

FY 2019 BUDGET SUBMISSION



Office of Inspector General
Railroad Retirement Board



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

September 8, 2017

The Honorable Mick Mulvaney
Director
Office of Management and Budget
Eisenhower Executive Office Building
1650 Pennsylvania Avenue, NW
Washington, DC 20503

Dear Mr. Mulvaney:

We are respectfully submitting the fiscal year (FY) 2019 budget request for the Office of Inspector General (OIG) of the Railroad Retirement Board (RRB). This request was prepared in compliance with Office of Management and Budget (OMB) Circular No. A-11. In accordance with Section 7(f) of the Railroad Retirement Act, our request is being submitted concurrently to OMB and the Congress.

The OIG focuses its audit and investigative efforts on protecting the integrity of the RRB's trust funds and improving the delivery of benefits to the railroad community. The OIG provides comprehensive oversight of all RRB operations and programs and is the exclusive provider of financial and internal audit services to the agency. The OIG also operates a nationwide investigative program to address allegations of fraud and employee misconduct.

We are requesting \$11,525,000 in FY 2019 to continue our oversight of agency programs. This represents the amount needed to fund our requested staff level of 56 FTEs; to adequately fund required contracts, indirect costs, and other miscellaneous expenses; and to provide the necessary resources for the OIG to continue its efforts to perform fraud investigations, detect operational weaknesses, and identify internal control deficiencies in RRB benefit programs.

In compliance with OMB guidance provided on July 7, 2017, our budget submission also includes a FY 2019 budget level of \$10,000,000 (the FY 2019 level for the RRB OIG in the President's FY 2018 budget).

Our current FY 2017 appropriation of \$10,000,000 is equal to the FY 2019 OMB guidance level, and over \$1.5 million more than our FY 2016 appropriation. This increase has made it possible for the RRB OIG to evaluate and upgrade its information technology environment and obtain assistance in improving its

information technology infrastructure. Continuing funding at a level of \$10,000,000, or higher, will make it possible for us to advance our primary goal, which is to hire additional staff. We have begun to hire additional auditors and investigators, and we hope to be able to continue with our hiring plans. If we were to receive our request level of \$11,525,000 in FY 2019, we would be able to fund a staffing level of 56 FTEs, which would optimally fulfill our audit and investigative responsibilities.

We anticipate that providing funding for the RRB OIG at the OMB guidance level of \$10,000,000 in FY 2019 would also allow us to continue to add staff, but only to a staff level of 52 FTEs.

Without adequate funding, our ability to perform in all areas of the Inspector General's statutory mission and to provide independent oversight of agency operations would be limited. If we are unable to maintain or increase our funding level, mandated annual audit requirements would dominate our efforts, and our ability to perform additional audits and investigate allegations of fraud, waste, and abuse would be curtailed.

Adequate resources are vital to maintain our ability to effectively pursue investigations. Insufficient resources would adversely impact our ability to pursue investigations of fraud schemes targeting RRB programs or beneficiaries, thereby creating an incentive for those who would otherwise be deterred by more effective investigative and prosecutorial actions.

This budget submission includes the OIG's Performance Budget for fiscal year 2019, which provides actual performance data for fiscal years 2014 through 2016 and projected performance for fiscal years 2017 through 2019.

We are also requesting the following changes to our oversight and enforcement authority:

- The RRB OIG has identified the RRB's oversight of the National Railroad Retirement Investment Trust (NRRIT) as a serious management challenge for the agency. Effective in fiscal year 2013, federal agencies must comply with audit standard AU-C Section 600, which requires open communication and cooperation between the OIG and NRRIT's auditor, and reasonable access to audit evidence supporting the NRRIT auditor's work. We have been unable to comply with AU-C Section 600 since the NRRIT and its auditor have failed to communicate, cooperate, or release audit documentation to the OIG. We respectfully request oversight and enforcement authority be granted to the OIG to conduct audits and investigations of the NRRIT, which held approximately \$25 billion of RRB investments as of September 30, 2016.

- The RRB OIG also requests the authority to utilize an independent accounting (IPA) firm or the Government Accountability Office (GAO) to conduct its financial statement audit. There are currently 20 OIG Offices of Audit with between 10 and 100 auditors (including the RRB OIG Office of Audit). The RRB OIG is the only office of this size to conduct the financial audit with its own audit staff.

