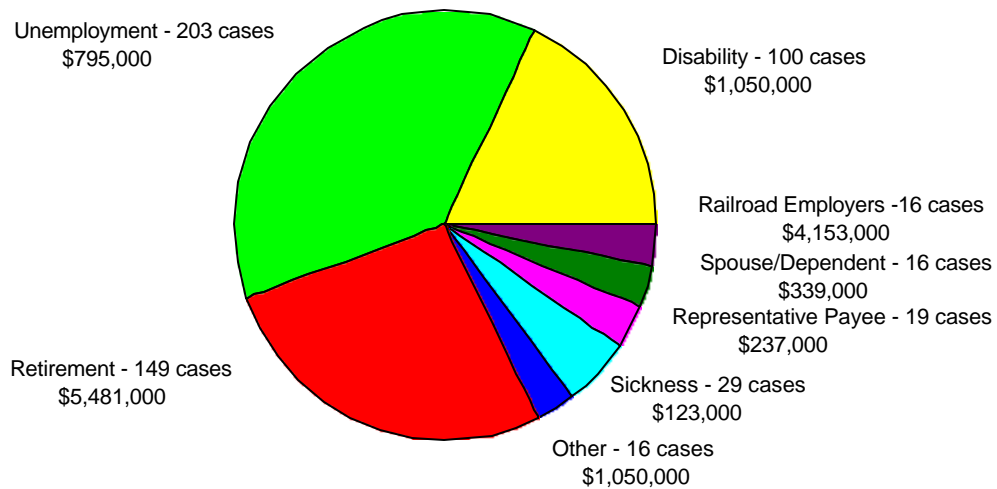
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INVESTIGATIVE CASES

During this semiannual period, OI opened 116 investigations and closed 201 cases. The major sources of case referrals are illustrated below.



OI's current caseload totals 548 criminal matters, representing over \$13.4 million in fraud against the RRB.



REPRESENTATIVE INVESTIGATIONS

Railroad Employer Fraud

OI investigates cases involving false reporting by railroad employers. Such cases are often worked jointly with the Internal Revenue Service under the direction of the Department of Justice Tax Division attorneys. These cases can involve complex fraud schemes which result from collusion among railroad employers, retired railroad workers and third party employers. These schemes have a substantial impact on the agency's trust funds because the retirees are receiving benefits to which they are not entitled and, at the same time, the employers are not submitting contributions to the trust funds as required.

By law, railroad employers are required to advise the agency of changes in their operations, organization or ownership that would affect their status for coverage under the Railroad Retirement and Railroad Unemployment Insurance Acts. The OIG has found that, due to a minimal policing of employers by the agency, it is very easy for employers to assign employees to affiliated business entities and report them as being covered under the Federal Insurance Contributions Act. Some employers have transferred employees to temporary employment agencies or payroll servicing companies to carry out the fraud.

OI continues to review the results of audits conducted by the agency's Audit and Compliance Division to identify fraud matters related to railroad employers. OI currently has 16 open cases involving allegations related to railroad employers.

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- The OIG initiated an investigation of a railroad employer after the RRB had received BA-3 reports, Annual Reports of Creditable Compensation, for calendar years 1985 through 1998 indicating the company had no employees.

Special agents determined that the employer operated a shortline railroad with part-time employees since 1985, and had failed to report approximately \$108,780 of creditable compensation to the RRB. In addition, the company had failed to withhold and pay approximately \$23,858 in tier II taxes and supplemental taxes. However, Social Security taxes on the compensation had been paid from 1985 through 1998.

On December 20, 2000, the employer signed a settlement agreement and release, paid the outstanding \$23,858 to the Internal Revenue Service, and filed a Report of Creditable Compensation Adjustments Report with the RRB.

Retirement Benefit Cases

RRB retirement fraud typically involves the theft and fraudulent cashing of U.S. Treasury checks, or the illicit conversion of U.S. Treasury electronic fund transfers, by someone other than the authorized RRB annuitant. During this reporting period, OI obtained three convictions and one civil judgement for retirement fraud. Defendants received 5 years probation, six months house arrest, and were ordered to pay \$43,283 in restitution, \$50 in fines and \$7,527 in damages. The RRB will recover \$35,797 in overpayments as a result of OIG investigations.

Examples of recent retirement cases follow.

- The RRB's Chicago District Office received information that an RRB annuitant had died in 1990, but notification of the death had never been provided to the agency. OI special agents opened an investigation that identified the annuitant's daughter, and his joint account holder, had continued to use funds paid into his bank account. From June 1990 to January 1994, she had stolen government funds totaling \$42,283.

