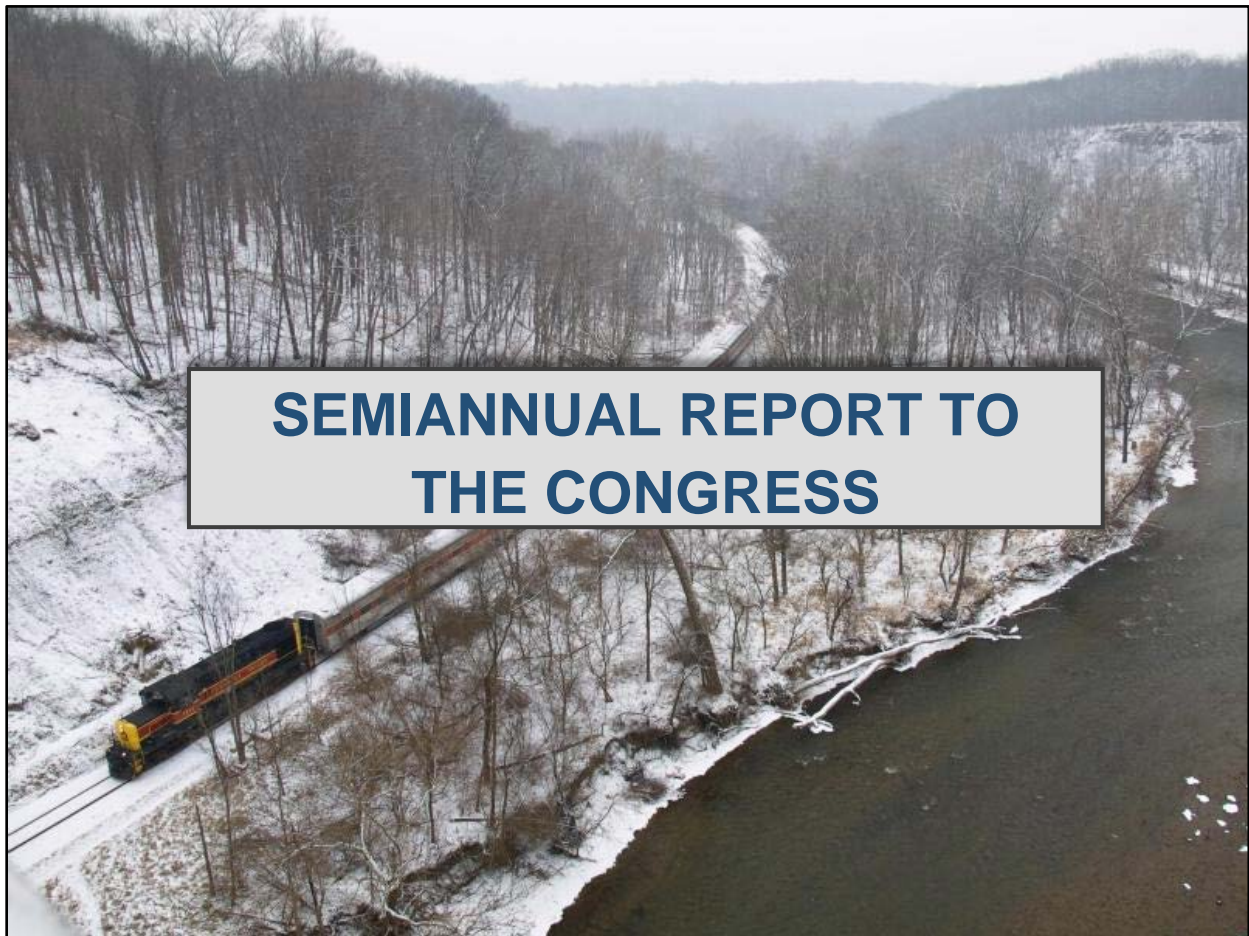


**OFFICE OF INSPECTOR GENERAL
FOR THE
U.S. RAILROAD RETIREMENT BOARD**



**SEMIANNUAL REPORT TO
THE CONGRESS**

APRIL 1, 2017 ▪ SEPTEMBER 30, 2017



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

October 31, 2017

Office of the Chairman
Railroad Retirement Board
844 North Rush Street
Chicago, Illinois 60611-2092

Dear Office of the Chairman,

I am pleased to submit our *Semiannual Report to the Congress*. This report provides a descriptive summary of our activities and accomplishments during the period of April 1, 2017 through September 30, 2017. This report is submitted in accordance with Section 5 of the Inspector General Act of 1978, as amended. The Act requires that you transmit this report, along with any comments you may wish to make, to the appropriate Congressional committees and subcommittees within 30 days.

