

# OFFICE OF INSPECTOR GENERAL

## Audit Report

**Audit of the Railroad Retirement Board's Compliance with the  
Improper Payments Elimination and Recovery Act of 2010  
in the Fiscal Year 2016 Performance and Accountability Report**

**Report No. 17-05  
May 12, 2017**



**RAILROAD RETIREMENT BOARD**

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## EXECUTIVE SUMMARY

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### Background

The Office of Inspector General for the Railroad Retirement Board (RRB) conducted a mandated audit to assess fiscal year 2016 compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), which both amended the Improper Payments Information Act of 2002 (IPIA).<sup>1</sup>

### Findings

Our audit determined that the RRB was not fully compliant with IPERA requirements. The RRB was not in compliance with IPERA risk assessment requirements because some agency risk assessments were not prepared in accordance with guidance issued by the Office of Management and Budget (OMB). We found that the agency was in compliance with the other IPERA reporting requirements, when applicable.

In addition, we found that improvement is needed to ensure that improper payment amounts are accurately reported for the Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA) programs. Some improper payment methodologies used for the RRA and RUIA programs are not in accordance with OMB guidance, leaving the RRB at risk for not identifying all improper payments. We determined that the RRA program improper payments were understated by approximately \$19 million. We also found that agency records used to support reported improper payment data for the RUIA program were not always maintained and updated in accordance with agency guidelines.

IPERIA requires agencies to use specific databases to identify the names of individuals ineligible for payment for various reasons, including death notifications. Agencies are also required to report the results of the matches in an IPERA report section called "Do Not Pay." We found that the RRB's Do Not Pay data was inaccurate and incomplete for the RRA program.

### Recommendations

In total, we made six detailed recommendations to RRB management related to:

- corrective actions that are needed for third year noncompliance with IPERA as specified in guidance issued by OMB;
- revision of projection methods used for the underpayment component of the overall reported improper payment amount for the RRA program;

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<sup>1</sup> Public Laws 111-204, 112-248, and 107-300, respectively.

- improvement of RRB documentation used to support RUIA reported improper payment data to ensure that it is maintained and updated in accordance with agency guidance;
- creation and implementation of Do Not Pay validation procedures for the RRA program to ensure compliance with IPERA guidance; and
- improvement in agency procedures and deadlines to ensure that Do Not Pay data is reported in a complete and accurate manner in accordance with OMB guidance for the RRA program.

## **Management Responses and Our Comments**

RRB management concurred with three of our six recommendations.

The Bureau of Fiscal Operations did not concur with the recommendation for corrective actions that are required for third year noncompliance with IPERA, as specified in guidance issued by OMB. Management stated that the risk assessments were revised to comply with OMB guidance prior to the issuance of this audit report. Our noncompliance assessment for agency risk assessments remains unchanged despite RRB management's statement that the risk assessment revisions have now been completed. OMB M-15-02 requires that agencies prepare risk assessments for all programs to identify those that are susceptible to significant improper payments. The guidance identifies the minimum risk factors to be used in each agency's evaluation. OMB Circular A-136 requires agencies to describe, in its performance and accountability report, all of the risk assessments performed in the fiscal year and the description is to include the risk factors examined. The RRB did not comply with this requirement.

The Office of Programs did not concur with a recommendation for revision of projection methods used for the underpayment component of the overall reported improper payment amount for the RRA program. Management stated its current methodology of applying improper payment percentages and that it believes this methodology is more accurate than previous methodologies used. We believe that the projection method as stated in our finding is the most accurate estimation process for initial and post underpayment accruals. By not concurring with our recommendation, improper payments continue to be understated and therefore inaccurately reported.

In an overall response, RRB asserts that it is compliant with OMB IPERA guidance and the definition of improper payments because their methodologies were approved by OMB and based on two RRB Office of General Counsel legal opinions, which support this determination. We disagree.

Under IPIA, an improper payment is 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. The RRB continues to assert that certain payments it makes, which are subsequently

determined to be erroneous because of additional information being reported, are not improper. This is counter to the legal definition of an improper payment and OMB guidance. One fundamental purpose of improper payment identification and reporting is to identify the root causes of improper payments in order to prevent them in the future. By disregarding these improper payments, RRB may not place adequate attention on identifying the root cause of such improper payments and minimizing them in the future. We continue to disagree that the RRB's improper payment definition and methodology for RRA and RUIA underpayment cases is in compliance with OMB guidance and IPFA, as stated in our finding and will seek further communication with OMB and RRB to resolve this matter.

The Office of Programs did not concur with recommendation for improvement of RRB documentation used to support RUIA reported improper payment data to ensure that it is maintained and updated in accordance with agency guidance. Although the Office of Programs did not concur, it described corrective measures taken. We have not yet evaluated the corrective actions described, thus are unable to assert if they are sufficient to prevent future reporting errors.

The Office of Programs concurred with the remaining three recommendations.

The full text of management's responses is included in the appendices.

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## INTRODUCTION

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This report presents the results of the Office of Inspector General's (OIG) audit of the Railroad Retirement Board's (RRB) fiscal year 2016 compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), which both amended the Improper Payments Information Act of 2002 (IPIA).<sup>2</sup>

### Background

The RRB, an independent agency in the executive branch of the Federal Government, administers retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA). The RRB paid \$12.5 billion in retirement/survivor benefits and \$132.3 million in unemployment and sickness insurance benefits during fiscal year 2016.

Improper payment legislation was enacted to reduce improper payments and directed the Office of Management and Budget (OMB) to issue governmentwide guidance regarding reporting requirements. IPERA defines an improper payment 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).

IPERA reporting guidance was issued as Appendix C to OMB Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*.<sup>3</sup> The guidance defines significant improper payments as (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or (2) \$100 million (regardless of the improper payment percentage of total program outlays). OMB guidance requires each agency's Inspector General to assess IPERA compliance within 180 days after the issuance of the Agency's Financial Report (AFR) or Performance and Accountability Report (PAR).<sup>4</sup> Agencies that are noncompliant with IPERA 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

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<sup>2</sup> Public Laws 111-204, 112-248, and 107-300, respectively.

<sup>3</sup> OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control*, OMB Circular A-123, M-16-17 (July 15, 2016).

<sup>4</sup> OMB, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, M-15-02 (October 20, 2014).

the same program or activity requires a review from OMB to determine if additional funding would help the agency become compliant. Noncompliance for three consecutive fiscal years for the same program or activity requires the agency to submit reauthorization proposals for each discretionary program or activity that has not been in compliance for three or more consecutive years, or proposed statutory changes to bring the program or activity into compliance.