The subject was convicted for violation of Title 26, Section, 7206, Declaration Under Penalty and Perjury. She was ordered to make full restitution to the RRB, sentenced to five months probation, and will serve six months home confinement.

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- OI opened an investigation after receiving a referral from the agency's Debt Recovery Division in March 2000. The investigation revealed that an individual had filed an application with the RRB in February 1994 to begin his retirement benefits. On his application, the subject indicated that he had ended his previous self-employment and would not earn in excess of the annual exempt amount of \$8,040 in 1994.

The RRB subsequently received information that the subject had, in fact, earned \$10,201 in 1994. In addition, his earnings for 1995 through 1998 also exceeded the exempt amounts. As a result, the subject fraudulently received \$26,626 in retirement benefits.

On March 7, 2001, the subject entered into a Pretrial Diversion Agreement for making false statements to the RRB in violation of Title 18, USC 1001. He agreed to make full restitution of \$26,626 to the RRB.

- OI agents also identified an individual who collected RRB spouse/dependent benefits for her minor child despite the fact the child resided with his father. The subject did not have legal custody of the child, failed to report this fact to the RRB, and fraudulently collected approximately \$8,226.

On January 4, 2001, the subject was placed on one year probation and ordered to make restitution in the amount of \$6,874.

Unemployment and Sickness Insurance Cases

Unemployment Insurance (UI) and Sickness Insurance (SI) benefit fraud involves individuals claiming and receiving UI or SI benefits while working and receiving wages from an employer, in violation of Federal law. The primary source of UI/SI fraud cases remains state computer matching programs that compare RRB beneficiaries with individuals for whom wages have been reported.

During this reporting period, OI obtained 13 convictions and 21 civil judgements for UI and SI fraud. Defendants in these cases received, in the aggregate, 25 years and 11 months probation, one year suspended sentence, and 22 months house arrest. They were ordered to pay \$47,640 in restitution, \$2,325 in fines, \$101,946 in damages, \$165,896 in civil penalties and to perform 150 hours of community service. The RRB will also be able to recover an additional \$40,764 as a result of OI investigations.

Examples of typical cases involving individuals fraudulently receiving unemployment or sickness insurance benefits follow.

- OI opened an investigation of an individual based upon a referral from the National Railroad Passenger Corporation (Amtrak). The initial allegation indicated that the subject collected sickness insurance benefits on the same days that he worked for a private employer. Subsequent investigation confirmed that the subject was employed as a window installer and submitted 28 false claims to the RRB.

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A Settlement Agreement in a Civil Case was entered against the subject, and he was ordered to make full restitution to the agency.

- A state computer matching program with the State of Texas identified an individual who worked on the same days that he claimed unemployment benefits. An overpayment of \$7,827 was calculated. The Civil Division of U.S. Attorney's Office, Southern District of Texas filed a default judgement against the subject. The U.S. District Court ordered him to pay \$7,827 in actual damages and a \$115,654 penalty due to 20 false claims made by the subject.
- Another subject who claimed unemployment benefits while employed was identified with a state wage match with the State of Texas. This subject fraudulently collected \$4,056 in unemployment insurance benefits. The U.S. District Court ordered him to pay \$4,056 in actual damages and a \$20,280 penalty due to 17 false claims made by the subject.
- OI opened this case based upon a referral from the RRB's Sickness and Unemployment Benefits Division which indicated that a claimant collected unemployment benefits while working for a private employer. Investigation found that the subject had collected benefits from August 1996 through June 1997 while employed. He failed to reveal this employment to the RRB and submitted 23 false claims to the RRB, resulting in the theft of \$7,950 in benefits. On January 8, 2001, a Judgement in a Criminal Case was entered against the subject and he subsequently sentenced to 36 months probation and ordered to pay restitution of \$7,950.

Disability Cases

The OIG also conducts fraud investigations relating to the RRB's disability program, which typically involves larger financial amounts and more sophisticated schemes. During this reporting period, OI obtained three convictions and one civil judgement for disability fraud. Defendants in these cases were sentenced to 11 years probation, and six months house arrest. They were also ordered to pay \$71,415 in restitution, \$3,091 in damages, \$25 in fines, and \$3,560 in civil penalties. An additional \$39,894 in overpayments will be recovered as a result of OI investigations concerning disability fraud cases.

Examples of disability cases follow.

- Based on a referral from the RRB's Disability Benefits Section, OI initiated an investigation of a disability annuitant. The referral indicated that the annuitant was earning in excess of his disability related restrictions. OI special agents confirmed that the individual had received overpayments totaling \$29,815, and had made multiple false statements to the RRB. He had informed RRB district office personnel that the wages in question belonged to his son.