During this reporting period, OA published audits regarding:

- RRB's compliance with the Federal Travel Regulation;
- RRB's compliance with the Improper Payments Elimination and Recovery Act of 2010;
- information security at the RRB;
- the adequacy of the RRB's program evaluation process in regard to its reviews of accuracy and integrity of benefit payments; and
- records management, retention, and storage at the RRB.

Our criminal investigators achieved 2 arrests, 20 criminal convictions, 18 indictments and informations, 5 civil judgments, and almost \$25.8 million in financial accomplishments resulting from OI's investigative work, including joint investigations.

We appreciate the ongoing assistance extended to our staff during the performance of their duties.

Sincerely,

Original Signed by,

Martin J. Dickman
Inspector General



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Semiannual Report to the Congress

INTRODUCTION

Railroad Retirement Board

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal Government. The RRB administers comprehensive disability, retirement-survivor, and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families. These programs are codified under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA), respectively. During fiscal year 2016, railroad retirement and survivor benefit payments totaled \$12.5 billion, net of recoveries and offsetting collections. Railroad unemployment and sickness insurance benefit payments totaled \$132.3 million, net of recoveries and offsetting collections.

Additionally, the RRB has administrative responsibilities for certain benefit payments under the Social Security Act, including the administration of Medicare benefits for qualifying railroad workers and dependents. Pursuant to statutory authority, the RRB, in consultation with the Centers for Medicare and Medicaid Services (CMS), awards and monitors a single nationwide Railroad Medicare Part B Services contract. The RRB's Medicare Contractor, Palmetto, processed almost 8.9 million claims and paid more than \$847 million in Medicare Part B benefits for fiscal year 2016.

Board Members

The RRB's Board consists of three members who are appointed, with the advice and consent of the Senate, by the President of the United States. One member is appointed upon the recommendation of railroad employers; another member is appointed upon the recommendation of representatives of railroad employees; and the third, who is the Chairman, shall be appointed without recommendation by either employers or employees and shall not be in the employment of or be pecuniarily or otherwise interested in any employer or organization of employees. Board Members' terms are five years in length and expire in staggered years. The Chairman position has been vacant since September 2015.



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Office of Inspector General

The Railroad Retirement Solvency Act of 1983 amended the RRA to provide for an Office of Inspector General for the RRB (OIG). The 1988 amendments to the Inspector General Act added the RRB to the list of covered agencies. The RRB's Inspector General is a Presidential Appointee, with Senate confirmation, who serves as an independent and objective voice to the RRB Board Members and the Congress. It is the Inspector General's responsibility to promote economy, efficiency, and effectiveness in the RRB's programs and operations. To that end, the OIG conducts audits/evaluations, management reviews, and inspections of the RRB's programs and operations. As a product of its efforts, the OIG offers recommendations for agency improvement to RRB management. The OIG also identifies and investigates cases of waste, fraud, and abuse in the RRB's programs and operations. The OIG works closely with federal prosecutors and makes the appropriate referrals for criminal prosecution, civil prosecution, monetary recovery, or administrative action.

The OIG has three operational components: the immediate Office of the Inspector General, the Office of Audit, and the Office of Investigations. The OIG conducts operations from several locations including the RRB headquarters in Illinois and investigative field offices in California, Florida, Pennsylvania, Texas, and Virginia. These field offices provide an increased investigative presence, which aids in the effective and efficient coordination of joint investigations with other Inspector General Offices and law enforcement agencies.

EXECUTIVE SUMMARY

Office of Audit

The Office of Audit (OA) conducts financial, performance, and compliance audits and evaluations/inspections of the RRB's programs and operations. In addition to focusing on mandated audit requirements, OA strategically identifies areas affecting program performance, the efficiency and effectiveness of agency operations, and areas of potential fraud, waste, and abuse. OA's audit planning process takes into account mandated audits, Congressional and Presidential concerns, programmatic risk, and resource availability. During this reporting period, OA published audits regarding:

- RRB's compliance with the Federal Travel Regulation;
- RRB's compliance with the Improper Payments Elimination and Recovery Act of 2010;
- information security at the RRB;



- the adequacy of the RRB’s program evaluation process in regard to its reviews of accuracy and integrity of benefit payments; and
- records management, retention, and storage at the RRB.

OA’s activities, during this reporting period, are discussed in further detail on pages 4 through 15 of this report. All inspections, evaluations, or audits conducted during this semiannual reporting period were disclosed to the public on our website at <https://www.rrb.gov/index.php/OurAgency/InspectorGeneral> and on Oversight.gov. In general, reports that transmit sensitive information are not released in full but abstracts are released publicly on our website and on Oversight.gov.