IPERA guidance states that agencies are to establish primary and secondary accountable officials, who are primarily charged with responsibility for implementing improper payment guidance and its requirements. Implementation of IPERA guidance should be a significant responsibility and be a major focus of the primary and secondary accountable officials. The RRB’s Executive Committee (1) oversees day to day operations of the agency in conformance with existing laws, regulations, and policies; (2) makes recommendations to the Board Members on agency related policy issues; and (3) promotes coordination and communication on matters of agencywide policy and direction. The Executive Committee is also responsible for oversight and problem solving regarding cross organizational internal control issues, and functions as the agency’s senior management council with respect to the responsibilities outlined in OMB Circular No. A-123.

Within the RRB, the Office of Programs compiles and reports improper payment data for the annual PAR. The RRB’s improper payment amounts for fiscal year 2015 as reported in the RRB’s fiscal year 2016 PAR is provided in Table 1 below.

Table 1: RRB Fiscal Year 2015 Improper Payment Amounts

<b>Program</b>	<b>Outlays</b>	<b>Improper Payments</b>	<b>Improper Payment Percentage</b>
RRA	\$12.2 billion	\$71.21 million	0.58
RUIA	\$104.12 million	\$ 3.47 million	3.34

Source: RRB Performance and Accountability Report for Fiscal Year 2016.

### **Audit Objectives**

The mandated objectives of this audit were to:

1. determine whether the RRB is in compliance with IPERA;
2. evaluate the accuracy and completeness of improper payment reporting;  
and
3. evaluate agency performance in reducing improper payments.

## Scope

Improper payment data reported in the RRB's fiscal year 2016 PAR consisted of fiscal year 2015 improper payment data. The "Do Not Pay" data consisted of fiscal years 2015 and 2016 for the RRA program.

## Methodology

To accomplish the audit objectives, we:

- identified criteria from improper payment laws, as well as OMB's governmentwide guidance for IPERA;
- reviewed the RRB's improper payment data as provided in the fiscal year 2016 PAR and related postings;
- assessed the accuracy and completeness of agency reporting and evaluated the agency's performance in reducing and recapturing improper payments;
- tested two samples to assess the accuracy of agency determinations of proper or improper for overpayments and underpayments and the accuracy of the recorded amounts;
- interviewed appropriate agency staff; and
- reviewed agency documentation, including support for overpayments and underpayments.

We tested reliability of data in the following RRB systems: (1) computer generated spreadsheets, (2) accounts receivable system, (3) payment rate and entitlement history system, and (4) imaging system. Data reliability was tested by comparing data from the computer generated spreadsheets to various other agency systems. We determined that the data was sufficiently reliable for the purposes of this audit.

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 RRB headquarters in Chicago, Illinois from December 2016 through April 2017.

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## RESULTS OF AUDIT

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Our audit determined that the RRB was not fully compliant with IPERA requirements because its risk assessment documents did not meet the minimum requirements specified in OMB guidance. We found that the agency was in compliance with the other IPERA reporting requirements, when applicable. Table 2 summarizes our assessments.

Table 2: OIG Assessment of Compliance for Fiscal Year 2016 Reporting

<b>Compliance Requirements</b>	<b>Assessment</b>
Published an AFR or PAR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website.	Compliant
Conducted a program specific risk assessment for each program or activity that conforms with Section 3321 of Title 31 U.S.C.	Not Compliant
Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment.	Compliant
Published programmatic corrective action plans in the PAR or AFR (if required).	Not Required
Published, and has met, annual reduction targets for each program assessed to be at risk and measured for improper payments.	Compliant
Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR.	Compliant

In addition, we found that improvement is needed to ensure the accuracy of reported improper payment amounts for the RRA and RUIA programs. We determined that the RRA reported improper payment amount was understated by approximately \$19 million. We also identified other improper payment reporting deficiencies for the “Do Not Pay” section, which made the RRB improper payments report incomplete and inaccurate for the RRA program.

OMB guidance requires that we report on six areas of compliance. The details of these compliance assessments, audit findings, and recommendations for corrective action follow. The full text of management’s response is included in the appendices.

### **Publish a Performance and Accountability Report**

Federal agencies are required to publish an AFR or PAR for the most recent fiscal year and post that report and any accompanying materials required by OMB on the agency website.

The RRB is in compliance with this requirement, as the fiscal year 2016 PAR was published and is available on the RRB's website. The RRB's improper payment data is included in the PAR.

## **Conduct Risk Assessments**

Federal agencies are required to conduct a program specific risk assessment for each program or activity that conforms with Section 3321 of Title 31 U.S.C.

The RRB did not comply with this requirement because risk assessments were not prepared in accordance with OMB guidance for two of the programs that the RRB administers (1) vendor payments and (2) employee payments. While in September 2015, RRB management provided risk assessments that included the cited programs, the risk assessments did not address all of the minimum requirements specified in OMB guidance. Although this finding was previously cited in our fiscal year 2015 and 2016 audit reports and RRB management had not completed the necessary corrective actions as of April 2017, agency management explained that preparation of these risk assessments was in progress.<sup>5</sup>

OMB guidance identifies risk assessment factors that are likely to contribute to improper payments and those factors are the minimum requirements that agencies should use in its assessment of agency administered programs to identify those that are susceptible to significant improper payments.

Due to this instance of noncompliance for three consecutive years for the same program or activity, OMB guidance states that within 30 days, the agency should submit to Congress the following, in order to bring the program or activity in question into compliance:

- i. Reauthorization proposals for each discretionary program or activity that has not been in compliance for three or more consecutive fiscal years; or
- ii. Proposed statutory changes necessary to bring the program or activity into compliance.

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<sup>5</sup> RRB OIG, *Audit of Railroad Retirement Board's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2014 Performance and Accounting Report*, OIG Audit Report No. 15-06, Recommendations 2 and 3 (Chicago, IL: May 15, 2015); and RRB OIG, *Audit of Railroad Retirement Board's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2015 Performance and Accounting Report*, OIG Audit Report No. 16-07 (Chicago, IL: May 13, 2016).

## Recommendation

1. We recommend that the Bureau of Fiscal Operations take the actions as required by OMB guidance in regard to noncompliance for third consecutive year for the same program to ensure that RRB programs for vendor payments and employee payments are brought into compliance.

## Management's Response and Our Comments

The Bureau of Fiscal Operations did not concur with recommendation number 1. In its response, BFO stated that the risk assessments were revised to comply with OMB guidance prior to the issuance of this audit report. BFO also stated that the revisions were not submitted to the OIG for review because the OIG indicated they would not be reviewed as they were not incorporated in the fiscal year 2016 PAR.