- The annuitant pleaded guilty in U.S. District Court to one count in violation of 18 U.S.C. Section 1001, False Statement. He was sentenced to six months home confinement, three years probation and ordered to make restitution of \$29,815.

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- OI initiated another investigation of a disability annuitant based on a referred from the agency's Retirement Benefits Division. The initial allegations indicated that the individual failed to report his work and earnings while receiving RRB disability benefits.

Employed as a signalman, the subject was injured in February 1982 and filed for a disability insurance benefit. In January 1997, he became employed at a rug company and failed to notify the RRB of his employment. As a result, he fraudulently received \$25,149 in disability benefits. He was charged with making false claims to the RRB, and was sentenced to three years probation, ordered to perform 150 hours of community service, and directed to pay restitution of \$25,149 to the agency.

AFFIRMATIVE CIVIL ENFORCEMENT (ACE) PROGRAM

OI continues to pursue prosecution of cases under the Department of Justice's Affirmative Civil Enforcement Program. This program involves "fast track" civil prosecution of cases under the provisions of the Title 31, U. S. Code, Sections 3729-3733, The Civil False Claims Act. This statute allows the government to recover up to triple damages as well as \$5,000 to \$10,000 for each false claim submitted.

During this reporting period, a total of 23 civil judgements under the ACE program were entered by Federal district courts which will result in the return of \$282,020 to the government when the funds are collected.

The Department of Justice is frequently obtaining double damages through these civil false claims prosecutions. The judgements obtained in these cases also provide the agency with an efficient and effective basis to pursue their collection activities.

The ACE Program continues to provide an efficient means to address fraud against agency programs, particularly where the fraud losses are below the financial guidelines for criminal prosecution. It also is an effective way to return fraud losses to the RRB's trust funds and create a deterrent against future fraud.

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HOTLINE CALLS

The Office of Inspector General established its Hotline to receive complaints concerning suspected fraud, waste and abuse in RRB programs and operations. The Hotline provides an open line of communication for individuals who desire to report suspected criminal activity, conflict of interest, mismanagement, and waste of RRB funds.

	<u>10/01/00 - 03/31/01</u>
Total Contacts: (Telephone Calls and Letters)	856
Referred to: RRB-OIG, Office of Investigations	74
Office of Audit	1
RRB Bureaus/Offices	579
Other Federal Agencies	19
RRB Medicare Carrier/Durable Medical Equipment Regional Carriers	8
Other (misdirected calls, follow up calls to agents , etc.)	175

LEGISLATIVE & REGULATORY REVIEW

The Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the agency and to make recommendations in the semiannual report concerning the impact on the economy and efficiency of the agency's administration of its programs and on the prevention of fraud and abuse.

During this reporting period, the agency issued a regulation pertaining to the finality of decisions under the Railroad Unemployment Insurance Act. Although the rule lists several conditions for reopening decisions, the rule also provides that the three member Board is not required to reopen decisions that fulfill the conditions set forth in the regulation. The Board is also allowed to reopen any decision that does not meet the regulation's requirements. In its last semiannual report, the OIG noted that this rule is problematic because it does not provide adequate administrative finality for agency decisions and does not increase the economy and efficiency of administration of the agency's programs. No changes were made to this regulation before it was finalized.

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APPENDIX A - OIG REPORTS ISSUED

- P Review of Document Imaging, Report No. 01-01, November 17, 2000

- P Review of the Railroad Retirement Board's Fiscal Year 1999
Performance Report, Report No. 01-02, February 5, 2001

- P Fiscal Year 2000 Financial Statement Audit, Report No. 01-03,
February 23, 2001

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APPENDIX B

**INSPECTOR GENERAL ISSUED REPORTS
WITH QUESTIONED COSTS**

	<u>Number</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision had been made by October 1, 2000	0	0	0
B. Which were issued from October 1, 2000 through March 31, 2001	0	0	0
Subtotals (A + B)	0	0	0
C. For which a management decision was made from October 1, 2000 through March 31, 2000	0	0	0
(i) dollar value of disallowed costs		0	0
(ii) dollar value of costs not disallowed		0	0
D. For which no management decision had been made by March 31, 2001	0		0
Reports for which no management decision was made within six months of issuance	0		0

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**INSPECTOR GENERAL ISSUED REPORTS
WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE**

	<u>Number</u>	<u>Dollar Value</u>
A. For which no management decision had been made by October 1, 2000	0	
B. Which were issued from October 1, 2000 through March 31, 2001	0	
Subtotals (A + B)	0	
C. For which a management decision was made from October 1, 2000 through March 31, 2001	0	
(i) dollar value of recommendations that were agreed to by management		0
(ii) dollar value of recommendations that were not agreed to by management		0
D. For which no management decision had been made by March 31, 2001	0	
Reports for which no management decision was made within six months of issuance	0	

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APPENDIX C - REPORT ON RECEIVABLES, WAIVERS, AND RECOVERIES

The FY 1999 appropriations language for this office requires the reporting of additional information concerning actual collections, offsets and funds put to better use achieved as a result of Inspector General activities. Figures are to be provided for each semiannual period and as a cumulative number.