Permitting the RRB OIG to contract with an IPA or the GAO to conduct the financial statement audit would allow the RRB OIG to pursue additional audit priorities such as RRB benefit program operations, RRB contracting activity, improper payments, and security, privacy, and information management. With additional staff availability, the RRB OIG will complete more audits and provide better oversight of RRB operations.

This office will continue to efficiently use all available resources to improve agency program operations, reduce fraud against agency benefit programs, and help ensure the agency provides the highest level of service to its constituents.

Sincerely,

Original signed
Martin J. Dickman, Inspector General



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

September 8, 2017

The Honorable Michael R. Pence
President of the Senate
Eisenhower Executive Office Building
1650 Pennsylvania Avenue, NW
Washington, DC 20501

Dear Mr. President:

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Sincerely,

Original signed
Martin J. Dickman, Inspector General



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

September 8, 2017

The Honorable Paul D. Ryan
Speaker of the House of Representatives
Office of the Speaker
United States Capitol
Washington, DC 20515-6501

Dear Mr. Speaker:

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Sincerely,

Original signed
Martin J. Dickman, Inspector General

**OFFICE OF INSPECTOR GENERAL
RAILROAD RETIREMENT BOARD**

FISCAL YEAR 2019 BUDGET SUBMISSION

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**OFFICE OF INSPECTOR GENERAL
RAILROAD RETIREMENT BOARD**

**LIMITATION ON THE OFFICE OF INSPECTOR GENERAL
FISCAL YEAR 2019 BUDGET**

The Office of Inspector General (OIG) at the Railroad Retirement Board (RRB) is responsible for promoting economy, efficiency and effectiveness; and for identifying and preventing fraud, waste and abuse in agency programs.

The RRB administers comprehensive retirement-survivor and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families. In fiscal year (FY) 2016, the agency paid approximately \$12.5 billion in retirement and survivor benefits to about 553,000 beneficiaries. The RRB also paid \$133.3 million in net unemployment and sickness insurance benefits. Almost 17,000 railroad workers received unemployment benefits and 17,000 received sickness insurance benefits.

The RRB contracts with a separate Medicare Part B carrier to process the Medicare Part B claims of qualified railroad retirement beneficiaries. As of September 30, 2016, there were about 446,000 railroad retirement beneficiaries enrolled in the Medicare Part B program. During FY 2016, the RRB's separate Part B carrier paid nearly \$847 million in benefits.

The OIG conducts audits, management reviews, inspections of RRB program operations, and provides recommendations for improvement to agency management. The OIG also identifies and investigates cases of waste, fraud and abuse in RRB programs, and makes referrals for prosecution and monetary recovery actions.

The OIG is requesting \$11,525,000 in FY 2019 to conduct its independent oversight of agency operations. At this level of funding, the OIG will have the resources it needs to continue its efforts to conduct fraud investigations, identify operational weaknesses, and detect internal control deficiencies in RRB benefit programs. The OIG will also continue its work with agency managers to ensure implementation of corrective actions.

The FY 2019 budget submission also includes a budget level of \$10,000,000 (equal to the FY 2019 budget level in the President's FY 2018 budget), in compliance with the Office of Management and Budget memorandum of July 7, 2017.

The FY 2019 Performance Budget, including performance statistics at the FY 2019 budget levels, projected performance statistics for FY 2017 – FY 2018, and actual results for FY 2014 – FY 2016, is included in this budget document.

**OFFICE OF INSPECTOR GENERAL
RAILROAD RETIREMENT BOARD
Budget Account - Limitation on the Office of Inspector General
(60-8018-0-7-601)**

Administrative Appropriation Request for Fiscal Year 2019
(in thousands of dollars)

	<u>FY 2018 ADMINISTRATION PROPOSED LEVEL</u>	FY 2019	
		<u>OMB LEVEL</u>	<u>RRB OIG REQUEST LEVEL</u>
Limitation on the Office of Inspector General	8,437	10,000	11,525
Full-time equivalent staff years (FTEs)	46	52	56

**OFFICE OF INSPECTOR GENERAL
RAILROAD RETIREMENT BOARD**
Budget Account - Limitation on the Office of Inspector General
(60-8018-0-7-601)