RRB's comments support our finding that the RRB was noncompliant with IPERA and this recommendation, which addresses OMB required actions for such noncompliance. Our noncompliance assessment for agency risk assessments remains unchanged despite RRB management's statement that the risk assessment revisions have now been completed. OMB M-15-02 requires that agencies prepare risk assessments for all programs to identify those that are susceptible to significant improper payments. The guidance identifies the minimum risk factors to be used in each agency's evaluation. OMB Circular A-136 requires agencies to describe, in its performance and accountability report, all of the risk assessments performed in the fiscal year and the description is to include the risk factors examined. The RRB did not comply with this requirement. Risk assessment revisions were neither completed during fiscal year 2016 nor incorporated in the RRB's fiscal year 2016 PAR, as required by OMB. As a result and as we are mandated to do, we deemed the RRB noncompliant, and recommended corrective action to address third year noncompliance as specified in OMB M-15-02. Failure to address this recommendation leaves the RRB in further violation of OMB guidance.

## **Publish Improper Payment Estimates**

Federal agencies are required to publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment.

The RRB published improper payment estimates for the RRA and RUIA programs. Although the RRB determined that the Medicare Part B program is susceptible to significant improper payments, improper payment estimates were not reported because the information is not currently available. Improper payment estimates for this program are not expected to be reported for this program until 2017, when system generated estimates are expected to become available. This is the first year the Medicare Part B program was included in the RRB's table that identifies programs susceptible for

significant improper payments. This addition was made as a result of our fiscal year 2016 audit report that addressed the need to include the Medicare Part B program in the RRB's chart of estimates and to indicate the date by which improper payment estimates were expected to begin.

### **Publish Corrective Action Plans**

Federal agencies are required to publish programmatic corrective action plans in the PAR or AFR (if required).

The RRB is not required to meet this requirement because improper payment estimates, as reported, did not meet or exceed the level for significant improper payments as defined in OMB guidance.

### **Publish Annual Reduction Targets**

Federal agencies are required to publish and meet annual reduction targets for each program assessed to be at risk and measured for improper payments.

The RRB complied with this requirement because the RRB published and met annual reduction targets for the RRA and RUIA programs. The RRB has not yet published improper payment rates for the Medicare Part B program as discussed in the section of this report entitled "Publish Improper Payment Estimates." Therefore, we were unable to assess compliance for the Medicare Part B program.

### **Publish Gross Improper Payment Rates Less than Ten Percent**

Federal agencies are required to report a gross improper payment rate of less than ten percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR.

The RRB is in compliance with the requirement because the gross improper payment rates, as reported by the RRB, were less than ten percent for the RRA and RUIA programs. The RRB has not yet published improper payment rates for the Medicare Part B program as discussed in the section of this report entitled "Publish Improper Payment Estimates." Therefore, we were unable to assess compliance for the Medicare Part B program.

## **Inaccurate Improper Payment Data for the Railroad Retirement Act and Railroad Unemployment Insurance Act Programs**

OMB guidance requires that the agency’s Inspector General evaluate the accuracy of agency reporting. We determined that RRB improper payment methodologies used for the RRA and RUIA programs result in inaccurate improper payments reported for both programs as explained below and on the following pages.

### Railroad Retirement Act Program

RRB OIG auditors continue to have concerns regarding (1) the overall RRA quality assurance process that identifies improper underpayments and (2) RRA underpayment methodology that is not in compliance with OMB guidance.

The Office of Programs uses its quality assurance process as the basis for various agency reports, including mandated improper payment reporting for RRA underpayments. This process consists of reviewing selected cases for accuracy and the application of policies and procedures. During its review of quality assurance cases, the Office of Programs analyzed the data for each underpayment case to determine whether the underpayment was proper or improper. The Office of Programs uses a multi column spreadsheet to record each case, monetary data, and its determinations for improper payment reporting purposes.

The Office of Programs conducts separate quality assurance samples of initial and post cases. Initial cases are adjudicative actions that resulted from applications filed during the fiscal year under review. Post cases are rate adjustments that were made during the reviewed fiscal year. Underpayments (accruals) that result from initial and post samples are reviewed to identify improper payments. Separate improper payment percentages are calculated for each review and then combined into an overall improper payment percentage as shown in Table 3.

Table 3: RRB Calculated Improper Payment Percentages for RRA Initial and Post Underpayment Cases that Resulted from the Fiscal Year 2015 Quality Assurance Reviews

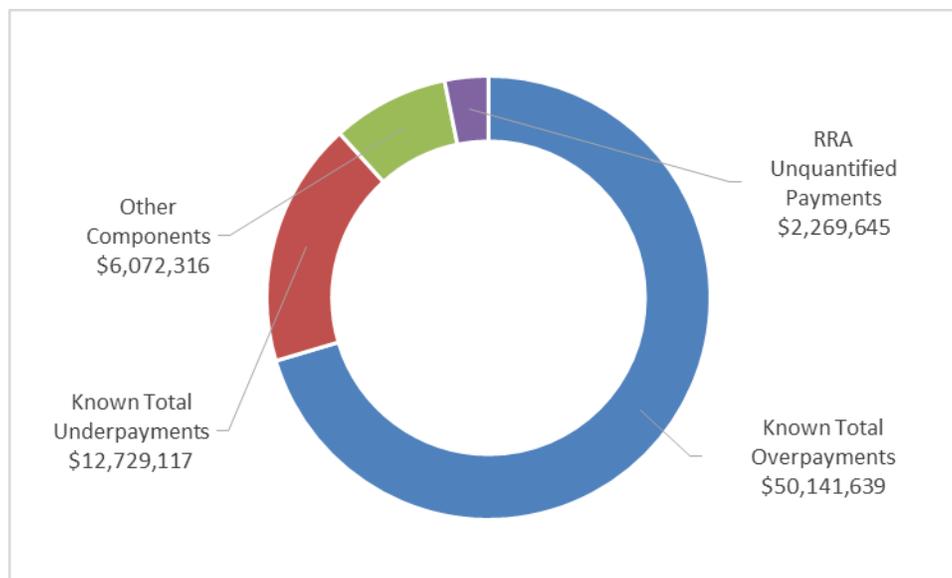
<b>Sample Type</b>	<b>Total Accruals</b>	<b>Improper Portion of Accrual</b>	<b>Improper Payment Percentage</b>
<b>Post Sample</b>	\$ 447,579.32	\$267,183.39	59.70%
<b>Initial Sample</b>	\$ 676,361.14	\$ 14,776.39	2.18%
<b>Combined</b>	\$1,123,940.46	\$281,959.78	25.09%

Source: RRB improper payment data.