Office of Audit

<u>Report</u>	<u>Funds to be Put To Better Use</u>	<u>Funds Agreed by Management</u>	<u>Receivables Established</u>	<u>Waivers</u>	<u>Recoveries To Date</u>
99-03	\$ 50,850	\$ 50,850	\$ 50,850	\$ 50,490	\$ 360
99-14	\$ 83,000	\$ 83,000*	\$ 34,423		\$ 30,584
99-16	\$ 48,000,000	\$ 48,000,000			
99-17	\$ 11,000,000	\$ 11,000,000			
00-16	\$ 235,000	\$ 235,000			\$253,846**

* This figure includes monies owed to the agency and overpayments which must be refunded.

**This figure represents returned payments credited to debtor accounts.

Office of Investigations

Recoveries realized by the RRB resulting from court ordered restitution and civil damages

October 1, 1998 - March 31, 1999:	\$ 344,465
April 1, 1999 - September 30, 1999:	\$ 511,190
October 1, 1999 - March 31, 2000:	\$ 495,402
April 1, 2000 - September 30, 2000	\$ 542,732
October 1, 2000 - March 31, 2001	\$ 457,015

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APPENDIX D - RRB MANAGEMENT REPORTS*

**MANAGEMENT REPORT ON FINAL ACTION
ON AUDITS WITH DISALLOWED COSTS FOR
THE SIX MONTH PERIOD ENDING MARCH 31, 2001**

	<u>Number of audit reports</u>	<u>Disallowed costs</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	<u>0</u>	\$ <u>0</u>
B. Audit reports on which management decisions were made during the period.	<u>0</u>	\$ <u>0</u>
C. Total audit reports pending final action during the period. (A + B)	<u>0</u>	\$ <u>0</u>
D. Audit reports on which final action was taken during the period.		
1. Recoveries		
(a) Collections and offsets	<u>0</u>	\$ <u>0</u>
(b) Property	<u>0</u>	\$ <u>0</u>
(c) Other	<u>0</u>	\$ <u>0</u>
2. Write-offs	<u>0</u>	\$ <u>0</u>
3. Total of 1 and 2	<u>0</u>	\$ <u>0</u>
E. Audit reports needing final action at the end of the period (C - D.3)	<u>0</u>	\$ <u>0</u>

*The information contained in this section has been provided by RRB management.

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**MANAGEMENT REPORT ON FINAL ACTION ON AUDITS
WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
FOR THE SIX MONTH PERIOD ENDING MARCH 31, 2001**

	<u>Number of audit reports</u>	<u>Funds to be put to better use</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	<u>4</u>	\$ <u>60,060,046</u> *
B. Audit reports on which management decisions were made during the period.	<u>0</u>	\$ <u>0</u>
C. Total audit reports pending final action during the period. (A + B)	<u>4</u>	\$ <u>60,060,046</u>
D. Audit reports on which final action was taken during the period.		
1. Value of recommendations implemented (completed)	<u>2</u>	\$ <u>1,453,846</u> **
2. Value of recommendations that management concluded should not or could not be implemented (completed)	<u>0</u>	\$ <u>0</u>
3. Total of 1 and 2	<u>0</u>	\$ <u>0</u>
E. Audit reports needing final action at the end of the period (C - D.3)	<u>2</u>	\$ <u>58,606,200</u>

*Comprised of the following amounts: \$48,000,000 from Audit Report 99-16, "Financial Interchange: Status of Prior Recommendations for Change;" \$10,606,200 from Audit Report 99-17, "Review of Supplemental Annuities;" \$1,200,000 from Audit Report 00-02, "Review of RRB and SSA Exchange of Death Information;" and \$253,846 from Audit Report 00-16, "Review of Internal Control Over Financial Accounting for Debt Recoveries."