**FY 2019 Budget Request By Appropriation and Object Class
(in thousands of dollars)**

	FY 2017 CURRENT APPROPRIATION	FY 2018 PRESIDENT'S BUDGET	FY 2019		RRB OIG REQUEST LEVEL
			OMB LEVEL	CHANGE	
<u>OMB OBJECT CLASS</u>					
PERSONNEL COMPENSATION:					
11.1 Full-Time Permanent	5,181	5,035	5,925	550	6,475
11.3 Other Than Full-Time Permanent	104	120	100	0	100
11.5 Other Personnel Compensation	125	101	101	0	101
11.9 Total Personnel Compensation	<u>5,410</u>	<u>5,256</u>	<u>6,126</u>	<u>550</u>	<u>6,676</u>
12.0 Personnel Benefits: Civilian	2,014	1,900	2,334	215	2,549 <i>a/</i>
13.0 Benefits for Former Personnel	0	0	0	0	0
21.0 Travel and Transportation	400	375	390	10	400
23.0 Communications, Utilities and Rent	387	377	377	0	377
25.0 Other Services	900	345	566 <i>b/</i>	500	1,066 <i>b/</i>
26.0 Supplies and Materials	69	49	57	0	57
31.0 Equipment	820	135	150	250	400
TOTAL OIG DIRECT OBLIGATIONS	<u>10,000</u>	<u>8,437</u>	<u>10,000</u>	<u>1,525</u>	<u>11,525</u> <i>c/</i>
REIMBURSABLE OBLIGATIONS	<u>1,330</u>	<u>1,330</u>	<u>1,350</u>	<u>0</u>	<u>1,350</u>
TOTAL OIG OBLIGATIONS	<u>11,330</u>	<u>9,767</u>	<u>11,350</u>	<u>1,525</u>	<u>12,875</u>
OIG FUNDED FTE ALLOCATION	47 <i>d/</i>	46	52	4	56

a/ Includes \$30,000 to provide full funding for the transit benefit program for RRB OIG employees in FY 2019.

b/ The RRB OIG request level includes \$350,000 for a contract with a private accounting firm to evaluate information security pursuant to the Federal Information Security Management Act of 2014 (FISMA). Includes \$70,000 for RRB OIG training at the OMB level and at the RRB OIG request level. Finally, includes 0.22% of the appropriation amount for support of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) in FY 2019.

c/ The RRB OIG request level of \$11,525,000 for FY 2019 would allow the RRB OIG to fund a staff level of 56 FTEs and provide additional funding for miscellaneous expenses.

d/ The RRB OIG funded 47 FTEs in FY 2017.

Salary and benefit estimates for fiscal years 2018 and 2019 reflect assumptions provided by the Office of Management and Budget for cost of living / locality increases of 1.9% in January 2018 and 2.0% in January 2019.

**OFFICE OF INSPECTOR GENERAL
RAILROAD RETIREMENT BOARD
Budget Account - Limitation on the Office of Inspector General
(60-8018-0-7-601)**

Analysis of Resources
(in thousands of dollars)

	<u>FY 2017 CURRENT APPROPRIATION</u>	<u>FY 2018 PRESIDENT'S BUDGET</u>	<u>FY 2019</u>		
			<u>OMB LEVEL</u>	<u>RRB OIG REQUEST LEVEL</u>	
Budget Authority.....	10,000	8,437	10,000	11,525	
Outlays.....	10,000	8,437	10,000	11,525	
Full-time equivalent employment (Work Years):					
Total Funded.....	47	46	52	56	
	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Budget Authority:					
OMB level.....	10,000	10,000	10,000	10,000	10,000
RRB OIG request level.....	*	*	*	*	*
Outlays:					
OMB level.....	10,000	10,000	10,000	10,000	10,000
RRB OIG request level.....	*	*	*	*	*

* Amounts for these years to be determined.

**OFFICE OF INSPECTOR GENERAL
RAILROAD RETIREMENT BOARD
Budget Account - Limitation on the Office of Inspector General
(60-8018-0-7-601)**

Full-Time Equivalent Staff By Grade

<u>PERSONNEL SERIES</u>	<u>GRADE LEVEL</u>	<u>FY 2017 CURRENT APPROPRIATION ^{1/}</u>	<u>FY 2018 ADMINISTRATION PROPOSED LEVEL</u>	<u>FY 2019</u>	
				<u>OMB LEVEL</u>	<u>RRB OIG REQUEST LEVEL</u>
Executive	IG	1	1	1	1
Senior Executive Service	SES	3	3	3	3
General Schedule	GS-15	2	2	2	2
	GS-14	8	8	8	8
	GS-13	17	17	19	20
	GS-12	12	11	14	14
	GS-11	2	2	3	3
	GS-10	0	0	0	0
	GS-09	2	2	2	5
	GS-08	0	0	0	0
	GS-07	0	0	0	0
	GS-06	0	0	0	0
	GS-05	0	0	0	0
	GS-04	0	0	0	0
	TOTAL FTEs FUNDED		47	46	52

^{1/} The FTE total for FY 2017 reflects projected FTE usage.