Presently, the RRB applies the combined percentage to a monetary amount called “non categorized payments” that is used to represent RRB payments that are not (1) monthly recurring payments, (2) accruals associated with initial awards, or (3) accruals for other

identified processes. As shown in Figure 1, the resulting underpayment component is \$12.7 million. Prior to the more recent computation of a combined improper payment percentage, the RRB only had one improper payment percentage (post) which had been applied to “non categorized payments” component. When the RRB began to calculate the initial improper payment percentage as a result of an OIG recommendation, each percentage should have been applied to the applicable category rather than being combined into one percentage.

Figure 1: Composition of Improper Payments for the RRA Program



Source: OIG analysis of RRB improper payment data.

We determined that these two improper payment percentages should have been applied to two separate amounts: the initial rate should have been applied to an amount called “accruals associated with initial awards” and the post rate should have been applied to the amount called “non categorized payments.” Application of this method would have resulted in a projected underpayment improper payment component totaling \$31.8 million. As a result, we estimate that the RRB’s improper payment estimate for the RRA program is understated by approximately \$19 million.

This finding was originally reported in our improper payments report published in fiscal year 2016 and we reported that RRA improper payments were understated by approximately \$12 million. We also reported that the RRB’s quality assurance process was complex and that it was no longer sufficient for improper payment reporting purposes. Additionally, we previously identified other errors for underpayment cases that were not in accordance with OMB guidance, as reported in our improper payment reports published in fiscal years 2015 and 2016.<sup>6</sup> As a result of a legal opinion issued by the RRB’s General Counsel, the RRB continues to apply some of these incorrect

<sup>6</sup> RRB OIG, Audit Report No. 15-06 and Audit Report 16-07.

methodologies.<sup>7</sup> As a result, a previous recommendation for revision of RRA improper underpayment definitions remains open.<sup>8</sup>

We recommended that the Office of Programs revise its overall process for the RRA program that supports improper payment reporting requirements to ensure accuracy of the reported data. RRB management did not concur and stated that its methodology for the RRA program had been refined as a result of a previous IPERA audit. We have not closed this recommendation because as stated in our previous audit report, corrective action needs to be taken for the process that supports improper payment reporting because the RRB is at risk of failing to identify all improper payments, and thus not preventing such improper payments in the future.

Last year RRB management cited a prior OIG audit report as the basis for the manner in which initial and post improper payment rate projections were made.<sup>9</sup> The OIG disagreed because that audit report did not discuss projections of initial improper payment rates.

Improper payment calculations for the RRA program consists of various components comprised of (1) actual improper payments identified from receivables due the RRB from beneficiary debts and (2) projections of estimates made from various sources. We tested a statistically valid random sample of RRA receivables recorded in the RRB's accounts receivable system and found no errors for accuracy of the recorded data. As a result, we found that the determinations of proper and improper for recorded receivables, as well as the receivable amounts, were accurately reported for the RRA program. See Appendix I.

### Railroad Unemployment Insurance Act Program

RRB OIG auditors continue to have concerns regarding RUIA underpayment methodology that is not in compliance with OMB guidance.

In our mandated improper payments report published in fiscal year 2016, we found improper payments had been understated by approximately \$904,000 because the RRB's improper payment methodology was not in accordance with OMB guidance. As a result of that finding, we recommended that the Office of Programs revise its definitions of improper underpayments in the methodology used for the RUIA program to ensure that it is in compliance with IPERA guidance. The Office of Programs did not concur, citing a legal opinion issued by the RRB's General Counsel.<sup>10</sup> That legal opinion stated that although the RRB subsequently disbursed additional funds to RRB beneficiaries,

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<sup>7</sup> RRB General Counsel, *Underpayment Classification for RRA Improper Payment Reporting*, Legal Opinion L-2015-54 (Chicago, IL; November 20, 2015).

<sup>8</sup> RRB OIG, Audit Report No. 15-06, Recommendation 6.

<sup>9</sup> RRB OIG, *Evaluation of the Sufficiency of Existing Data to Estimate the Impact of Improper Payments on the Railroad Retirement Act Benefit Program*, OIG Audit Report No. 03-12 (Chicago, IL: September 17, 2003).

<sup>10</sup> RRB General Counsel, *Underpayment Classification for RUIA Improper Payment Reporting*, Legal Opinion L-2016-23 (Chicago, IL; June 17, 2016).

the original payments were not improper because the information required for correct payment was not known or available when the original payment was made.

The OIG disagrees and cites IPERA's definition of an improper payment as any payment that should not have been made or that was made in an incorrect amount. OMB guidance indicates that improper payments can result when a beneficiary has failed to report information to an agency that is needed to determine eligibility and the agency does not have access to databases containing the earnings information. Due to the lack of revision in RRB methodology for RUIA underpayments, RUIA improper payments continue to be at risk of not being in accordance with OMB guidance and; therefore, inaccurate.

Although the Office of Programs did not concur with our recommendation, this recommendation should still be implemented and RRB OIG auditors will continue to track its status.

In addition to recorded receivables, RUIA improper payment calculations consist of two other components (1) projections for underpayment cases and (2) overpayment estimates. We tested a statistically valid random sample of RUIA receivables recorded in the RRB's accounts receivable system and found no errors for accuracy of the recorded data. As a result, we found that the determinations of proper and improper for recorded receivables, as well as the receivable amounts, were accurately reported for the RUIA program. See Appendix II.

### Recommendation

2. We recommend that the Office of Programs revise its computation for application of improper payment percentages for the RRA program associated with initial and post underpayments to ensure that they are separately applied to the applicable components in RRB calculations of the total improper payments.

### Management's Response and Our Comments

The Office of Programs did not concur with recommendation number 2. In its response, management restated the current methodology of applying improper payment percentages developed from Initial and Post Adjudication Quality Assurance reviews and that it considers this the most accurate methodology to calculate an estimation of initial and post underpayment accruals. RRB believes this methodology is more accurate than previous methodologies used. Management also stated that the OIG may have misinterpreted portions of the methodology and that its methodologies are compliant with OMB IPERA guidance.

The OIG disagrees that the current projection method is the most accurate methodology and that we misinterpreted the process. The Office of Program's response presents new information not discussed with us during the audit or documented in their quality assurance methodology and, as such, we have not fully evaluated the contents of management's response. We believe that the projection method as stated in our finding

is the most accurate estimation process for initial and post underpayment accruals. Although its response indicates that our projection method was to use dollar amounts, our projection method incorporated percentages that should have separately applied to the two different components of the RRB's improper payment calculations. By not concurring with our recommendation, improper payments continue to be understated and; therefore, inaccurately reported.

### Management's Response on IPERA Compliance and Our Comments

In an overall response, RRB asserts that it is compliant with OMB IPERA guidance and the definition of improper payments because their methodologies were approved by OMB and based on two RRB Office of General Counsel legal opinions, which support this determination. The OIG disagrees.