**Audit Reports 00-02 and 00-16. The amount for the latter was previously reported as an estimate of \$235,000.

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**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING
AS OF MARCH 31, 2001**

<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Audit of the RRB's FY1993 Financial Statements	07/15/94	None	None	Corrective action on the remaining recommendation depends on continued development of an automated system for survivor benefits, with a target completion date in Fiscal Year 2001.
Review of Initial Claims Processing (96-15)	09/20/96	None	None	The agency has issued new procedures for crediting military service and is examining methods to solicit advance proofs for benefit eligibility.
Review of Quality Assurance Activities (97-06)	01/22/97	None	None	The remaining recommendation will be addressed as the agency develops a long-term quality assurance plan over the next year.
Review of Non-Priority Correspondence Handling (97-09)	03/13/97	None	None	The Office of Programs is continuing to evaluate options for correspondence tracking, including the agency's imaging system and PC-based applications.
Review of EDM Suspended Transactions (97-15)	05/08/97	None	None	The agency recently completed corrective action for the remaining recommendation.
Review of Duplicate Postings of Railroad Compensation (97-19)	07/31/97	None	None	Needed programming changes to suppress duplicate earnings referrals are scheduled for completion in Fiscal Year 2002.

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<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Review of Overpayments - SSA Transfer Cases (97-22)	08/25/97	None	None	While programming changes were made to automate non-death termination cases, preliminary tests revealed the need for some modifications.
Vested Dual Benefits Appropriations (98-15)	06/16/98	None	None	The agency will review the feasibility of benefit component accounting in the context of updating the Strategic IRM Plan and reviewing the information technology architecture.
Review of the Accuracy of Vested Dual Benefits (98-23)	09/30/98	None	None	Necessary programming changes have been requested during Fiscal Year 2001 to ensure processing systems exclude erroneous data.
Review of Procedures for Correcting Errors in Service and Compensation Reporting Identified by the EDM System (99-04)	10/19/98	None	None	The agency recently completed corrective action for the two remaining recommendations.
Review of Computer Problem and Change Management Process (99-05)	02/12/99	None	None	The agency is reviewing responses to its initial survey of help desk customers in order to measure satisfaction with service provided. In addition, a help desk assessment is currently underway to access service improvement requirements.

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<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Management Information Report - Payment and Case Accuracy Issues Related to the Financial Statement Audit (99-07)	03/24/99	None	None	The Office of Programs will address the two remaining recommendations as it develops a long-range quality assurance plan over the next year.
Management Information Report - Administrative Finality (99-11)	07/14/99	None	None	The remaining recommendation will be addressed by a revised administrative finality policy under development.
Review of Railroad Unemployment Insurance Act Contributions (99-14)	09/21/99	None	None	The agency is making necessary computer programming changes to automate the reconciliation process for compensation reports and payments under the unemployment insurance program.
Financial Interchange: Status of Prior Recommendations for Change (99-16)	09/28/99	None	\$ 48,000,000	The agency has prepared a cost estimate for system changes to provide detailed information on overpayments and will review a sample of cases before deciding on an approach.
Review of Supplemental Annuities (99-17)	09/30/99	None	\$ 10,606,200	The agency is developing more complete information on private pensions and completing work on identified cases that required adjustment.

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AS OF MARCH 31, 2001**

<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Review of Internal Controls Over Fixed Assets (00-01)	10/05/99	None	None	The agency is making necessary changes to improve internal policies and upgrade its fixed asset tracking system.

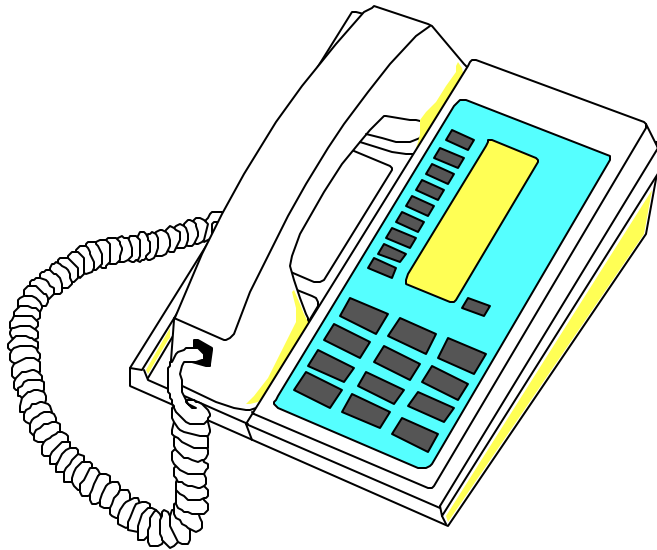
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APPENDIX E - REPORTING REQUIREMENTS

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REPORT

FRAUD, WASTE AND ABUSE



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