OFFICE OF INSPECTOR GENERAL RAILROAD RETIREMENT BOARD

The Office of Inspector General conducts its operations through two major components: the Office of Audit and the Office of Investigations. A discussion of the priority areas in FY 2019 for audit and investigative activities follows.

OFFICE OF AUDIT

The mission of the Office of Audit (OA) is to (1) promote economy, efficiency, and effectiveness in the administration of RRB programs, and (2) detect and prevent fraud and abuse in such programs. Through the Inspector General, OA keeps the Board Members and the Congress informed of current and potential problems and deficiencies in RRB operations and the status of progress towards corrective action.

During FY 2019, OA will focus on meeting its mandated audit requirements, areas affecting program performance, the efficiency and effectiveness of agency operations, and areas of potential fraud, waste and abuse. In FY 2019, OA will continue its emphasis on long term systemic problems and solutions, and will address major issues that affect the RRB's service to rail beneficiaries and their families. OA has identified six broad areas of potential audit coverage:

- Financial Accountability
- RRA and RUIA Benefit Program Operations
- RRB Contracts and Contracting Activities
- Railroad Medicare Program Operations
- Security, Privacy and Information Management
- Improper Payments Elimination and Recovery Act of 2010 oversight

During FY 2019, OA must accomplish the following mandated activities in addition to other program audits:

- Audit of the RRB's Financial Statements pursuant to the requirements of the Accountability of Tax Dollars Act of 2002;
- Audit of information security pursuant to the Federal Information Security Management Act of 2002 (FISMA);
- Audit of the RRB's Compliance with the Improper Payments Elimination and Recovery Act of 2010;

- Review of IG Requirements for Government Charge Card Abuse and Prevention Act of 2012;
- Assessments required under the Digital Accountability and Transparency Act of 2014
- Identification of Performance and Management Challenges; and
- Semi-annual Reporting in accordance with the Inspector General's Act of 1978, as amended.

During FY 2019, unless authority and funding is provided for a contract to perform the financial audit (see page 12), OA will complete the audit of the RRB's FY 2018 financial statements and begin its audit of the agency's FY 2019 financial statements. OA contracts with a consulting actuary for technical assistance in auditing the RRB's Statement of Social Insurance. In addition to performing the mandated annual evaluation of information security, OA also conducts audits of individual computer application systems that are required to support the annual FISMA evaluation. OA work in this area is targeted toward the identification and elimination of security deficiencies and system vulnerabilities, including controls over sensitive personally identifiable information.

In FY 2017, OA expects to complete eleven reports, nine of which address mandated work and most of which are completed under Generally Accepted Government Auditing Standards. To date in FY 2017, OA has issued 93 recommendations for improvement to the agency and reviewed and accepted agency requests to close 40 prior audit recommendations. In addition, in FY 2017, OA reported that the RRB is noncompliant with the Improper Payments Elimination and Recovery Act of 2010 and faced numerous challenges preparing to report under the Data Act. OA also reported on weaknesses in the RRB's travel program and in determining the accuracy of its payments and adjudication decisions.

OA undertakes additional projects with the objective of allocating available audit resources to areas in which they will have the greatest value. In making that determination, OA utilizes a strategic planning process to focus on areas affecting program performance, the efficiency and effectiveness of agency operations, and areas of potential fraud, waste and abuse. OA also considers staff availability, current trends in management, and Congressional and Presidential concerns. The OA annual work plan is the primary tool for directing and controlling OA activities annually.

OFFICE OF INVESTIGATIONS

The Office of Investigations (OI) focuses its efforts on identifying, investigating and presenting cases for prosecution, throughout the United States, concerning fraud in RRB benefit programs. OI conducts investigations relating to the fraudulent receipt of RRB sickness, unemployment, disability, or retirement benefits. OI investigates railroad employers and unions when there is an indication that they have submitted false reports to the RRB. OI also conducts investigations involving fraudulent claims submitted to the Railroad Medicare Program. These investigative efforts can result in criminal convictions, civil penalties, administrative sanctions, and the recovery of program benefit funds for any program administered by the RRB.