Under IPIA, an improper payment is 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. The RRB continues to assert that certain payments it makes, which are subsequently determined to be erroneous because of additional information being reported, are not improper. This is counter to the legal definition of an improper payment and OMB guidance. One fundamental purpose of improper payment identification and reporting is to identify the root causes of improper payments in order to prevent them in the future. By disregarding these improper payments, RRB may not place adequate attention on identifying the root cause of such improper payments and minimizing them in the future. We continue to disagree that the RRB's improper payment definition and methodology for RRA and RUIA underpayment cases is in compliance with OMB guidance and IPIA, as stated in our finding and will seek further communication with OMB and RRB to resolve this matter.

### **Incomplete Improper Payment Data for the Railroad Retirement Act Program**

OMB guidance requires that the agency's Inspector General evaluate the completeness of agency reporting.

As reported in a separate OIG audit report, RRB OIG auditors found that some RRB receivables were not recorded in the RRB's receivable system.<sup>11</sup> As a result, improper payment amounts reported for the RRA program were incomplete. Those receivables that resulted from death matches were returned to the RRB prior to being recognized and recorded as RRB receivables. This finding was reported while the RRB was finalizing its improper payment reporting for fiscal year 2015. As a result, this reported issue impacted improper payment amounts reported for the RRA program for fiscal year 2015 and previous years.

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<sup>11</sup> RRB OIG, *The Railroad Retirement Board's Method for Recording and Reporting Overpayments Identified by Death Matches Can Be Improved*, OIG Audit Report No. 16-08 (Chicago, IL; August 4, 2016).

RRB receivables are a significant component of the RRB's reported improper payments. The RRA program has many components in its computation of improper payments. RRA receivables represented approximately 70 percent or \$50 million of \$71.2 million (as shown in Figure 1). The unrecorded receivables were also not recorded as part of the RRB's reported improper payments. As a result of all RRA receivables not being recorded in the agency's receivable system, improper payment amounts for the RRA program are understated.

In 2016, we issued recommendations to address complete recording of receivables resulting from death matches and its impact on improper payment reporting.<sup>12</sup> These recommendations were closed as implemented in March 2017.

### **Inaccurate and Incomplete Data in Supporting Documentation for RUIA Reported Improper Payments**

RRB OIG auditors found that supporting documentation for RUIA reported improper payment amounts contained inaccurate and incomplete data. RRB staff compile and maintain a master workbook that is intended to support reported data for RUIA program improper payment amounts. RUIA improper payment validation procedures require that updates be made to the master workbook. We also found that some of the data in the master workbook that is used for support, but does not contain data that is reported for improper payment purposes, is not reviewed. As a result, errors in those portions of the master workbook were not detected. Although errors existed in these underlying supporting documents, we found that they did not result in reporting errors because the correct support, maintained outside of the master workbook, was used in the reported data.

Although no reporting errors were found, inaccurate supporting documents could have resulted in reporting errors.

#### Recommendation

3. We recommend that the Office of Programs ensure that the RUIA master workbook is properly maintained and updated in accordance with the validation guidelines to ensure that the reported data is accurately supported.

#### Management's Response and Our Comments

The Office of Programs did not concur with recommendation number 3. Office of Programs stated that the discrepancies found in the master workbook had no impact on the final improper payments report. Office of Programs also stated that it revised the current master workbook for the fiscal year 2017 improper payments report to ensure that all supporting documentation is streamlined and cohesive.

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<sup>12</sup> RRB OIG Audit Report No. 16-08, Recommendations 1 and 2.

The OIG agrees with the Office of Programs that no errors were found, but there is a risk that reporting errors could have resulted from the inaccurate data within the workbook. Although the Office of Programs did not concur, it described corrective measures taken for the current master workbook. We have not yet evaluated the corrective actions described, thus are unable to assert if they are sufficient to prevent future reporting errors.

### **Inaccurate and Incomplete Do Not Pay Data for the Railroad Retirement Act Program**

We found that some of the RRB's "Do Not Pay" data was inaccurate and incomplete for the RRA program. The reported amount for the dollars reviewed for possible improper payments was understated by \$4.4 billion because only eight months' worth of data was reported. Monetary values were not provided for match results from non IPERIA databases for the following portions of required reporting for "Do Not Pay" data (1) dollars of payments reviewed for possible improper payments and (2) dollars of potential improper payments reviewed and determined accurate (proper). OMB guidance requires agencies to report monetary values and quantities of the required information for an entire fiscal year. In addition, a mixture of improper and proper RRA program data was reported for an OMB requirement that only should have reported proper data.

IPERIA requires that agencies perform preaward and prepayment reviews to prevent improper payments from Federal funds. Agencies are required to use IPERIA specified databases and other databases to identify the names of individuals ineligible for payment for various reasons, including death notifications. The guidance requires that agencies report the results of the matches, including identification of monetary values and quantities of records matched, but that upon further review were determined to be eligible for payment (proper).

Agency management explained that inaccurate data was reported because RRB staff followed prior year reporting guidance, and that monetary values were not provided because the data was unavailable. Agency management also explained that only a portion of the fiscal year was reported due to internal deadlines that were established to facilitate receipt of data for the RRB's PAR.

As a result of incomplete and inaccurate reporting, the RRB did not comply with OMB requirements and as a result, RRB reported data was not transparent for RRB customers and other Federal agencies.

## Recommendations

We recommend that the Office of Programs:

4. develop and implement “Do Not Pay” validation guidelines for the RRA program to ensure that the reported data complies with current OMB guidance;
5. work with agency management to ensure that the internally established deadline to provide RRA program “Do Not Pay” data is set for a date that will allow data to be reported for the entire fiscal year; and
6. develop and implement procedures to ensure that RRA program “Do Not Pay” data resulting from matches of non IPERIA databases include monetary values as required by OMB guidance.

## Management’s Response

The Office of Programs concurred with recommendation numbers 4, 5 and 6.

## **Agency Performance in Reducing Improper Payments**

OMB guidance requires that the agency’s Inspector General evaluate agency performance in reducing and recapturing improper payments.

### Railroad Retirement Act Program

A comparison of reported RRA program improper payment data for fiscal years 2015 and 2014 showed that there was a slight increase in reported improper payment amounts, while at the same time the improper payment percentage remained fairly consistent. We note that the reported amounts as shown in Table 4 do not include RRB OIG auditor determinations that improper payments were understated by \$19 million and \$12 million for fiscal years 2015 and 2014, respectively. This finding was previously presented in this report. Thus, RRB improper payments for fiscal year 2015 would have exceeded the amount reported for fiscal year 2014. As a result, we determined that the RRB has not effectively reduced improper payments for the RRA program. Recoveries increased for the same period.