Office of Investigations

The Office of Investigations (OI) focuses its efforts on identifying, investigating, and presenting RRB benefit fraud cases for prosecution. OI conducts investigations throughout the United States relating to:

- the fraudulent receipt of RRB disability, unemployment-sickness, and retirement-survivor benefits;
- Railroad Medicare fraud;
- false reporting by railroad employers; and
- criminal violations and misconduct by RRB personnel.

OI Special Agents refer potential cases to federal, state, or local prosecutors through the use of specialized prosecution reports (investigative reports). These reports are utilized to explain the alleged offenses and the evidence developed to substantiate these allegations. During this semiannual reporting period, OI issued a total of 23 investigative reports. The following table indicates the distribution of these reports and the number of associated individuals.

Investigative Reports Issued From April 1, 2017 – September 30, 2017		
No. of Investigative Reports Issued	Prosecutorial Office	No. of Individuals Referred to Prosecutorial Office
13	Federal, Criminal	13
10	Federal, Civil	10
0	State/Local	0

Prosecution referrals may result in criminal convictions, civil judgments and penalties, and/or a recommendation for administrative recovery.



From April 1, 2017 through September 30, 2017, OI achieved:

- 2 arrests;
- 18 indictments and informations;
- 20 convictions;
- 5 civil judgments; and
- almost \$25.8 million in financial accomplishments.¹

Defendants, in the aggregate, were sentenced to more than 26 years of prison, 34 years of probation, and 430 hours of community service. Additional details regarding OI activities are discussed on pages 17 through 25.

APRIL 1, 2017 – SEPTEMBER 30, 2017 ACCOMPLISHMENTS

Office of Audit

Congress established the OIG to provide independent oversight of the RRB. Within the OIG, OA's mission is to promote economy, efficiency, and effectiveness in the administration of the RRB's programs and operations; and to detect and prevent fraud, waste, and abuse. Through the Inspector General, OA keeps Board Members and the Congress informed of current and potential problems and deficiencies in the RRB's operations. OA also tracks the agency's progress towards corrective action.

Brief summaries of all audits completed during this reporting period follow.

Railroad Retirement Board Did Not Always Comply with the Federal Travel Regulation (Report No. 17-04)

Background

The OIG conducted this performance audit to determine if the RRB complied with the Federal Travel Regulation (FTR) and implemented and enforced adequate internal controls.

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 that were included in investigative dispositions.



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Key Findings

Our audit determined that the RRB did not always comply with the FTR because internal controls were not always enforced or adequate.

The OIG identified the following:

- RRB's approval and authorization controls were not adequate and not always enforced;
- travel cards were not always issued, used, or deactivated in compliance with the FTR; and
- controls over travel expenses need improvement.

Key Recommendations

To address the identified weaknesses, we made 19 recommendations related to improving, strengthening, enforcing, and conducting training on the RRB's travel policies and procedures, and made recommendations to conduct training on the FTR and the RRB's travel management system.

Management's Response

RRB management concurred with 12 recommendations, partially concurred with 1 recommendation, and did not concur with 6 recommendations. For the recommendations with which it concurred, RRB indicated target completion dates of September 2018, which we note is an extensive timeframe given many of the recommendations relate to policy and procedure updates.

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)

Background

The OIG 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).²

² Public Laws 111-204, 112-248, and 107-300, respectively.



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 RRA and 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;
- 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.



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Management Responses and Our Comments

RRB management concurred with three of our six recommendations.

The Bureau of Fiscal Operations (BFO) 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 Memorandum 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 IPIA, 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 a 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.

Fiscal Year 2016 Audit of Information Security at the Railroad Retirement Board (Report No. 17-06)

The OIG conducted an audit of information security at the RRB for fiscal year 2016, as mandated by the Federal Information Security Modernization Act of 2014 (FISMA). FISMA requires an assessment of effectiveness of the agency's information security policies, procedures, and practices using a five level maturity model with the National Institute of Standards and Technology cybersecurity framework. An assessment of effectiveness considers internal control integration and whether the organization is achieving its intended objective.

Objectives

The objectives of our audit included:

- testing of the effectiveness of information security policies, procedures, and practices of a representative subset of the agency's information systems;
- an assessment of the effectiveness of RRB's information security policies, procedures, and practices; and
- preparing a report on selected elements of the agency's information security program in compliance with the fiscal year 2016 FISMA reporting instructions.



Results of Audit

Our audit determined that RRB continues to make progress in implementing an information security program that meets the requirements of FISMA; yet a fully effective security program, and related information security policies, procedures, and practices, has not been achieved.