OI initiates cases based on information from a variety of sources. The RRB conducts computer matching of employment and earnings information reported to state governments and the Social Security Administration with RRB benefits paid data. Fraud referrals are made to OI if a match is found. OI also receives allegations of fraud through the OIG Hotline, contacts with state, local and Federal agencies, and information developed through audits conducted by the OIG's Office of Audit.

Fraud referrals from the RRB have reduced over the last several fiscal years. The Inspector General Empowerment Act (IGEA) of 2016 strengthened an OIG's ability to identify fraudulent or improper government payments through data analytics. The OIG will continue their commitment to proactively designing projects aimed at promoting economy, efficiency, and effectiveness in the RRB's program and operations. In addition to identifying potential targets previously undetected through the RRB's standard program integrity measures, OIG will make the necessary recommendations to resolve identified program weaknesses and prevent future occurrences.

OI Investigative Results for FY 2017

<u>Civil Judgments</u>	<u>Indictments/Informations</u>	<u>Convictions</u>	<u>Financial Accomplishments</u>
10	22	29	\$147,147,736 ¹

OI anticipates an ongoing caseload of approximately 250 investigations in FY 2019. During FY 2017, OI opened 193 new cases and closed 149. As of late August 2017, OI had cases open in 41 states and the District of Columbia, with estimated fraud losses totaling \$552,901,227.

OI will concentrate its resources on cases with the highest fraud losses. Typically, these cases are related to the RRB's disability and Medicare programs. Disability fraud

¹ The total amount of financial accomplishments reflect fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other Federal Programs such as Medicare or Social Security, which were included in the disposition resulting from the investigation.

cases currently constitute approximately 38% of OI's total caseload. These cases involve more complicated schemes and often result in the recovery of substantial funds for the agency's trust funds. OI will continue to dedicate considerable time and resources in the investigation of nationwide schemes to defraud the RRB disability program. These types of cases require sizeable resources for travel by special agents to conduct surveillance, or more sophisticated investigative techniques, and numerous witness interviews. The schemes are often complex and, in some instances, may include conspiratorial involvement by attorneys. These cases also require very sophisticated financial analysis, since the schemes are often cloaked in what could appear to be legitimate business practices.

The OI continues to work joint cases with other Offices of Inspector General and Federal law enforcement agencies that have responsibility for healthcare fraud matters. Medicare fraud investigations currently represent approximately 21% of OI's total caseload and more than \$334 million in fraud losses. OI's collaborative joint investigative efforts ensure that RRB beneficiaries are protected from sham medical practitioners, and that the Railroad Medicare program's interests are safeguarded from fraudulent schemes.

OI will also continue to investigate fraud violations of railroad employees collecting unemployment or sickness insurance benefits while working and receiving wages from an employer. Unemployment fraud cases currently constitute 19% of the total caseload of our investigators.

OI will also investigate retirement fraud which typically involves the theft and fraudulent cashing of U.S. Treasury checks or the withdrawal of electronically deposited RRB benefits. OI will also use the Department of Justice's Affirmative Civil Enforcement Program to recover trust fund monies from cases that do not meet U.S. Attorney's guidelines for criminal prosecution.

In FY 2019, OI will continue to coordinate its efforts with agency program managers to address vulnerabilities in benefit programs that allow fraudulent activity to occur and will recommend changes to ensure program integrity. OI plans to continue proactive projects to identify fraud matters that are not detected through the agency's program policing mechanisms. Findings will be conveyed to agency management through OIG systemic implication reports to alert officials of operational weaknesses that may result in fraud against RRB programs. OI will also continue to work with RRB program managers to ensure the appropriate and timely referral of all fraud matters to the OIG.

The OIG will continue their commitment to proactively designing projects aimed at promoting economy, efficiency, and effectiveness in the RRB's program and operations. In addition to identifying potential targets previously undetected through the RRB's standard program integrity measures, OIG will make the necessary recommendations to resolve identified program weaknesses and prevent future occurrences.

OI will also investigate complaints involving administrative irregularities and any alleged misconduct by agency employees.

Conclusion

In FY 2019, the OIG will continue to focus its resources on the review and improvement of RRB operations and will conduct activities to ensure the integrity of the agency trust funds. This office will continue to work with agency officials to ensure the agency is providing quality service to railroad workers and their families. The OIG will also aggressively pursue all individuals who engage in activities to fraudulently receive RRB funds, including Railroad Medicare funds.