Table 4: Comparative Improper Payment Data for the Railroad Retirement Act Program

<b>Fiscal Year</b>	<b>Improper Payment Amounts</b>	<b>Improper Payment Percentage as Compared to Outlays</b>	<b>Recoveries</b>
2015	\$71.21 million	.58%	\$45.9 million
2014	\$70.6 million	.59%	\$43.07 million

Source: RRB Performance and Accountability Report for Fiscal Year 2016. The reported improper payment amounts do not include OIG identified understatements.

Railroad Unemployment Insurance Act Program

A comparison of reported RUIA program improper payment data for fiscal years 2015 and 2014 showed that the reported improper payment amount and improper payment percentage decreased. We note that the reported amounts as shown in Table 5 do not include RRB OIG auditor determinations that improper payments were understated by \$904,000 for fiscal year 2014 and that the RRB remains at risk of not identifying all improper payments. This audit concern was previously presented in this report. As a result, we cannot determine the RRB’s effectiveness for reducing improper payments for the RUIA program. For the same period, recoveries remained consistent.

Table 5: Comparative Improper Payment Data for the Railroad Unemployment Insurance Act Program

<b>Fiscal Year</b>	<b>Improper Payment Amounts</b>	<b>Improper Payment Percentage as Compared to Outlays</b>	<b>Recoveries</b>
2015	\$3.47 million	3.34%	\$21.97 million
2014	\$4.29 million	4.04%	\$22.03 million

Source: RRB Performance and Accountability Report for Fiscal Year 2016. The reported improper payment amounts do not include OIG identified understatements.

## **Statistical Sampling Methodology and Results Railroad Retirement Act Program - Receivables**

This appendix presents the methodology and results for the RRA receivable sampling conducted for this audit. We selected a statistically valid random sample of RRA receivables.

### **Sampling Objective**

Our sampling objective is to verify the accuracy of the RRB's determinations of: (1) proper or improper assessments and (2) the recorded receivable amount for the RRA program.

### **Scope**

Our sample was selected from receivables established under the RRA program in the RRB's receivable system during fiscal year 2015.

### **Universe/Sampling Unit**

The sampling universe of RRA receivables consisted of 28,243 receivable records downloaded from the agency's receivable system for receivables established during fiscal year 2015. The sampling unit was a billing document identification number recorded in the agency's receivable system.

### **Sample Selection Methodology**

We used Two Step Attribute Acceptance Sampling using a confidence level of 90 percent and a critical error rate of 5 percent, which directed a first step sample of 59 billing documentation identification numbers for the first step, and 54 billing documentation identification numbers for the second step (for a total of 113 records if the first step failed). If one or more errors were discovered as a result of tests for the first step, second step testing would be required. The threshold for acceptance after second step testing was two errors. Therefore, if zero errors existed in our first step or if after the second step, two or fewer errors were identified, we would infer with 90 percent confidence that the receivable determinations of proper or improper and the receivable amounts have been accurately reported under the RRA program.

### **Sample Evaluation Methodology**

For each receivable record, we obtained and reviewed data from various RRB systems to determine if the receivable data, as recorded in the agency's receivable system, agreed to the underlying support in other agency systems.

**Statistical Sampling Methodology and Results  
Railroad Retirement Act Program - Receivables**

**Results of Review**

Our reviews resulted in the following errors, as identified by attribute.

<b>Test Attributes</b>	<b>Number of Records Tested</b>	<b>Errors</b>
Receivable amount was found in the agency's receivable system or other RRB system.	59	0
Receivable amount was properly supported by data in agency systems.	59	0
The receivable was properly classified.	59	0
The receivable amount was established in the correct fiscal year.	59	0
<b>Total Number of Errors</b>		<b>0</b>

**Auditor's Conclusion**

Our evaluation of the statistically valid sample of 59 receivable records identified no errors for accuracy of the recorded data. As a result, we conclude that the determination of proper and improper for recorded receivables, as well as the receivable amounts reported have been accurately reported for the RRA program.

## **Statistical Sampling Methodology and Results Railroad Unemployment Insurance Act Program - Receivables**

This appendix presents the methodology and results for the RUIA receivable sample conducted for this audit. We selected a statistically valid random sample of RUIA receivables.

### **Sampling Objective**

The sampling objective was to verify the accuracy of the RRB's determination of: (1) proper or improper assessments and (2) the recorded receivable amount for the RUIA program.

### **Scope**

Our sample was selected from receivables established under the RUIA program recorded in the RRB's receivable system during fiscal year 2015.

### **Universe/Sampling Unit**

The universe consisted of 4,611 RUIA receivable records established during fiscal year 2015. The sampling unit was a billing document identification number recorded in the agency's receivable system.

### **Sample Selection Methodology**

We used Two Step Attribute Acceptance Sampling using a confidence level of 90 percent and a critical error rate of 5 percent, which directed a first step sample of 59 billing documentation identification numbers and an additional 53 billing documentation identification numbers for the second step (for a total of 112 records). If one or more errors were discovered as a result of testing for the first step, second step testing would be required. The threshold for acceptance after second step testing was two errors. Therefore, if zero errors existed in our first step, or if two or fewer errors were identified after second step testing, we would infer with 90 percent confidence that the receivable determinations of proper or improper and the receivable amounts have been accurately reported for the RUIA program.

### **Sample Evaluation Methodology**

For each receivable record, we obtained and reviewed data from various RRB systems to determine if the receivable data, as recorded in the agency's receivable system, agreed to the underlying support in other agency systems.

**Statistical Sampling Methodology and Results  
Railroad Unemployment Insurance Act Program - Receivables**

**Results of Review**

Our reviews resulted in the following errors, as identified by attribute.

<b>Test Attributes</b>	<b>Number of Records Tested</b>	<b>Errors</b>
Receivable amount was found in the agency's receivable system or other RRB system.	59	0
Receivable amount was properly supported by data in agency systems.	59	0
The receivable was properly classified.	59	0
The receivable amount was established in the correct fiscal year.	59	0
<b>Total Number of Errors</b>		<b>0</b>

**Auditor's Conclusion**

Our evaluation of the statistically valid sample of 59 receivable records identified no errors for accuracy of the recorded data. As a result, we conclude that the determinations of proper and improper for recorded receivables, as well as the overpayment amounts, have been accurately reported for the RUIA program.

**Status of Previous OIG Audit Recommendations  
for Improper Payment Reporting**

The table below provides the current status of previous recommendations that resulted from the mandated RRB OIG compliance reports for improper payments.