REQUESTED CHANGE IN OPERATIONAL AUTHORITY

Oversight of the National Railroad Retirement Investment Trust (NRRIT)

The NRRIT was established by the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) to manage and invest Railroad Retirement Board (RRB) assets.

The value of the RRB's assets, held by the NRRIT increased from approximately \$24.5 billion as of September 30, 2015 to about \$25.1 billion as of September 30, 2016, including \$1.4 billion that the NRRIT transferred to the Treasury for payments of railroad retirement benefits.

In 2008, the RRB Office of Inspector General (OIG) published a statement expressing concern that the legislation that created the NRRIT as a nongovernmental entity provided only for an annual audit of entity financial statements. The specific requirement for an annual financial audit lacked a provision for any other type of audit or oversight activity, which has been used as a mechanism to exclude the RRB OIG from conducting its audit and investigative responsibilities of the Trust. No other organization, public or private, has assumed what would otherwise be the OIG's oversight role. This lack of oversight of approximately \$25 billion dollars of federal assets leaves these funds at increased risk and the Federal Government potentially liable for future shortfalls without asserting the proper oversight to reduce such a risk.

Since fiscal year 2013, auditors must comply with audit standard, AU-C 600, Special Considerations - Audits of Group Financial Statements Including the Work of Component Auditors. The standard, which established additional requirements applicable to the RRB OIG and its component auditor (NRRIT's auditor), requires open communication and cooperation between the RRB OIG and NRRIT's auditor and reasonable access to audit evidence supporting the NRRIT auditor's work. Due to the lack of oversight provisions within RRSIA, the NRRIT and its auditor are unwilling to comply with the requirements to communicate, cooperate, or release audit documentation to the RRB OIG, preventing the RRB OIG from complying with AU-C 600 and limiting audit and investigative oversight.

The OIG respectfully requests oversight and enforcement authority to conduct audits and investigations of the NRRIT and the legal authority necessary to collaborate with and access the financial statement audit work of the NRRIT's auditor.

Outsourcing the Financial Statement Audit of the Railroad Retirement Board

In accordance with the Accountability of Tax Dollars Act of 2002, the Railroad Retirement Board (RRB) is required to produce audited financial statements. Prior requirements of the Chief Financial Officers Act of 1990 required the preparation and audit of RRB trust funds.

The RRB Office of Inspector General (OIG) has conducted audits of the RRB's financial statements using OIG staff since fiscal year 1997. The OIG was directed to do so by Congress, as noted in both Senate and House Reports related to the fiscal year 1994 appropriation. In accordance with the legislative intent communicated by Congress, the OIG financial statement audit opines on the Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, Consolidated Statement of Budgetary Resources, and Statement of Social Insurance and the Statement of Change in Social Insurance Amounts.

There are currently 20 OIG Offices of Audit with between 10 and 100 auditors (including the RRB OIG Office of Audit). Of these, all but the RRB OIG utilized an independent public accounting (IPA) firm or the Government Accountability Office to conduct its financial statement audit. Of the agencies defined in the CFO Act, in recent years, all but five issue a financial statement audit opinion issued by an IPA, while many of the remaining rely on IPAs to conduct much of the audit work.

The RRB OIG requests the authority to utilize an IPA to conduct the financial statement audit and the budgetary resources to do so. The most significant advantage of utilizing an IPA is that OIG staff could be utilized on other audit activities. During the peak of financial statement audit work, up to 10 of 18 OIG auditors are working on the financial statement audit. Work on the financial statement audit, including additional audits supporting the financial statement audit, is equivalent to four to five FTEs each year—nearly a third of the current RRB OIG audit staff. We estimate that the cost of utilizing an IPA for the financial statement audit will be between \$500,000 and \$750,000. A formal procurement process would be undertaken to ensure the IPA is selected in the most cost effective manner and to ensure continued OIG independence in conducting the financial statement audit.

Permitting the RRB OIG to contract with an IPA for the financial statement audit will allow the RRB OIG to pursue additional audit priorities, such as RRB benefit program operations, RRB contracting activity, improper payments, and security, privacy and information management. The Office of Audit maintains an audit universe of over 100 audit ideas and determines which audits to conduct after considering various risk analyses such as program size, potential for fraud and abuse, improving efficiency at the RRB, effect on RRB's noncompliance with the Improper Payments Elimination and Recovery Act of 2010, as well as Congressional interest. With additional staff availability, we will be able to complete more of these audits and further develop expertise across the RRB's varied and complex program areas in order to provide better oversight of the RRB.

RAILROAD RETIREMENT BOARD
OFFICE OF INSPECTOR GENERAL

FISCAL 2019 PERFORMANCE BUDGET

The audit and investigative programs of the Office of Inspector General (OIG) are dedicated to protecting the integrity of the Railroad Retirement Board's trust funds and improving the delivery of benefits to the railroad community. The OIG has developed the Fiscal Year 2019 Performance Budget to support our mission by establishing performance measures for our strategic goals.

The OIG is aware that external factors may significantly affect planned activities and the allocation of resources during any given fiscal year. New legislative mandates may necessitate the delay of scheduled projects to ensure that we meet new statutory requirements.

MISSION STATEMENT

The OIG will promote economy, efficiency, and effectiveness in the RRB's programs and operations by focusing our audit and investigative efforts on protecting the integrity of the RRB's trust funds and improving the delivery of benefits to the railroad community.

VISION STATEMENT

The OIG employs a skilled and professional workforce dedicated to the goals and mission of the Office. The OIG will:

- conduct audits/evaluations, management reviews, and inspections of the RRB's programs and operations;
- provide recommendations for improvement to RRB management;
- prevent and detect fraud, waste, and abuse in the RRB's programs and operations;
- review and make recommendations regarding existing and proposed legislation and regulations relating to the RRB's programs and operations; and
- inform RRB Board Members and the Congress of problems in the RRB's programs and operations.

STRATEGIC GOALS

This plan establishes three strategic goals:

1. Add value to the RRB's programs and operations.
2. Protect the integrity of the RRB's programs, operations, and trust funds.
3. Ensure quality and excellence in the OIG's work and products.

The first goal addresses our independent oversight of the RRB's programs and operations. In support of this goal, we evaluate agency program functions, assess program efficiency, and advise management regarding necessary actions to improve agency performance.

The second goal involves compliance reviews and enforcement activities to identify systemic weaknesses in the RRB's programs and operations. Our objective is to reduce the potential for waste, fraud, and abuse in the RRB's programs and operations and to create a deterrent for future fraudulent activities.

The third goal focuses on the OIG's internal operations. We will identify ways to streamline audits and investigations by utilizing new technologies, providing staff training, and improving planning processes.

Goal 1 – Add value to the RRB's programs and operations.

The OIG's products and services are used by the RRB, the Congress, and other interested parties to improve the efficiency, effectiveness, and integrity of the RRB's programs and operations.

We will achieve this goal by:

- Focusing the OIG's work on major RRB programs and operations. Major areas include the annual financial statement audit, information systems and security, improper payments, and e-Government initiatives. We will review operating performance in both program and administrative functions to ensure that agency activities promote efficiency and minimize the potential for fraud, waste, and abuse.
- Providing accurate, objective, and timely information to the RRB, the Congress, and other interested parties.
- Promoting actions on the OIG's recommendations.

Goal 2 – Protect the integrity of the agency’s programs, operations, and trust funds.

This goal addresses the third element of the OIG’s vision, to prevent and detect fraud and abuse in the RRB’s programs and operations. To achieve this goal, we review and investigate allegations of fraud that are referred to our office through a variety of internal and external sources. We develop proactive strategies to identify systemic fraud and abuse and make recommendations to address the causes. Based on the recommendations issued by this office, the agency has the responsibility to establish the necessary controls in its programs and operations.

We will achieve this goal by:

- Analyzing RRB programs and operations to identify those that are most susceptible to fraud and abuse and those programs for which the agency’s policing mechanisms are ineffective. We will continue to develop traditional information sources, both within and outside the agency, that provide information concerning allegations of fraud and abuse.
- Taking timely actions in response to allegations of fraud and abuse. We will take a proactive approach to developing electronic information sources and methodologies that will allow us to conduct our investigations and analysis in the most efficient manner. We will provide the necessary support for prosecutors to conduct appropriate criminal or civil actions to address allegations of fraud or abuse.
- Providing all interested parties, i.e., prosecutors, agency officials, the Congress, and others as warranted, with complete, accurate, and timely reports concerning the results of our audit and investigative activities. We will alert agency officials and the Congress regarding significant issues that will impact agency programs and operations. We will encourage publication of judicial results by prosecutors to strengthen the deterrent effect of those actions.
- Conducting timely follow-up actions to ensure the agency addresses our systemic issue recommendations.
- Monitoring progress for all matters referred for judicial action.
- Encouraging prosecutors to complete a satisfaction survey at the conclusion of all judicial proceedings to provide honest feedback regarding OI’s investigative activities.