<b>Recommendation</b>	<b>Status</b>
The Office of Programs should strengthen the existing review process to ensure the accuracy of Improper Payments Elimination and Recovery Act reporting details in the annual Performance and Accountability Report. (RRB OIG Audit Report 12-05, Recommendation No. 1)	Closed in April 2013
The Office of Programs should obtain and maintain individual debtor records that support the total improper payment amounts for the RRA and RUIA programs. (RRB OIG Audit Report 13-05, Recommendation No. 1)	Closed in March 2014
The Office of Programs should obtain and maintain documentation to support the estimated outlay amounts for the RRA and RUIA programs from the Bureau of the Actuary. (RRB OIG Audit Report 13-05, Recommendation No. 2)	Closed in March 2014
The Office of Programs should standardize their procedures for the RRA and RUIA programs to ensure consistency of improper payment data reported in the PAR. (RRB OIG Audit Report 13-05, Recommendation No. 3)	Closed in March 2014
The Office of Programs should identify and implement additional initiatives to reduce improper payments for the RUIA program. (RRB OIG Audit Report 13-05, Recommendation No. 4)	Closed in March 2014
The Office of Programs should identify all programs that administer during the risk assessment process for improper payments. (RRB OIG Audit Report 14-05, Recommendation No. 1)	Closed in February 2016
The Executive Committee should take all of the necessary steps to prepare and submit the required plans within the 90 day reporting requirement. (RRB OIG Audit Report 15-06, Recommendation No. 1)	Open

**Status of Previous OIG Audit Recommendations  
for Improper Payment Reporting**

Recommendation	Status
The Executive Committee should ensure that the necessary policies and procedures are developed and documented for the agency's use for the preparation of a risk assessment process that meets IPERA requirements. (RRB OIG Audit Report 15-06, Recommendation No. 2)	Open
The Executive Committee should coordinate the preparation of a risk assessment for agency administered programs in accordance with OMB guidance. (RRB OIG Audit Report 15-06, Recommendation No. 3)	Open
The Executive Committee should assess and determine who should be the improper payment official to ensure that they have sufficient knowledge and oversight of all RRB programs. (RRB OIG Audit Report 15-06, Recommendation No. 4)	Closed in June 2015
The Office of Programs should reevaluate their methodologies and document their procedures for the computation of improper payment components to ensure that all areas are properly included in their computation of improper payments for the RRA program. (RRB OIG Audit Report 15-06, Recommendation No. 5)	Closed in February 2016
The Office of Programs should revise and document their definitions of improper underpayments for the RRA program in compliance with IPERA guidance, and if similar definitions are used for other programs, revise them accordingly. (RRB OIG Audit Report 15-06, Recommendation No. 6)	Open
The Office of Programs should review the RRA underpayment cases again using IPERA guidance and revise the calculation of improper underpayments and its overall computation of improper payments for fiscal year 2013. (RRB OIG Audit Report 15-06, Recommendation No. 7)	Closed without implementation in January 2016
The Office of Programs should publish the revised RRA improper payment rate data for fiscal year 2013 in the fiscal year 2015 PAR. (RRB OIG Audit Report 15-06, Recommendation No. 8)	Closed without implementation in January 2016

**Status of Previous OIG Audit Recommendations  
for Improper Payment Reporting**

Recommendation	Status
<p>The Office of Programs should develop and document the necessary policies and procedures for the review and validation of the RUIA improper payment data to be reported in the PAR. (RRB OIG Audit Report 15-06, Recommendation No. 9)</p>	<p>No Corrective Action Taken to Date</p> <p>The OIG disagreed that this recommendation should be directed to another organization within the RRB because the bureau that prepares the report has a responsibility to ensure that the reported data is accurate and agrees to the supporting documentation. The OIG believes that this recommendation should still be implemented and will continue to track its status.</p>
<p>The Office of Programs should ensure that the proper controls are in place to make sure that the policies and procedures are followed to properly support the improper payment data reported for the RUIA program. (RRB OIG Audit Report 15-06, Recommendation No. 10)</p>	<p>No Corrective Action Taken to Date</p> <p>The OIG disagreed that this recommendation should be directed to another organization within the RRB because the bureau that prepares the report has a responsibility to ensure that the reported data is accurate and agrees to the supporting documentation. The OIG believes that this recommendation should still be implemented and will continue to track its status.</p>
<p>The Office of Programs should revise its overall process for the RRA program that supports improper payment reporting requirements to ensure the accuracy of the data. (RRB OIG Audit Report 16-07, Recommendation No. 1)</p>	<p>The Office of Programs did not concur. The OIG believes that this recommendation should still be implemented and will continue to track its status.</p>

**Status of Previous OIG Audit Recommendations  
for Improper Payment Reporting**

Recommendation	Status
The Office of Programs should document policies and procedures to ensure that entire receivable balances are recorded in the agency's receivable system. (RRB OIG Audit Report 16-07, Recommendation No. 2)	Open
The Office of Programs should revise its definitions of improper underpayments in the methodology used for the RUIA program to ensure that it is in compliance with IPERA guidance. (RRB OIG Audit Report 16-07, Recommendation No. 3)	The Office of Programs did not concur. The OIG believes that this recommendation should still be implemented and will continue to track its status.
The Office of Programs should increase the quantity of cases included in the review of additional fund disbursements to ensure that the number of cases are representative of the population. (RRB OIG Audit Report 16-07, Recommendation No. 4)	Closed in January 2017
The Office of Programs should strengthen controls for the review process for data that supports improper payment reporting to ensure that the data is accurately reported. (RRB OIG Audit Report 16-07, Recommendation No. 5)	Closed in March 2017
The Office of Programs should develop and document policies and procedures to ensure improper payment reporting is prepared in accordance with applicable guidance. (RRB OIG Audit Report 16-07, Recommendation No. 6)	Closed in December 2016



UNITED STATES GOVERNMENT  
**MEMORANDUM**

May 10, 2017

**TO:** Heather J. Dunahoo  
Assistant Inspector General for Audit

**FROM:** Shawna R. Weekley  
Deputy Chief Financial Officer

**SUBJECT:** Draft - Audit of the Railroad Retirement Board's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2016 Performance and Accountability Report

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WEEKLEY  
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WEEKLEY  
DN: cn=US, o=U.S. Government,  
ou=Railroad Retirement Board,  
c=SHAWNA WEEKLEY,  
serial=201705101117234930P  
Date: 2017.05.10 11:17:23 -0500

This is in response to the Office of Inspector General's request for comments on the above referenced report. Following are my comments in response to recommendation 1.

Recommendation 1:

"We recommend that the Bureau of Fiscal Operations take the actions as required by OMB guidance in regard to noncompliance for third consecutive year for the same program to ensure that RRB programs for vendor payments and employee payments are brought into compliance."

Management Response: Non-concur.

In the referenced report, the Office of Inspector General (OIG) contends that the RRB is non-compliant because our previously submitted risk assessments for the vendor and employee payment programs were not revised to address all risk factors included in the OMB guidance.