Goal 3 – Ensure quality and excellence in the OIG’s work and products.

To carry out its mission in a competent and efficient manner, the OIG must have a skilled and motivated work force. All staff members must have the knowledge and skills required to perform their duties. The OIG’s management will support its staff by providing the means to carry out the mission of the Office and implementing a comprehensive quality assurance program.

We will achieve this goal by:

- Focusing on recruitment and retention of a professional staff that is highly skilled and appropriately developed.
- Ensuring that the staff is fully supported with the necessary tools, services, and direction to carry out their oversight duties effectively and efficiently.
- Implementing a comprehensive quality assurance program that ensures compliance with OIG policies and procedures; the Council of the Inspectors General on Integrity and Efficiency quality standards for Federal Offices of Inspector General; and other requirements.

PERFORMANCE BUDGET

The Performance Budget for FY 2019 provides performance indicators consistent with our strategic goals. Actual performance is provided in the following exhibit for fiscal years 2014 through 2016. Performance for fiscal year 2017 reflects the level of resources provided by the Consolidated Appropriations Act, 2017, and fiscal year 2018 performance reflects the President’s proposed budget level of \$8,437,000.

Performance data for FY 2019 reflects funding at the FY 2019 OMB guidance level of \$10,000,000, and at the RRB OIG budget request level of \$11,525,000.

Railroad Retirement Board Office of Inspector General FY 2019 Performance Budget	<u>FY 2014</u> Actual (\$8.272M)	<u>FY 2015</u> Actual (\$8.437M)	<u>FY 2016</u> Actual (\$8.437M)	<u>FY 2017</u> Estimate (\$10.000M)	<u>FY 2018</u> President's Budget (\$8.437M)	<u>FY 2019</u> OMB Level (\$10.000M)	<u>FY 2019</u> RRB OIG Request Level (\$11.525M)
Strategic Goal I: Add value to the RRB's programs and operations.							
The OIG will solicit suggestions for audits and reviews for the annual audit work plan from 100% of the agency's organizational components.	100%	100%	100%	100%	100%	100%	100%
Seventy-five percent of audit reports will be issued within 240 days.	67%	65%	67%	80%	65%	80%	85%
Agency management agrees with 80% of recommendations made in audit, evaluation, and inspection reports.	86%	80%	75%	72%	75%	75%	80%
Reports on the progress of corrective actions for audit recommendations will be issued to the RRB Chairman within 35 days of the six month reporting period.	35 days	35 days	35 days	35 days	35 days	35 days	35 days
The OIG will file 100% of reports on time.	100%	100%	100%	100%	100%	100%	100%
The OIG will acknowledge 100% of requests for information within three working days.	100%	100%	100%	100%	100%	100%	100%
Strategic Goal II: Protect the integrity of the RRB's programs, operations, and trust funds.							
Percentage of allegations evaluated and submitted for disposition within 30 days of receipt.	90%	90%	93%	99%	95%	95%	95%
Percentage of investigative cases closed, or in judicial process, during a fiscal year which resulted in a successful action, i.e., criminal indictment, criminal conviction, civil judgment or settlement, administrative action, or monetary recovery.	42%	36%	36%	27%	30%	30%	30%

Railroad Retirement Board Office of Inspector General FY 2019 Performance Budget	<u>FY 2014</u> Actual (\$8.272M)	<u>FY 2015</u> Actual (\$8.437M)	<u>FY 2016</u> Actual (\$8.437M)	<u>FY 2017</u> Estimate (\$10.000M)	<u>FY 2018</u> President's Budget (\$8.437M)	<u>FY 2019</u> OMB Level (\$10.000M)	<u>FY 2019</u> RRB OIG Request Level (\$11.525M)
The OIG will complete 4 projects to identify fraud cases that are not detected through agency policing procedures.	5	7	10	8	7	7	7
Strategic Goal III: Ensure quality and excellence in the OIG's work and products.							
Percentage of employees meeting the training requirements of their profession.	90%	90%	100%	100%	100%	100%	100%
All auditors hold the appropriate credentials to satisfy government, PCIE and applicable standards.	100%	100%	100%	100%	100%	100%	100%
All auditors will receive 80 hours of continuing professional education over 2 years.	100%	100%	100%	100%	100%	100%	100%
Eighty percent of audits, evaluations, and inspections are subjected to an internal quality assurance review.	100%	100%	100%	100%	100%	100%	100%