Revisions to the referenced risk assessments were completed in accordance with OMB guidance prior to the issuance of the subject audit report. We did not submit the revised risk assessments for review because an OIG audit manager stated that the risk assessments were not published in Railroad Retirement Board's FY 2016 Performance and Accountability Report, and therefore would not be reviewed by the OIG.

If you or your team members have questions, please contact Lawrence Haskin at extension 4963.

cc: Debra Stringfellow-Wheat, Supervisory Auditor  
Jeffrey Baer, Director of Audit Affairs and Compliance  
Tim Hogueisson, Acting Director of Audit Affairs and Compliance  
Lawrence Haskin, Chief of Treasury, Debt Recovery and Financial Systems  
Kristofer Garmager, Financial Management and Program Analysis Manager



UNITED STATES GOVERNMENT  
**MEMORANDUM**

May 11, 2017

**TO :** Heather Dunahoo  
Assistant Inspector General for Audit

**FROM :** Janet M. Hallman *Janet M. Hallman*  
Director of Program Evaluation and Management Services  
Through: Michael Tyllas *Michael A. Tyllas Ph.D.*  
Director of Programs

**SUBJECT:** Audit of the Railroad Retirement Board's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2016 Performance and Accountability Report

**Office of Programs Response**

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**Recommendation**  
2      The Office of Programs should revise its computation for application of improper payment percentages for the RRA program associated with initial and post underpayments to ensure that they are separately applied to the applicable components in RRB calculations of the total improper payments.

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**Office of Programs Response, Continued**

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**Office of  
Programs  
Response**

We do not concur. For the purpose of determining a percentage of RRA improper payments made in the 'Non-Categorized Payments' of underpayment accruals, we currently apply improper payment percentages developed from both our Initial and Post Adjudication Quality Assurance reviews. It is a tool that we consider to be the most accurate methodology to calculate an estimation of initial and post underpayment accruals.

It is actually more accurate than what we had originally, which was simply deeming the entire 'Non-Categorized Payments' amount as improper, or later using exclusively the percentage developed from the post quality review.

We understand the OIG concurs with our approach of applying our improper payment percentage developed for post accruals to the 'Non-Categorized Payments.' However, the OIG recommends the improper payments percentage calculated with initial accruals should be applied to the 'Accrued RRA Benefits Associated with Initial Awards' category rather than 'Non-Categorized Payments.' Although the word 'initial' appears in the title 'Accrued RRA Benefits Associated with Initial Award,' this may have caused some misinterpretation, as our current methodology is appropriate.

The revised methodology proposed by the OIG has several concerning flaws potentially resulting in an inaccurate estimation of improper payments as follows:

- Utilization of the 'Accrued RRA Benefits Associated with Initial Awards' category applies improper underpayments to several types of work that are outside the scope of the Initial QA review.
- Employee accruals account for about 45% of the 'Accrued RRA Benefits Associated with Initial Award' category; however, our statistically valid Initial QA sampling includes a relatively even number of cases for employees, spouses and widows.
- Only about 60% of claims included in the statistical sample of the Initial QA review have accruals. In addition, receiving an accrual is not a selection criteria for our review.
- The use of dollar amounts, instead of the number of claims, to determine the percentage of initial accrual improper payments is not an accurate metric since there is a wide range of amounts included in the accruals ranging from as little as \$.12 to \$12,000. Utilizing dollar amounts assumes the accruals have equal value.

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*Continued on next page*

## Office of Programs Response, Continued

Recommendation 3	The Office of Programs should ensure that the RUIA master workbook is properly maintained and updated in accordance with the validation guidelines to ensure that the reported data is accurately reported.
Office of Programs Response	<p>We do not concur. The discrepancies found in our master workbook had no impact on our final Improper Payment report.</p> <p>Since our established validation guidelines were correctly used in the preparation of the FY 2016 Improper Payment report, and the correct support was maintained outside of the master workbook, no reporting errors resulted in the Performance and Accountability Report.</p> <p>However, we have revised the current master workbook for the FY 2017 Improper Payment report to ensure that all of our supporting documentation is streamlined and cohesive.</p>
Recommendation 4	The Office of Programs should develop and implement “Do Not Pay” validation guidelines for the RRA program to ensure that the reported data complies with current OMB guidance.
Office of Programs Response	<p>We concur. As part of our internal procedures and guidelines, we will include a copy of the OMB guidelines for the current year to ensure the reported data complies with OMB guidance.</p> <p>Target date for completion: September 30, 2017</p>
Recommendation 5	The Office of Programs should work with agency management to ensure that the internally established deadline to provide RRA program “Do Not Pay” data is set for a date that will allow data to be reported for the entire fiscal year.
Office of Programs Response	<p>We concur. We will report the “Do Not Pay” data for the prior full fiscal year. This will match the reporting format for the rest of the IPERA data in the Performance and Accountability Report (P&amp;AR). Starting with the FY 2017 P&amp;AR, we will report full FY 2016 data for the entire “Do Not Pay” section.</p> <p>Target date for completion: September 30, 2017</p>

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## Office of Programs Response, Continued

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**Recommendation 6** The Office of Programs should develop and implement procedures to ensure that RRA program “Do Not Pay” data resulting from matches of non IPERIA databases include monetary values as required by OMB guidance.

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**Office of Programs Response**

We concur. As notated in the FY 2016 P&AR, we do not capture the dollars of payments reviewed for possible improper payments or the dollars of potential improper payments reviewed and determined accurate from the monthly CMS death match listing. This data is also not available for FY 2017. However, starting in FY 2018, Policy & Systems will provide PEMS the current monthly recurring benefit payment amount on the CMS death match file. PEMS will use this payment information to complete the CMS portion of Table 7. Please note, the results of this data will not appear in the P&AR “Do Not Pay” section until FY 2019.

Target date for completion: September 30, 2019

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**Office of Programs Response to RRA and RUIA Underpayment Methodology**

The OIG report on pages 7 through 10 challenges our methodology for categorizing RRA and RUIA underpayments. We would like to reiterate that RRB’s categorization of underpayment accruals for both the RRA and RUIA programs are in full compliance with OMB’s guidance and the definition of improper payments.

Based on the Office of General Counsel’s legal opinion L-2015-54 dated November 20, 2015 (RRA), we made some modification to the categorization of various underpayment accruals found in our Quality Assurance review cases and therefore, are now in compliance. Based on the Office of General Counsel’s legal opinion L-2016-23 dated June 17, 2016 (RUIA) we obtained verification that our methodologies for categorization of underpayment accruals were already in compliance with IPERA.

The RRB obtained OMB approval of our RUIA methodology in February 2014 and our RRA methodology in August 2016, further confirming that we are compliant with OMB IPERA guidance.

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