The overall information security program has weaknesses that impact more than one area of the cybersecurity framework. These overarching program weaknesses involve the need for new or updated policy and procedures, improper placement of the Chief Security Officer within the organization, resource constraints, and the lack of performance metrics. Our review of RRB's information security program also identified deficiencies in the areas of risk management, contractor systems, configuration management, identity and access management, security and privacy training, continuous monitoring management, incident response and reporting, and contingency planning. Each of these Inspector General FISMA metric domains and the corresponding cybersecurity framework functions have been assessed as 'Not Effective' when evaluated using the five level maturity model. The OIG submitted its online CyberScope report on the adequacy of RRB's information security controls for each of the eight Inspector General FISMA metric domains and the effectiveness of the five corresponding cybersecurity framework functions on November 9, 2016.

Recommendations

In total, we made 36 detailed recommendations to RRB management related to assorted policies, procedures, and plans; access control; training; resource management; performance management; updating agency records; exploring and using new automated technologies; and implementing stronger controls. Thirty-five of the recommendations were made in our independent auditor's report and one recommendation was made in Priority Audit Memorandum - Legal Opinion Digitization Contract (RRB13C003), October 4, 2016.

Management's Responses

Agency management either concurred or generally concurred with 32 of our 35 recommendations, partially concurred with 1 recommendation, and did not concur with 2 recommendations.³ Agency management also advised that all personally identifiable

³ For the two recommendations in which the Bureau of Information Services did not concur, one recommendation dealt wholly with privacy training, while the other recommendation dealt partially with privacy training and partially with security training. The Bureau of Information Services concurred with the portion of the recommendation that dealt with security training.



information has been deleted from their contractor's system in response to our recommendation in the priority audit memorandum, but they are awaiting the final contractor's certification of this action.

The Bureau of Information Services (BIS) generally concurred with our recommendation concerning the improper placement of the Chief Security Officer within the organization and advised that the Chief Security Officer was approved to consult with the Chief Information Officer directly on any information security matters; is expected to meet with the Chief Information Officer on a weekly basis; and is expected to report directly to the Chief Information Officer on any cybersecurity issue that poses a threat to the agency. These actions meet the intent of our audit recommendation.

BIS did not concur with one recommendation and a portion of another recommendation, dealing with privacy training. BIS did not concur because although two positions met the minimum required timeframe in fiscal year 2016 for working on privacy related functions that directly support the agency's privacy program (at least half their time), those two positions are currently vacant in fiscal year 2017. We believe the two recommendations related to the Chief Privacy Officer still have merit and we will continue to track for future implementation through our semiannual update on corrective actions of audit recommendations.

BFO did not concur with our recommendation to evaluate and assess the skills of individuals in BFO with significant security and privacy responsibilities and provide that information to the Chief Security Officer or Chief Privacy Officer. BFO stated such responsibility does not fall under their purview. We disagree. Agency supervisors and managers are in the best position to evaluate and assess the skills of their employees, including those employees who have significant security or privacy responsibilities. Effective training programs include developing individual development plans that consider an employee's skills, and ensuring that the training plan addresses identified skill gaps. Additionally, the RRB's security awareness and training procedures require supervisors to assign role based training annually to their employees designated as having information security responsibilities. The determination of what role based training to assign should consider the employee's individual development plan and skills. Therefore, we will continue to track the recommendation for implementation through our semiannual update on corrective actions of audit recommendations.



Improvements Needed for the Program Evaluation Process at the Railroad Retirement Board (Report No. 17-07)

Background

The OIG conducted an audit of the adequacy of RRB program evaluation process in regard to its reviews of accuracy and integrity of benefit payments.

Findings

Our audit identified deficiencies in the program evaluation process used by the RRB's Program Evaluation Section (PES) to assess the accuracy and integrity of benefit payments paid under the RRA. We determined that improvements are needed in the following areas:

- quality assurance sampling process including the universe selection process, reported sample results, supporting documentation, and related policies and procedures;
- documented internal controls and tests of controls;
- completeness of samples to include cases without recent adjudicative actions;
- efficiency in the manner that data is compiled and reviewed that supports reported accuracy rates;
- agency actions to ensure that they comply with agency policies and procedures;
- validation of performance measures prepared by other RRB organizational units;
- documented checklists that support occupational disability compensating control results; and
- ongoing training for PES claims specialists.

Recommendations

We made 21 detailed recommendations to address the deficiencies found. Key recommendations included:

- revising the sample selection process to ensure the completeness of initial award identification and that the proper award actions are identified;
- training for statistical sampling;
- designating PES as a unit that would require formal documentation of its internal controls and periodic tests of internal controls;
- implementing an annual sample of benefit payments without recent adjudicative activity to provide a more complete payment accuracy rate and to help further



protect customer trust funds;

- revising its process for documenting benefit payment amounts used to compute its payment accuracy rates to ensure accuracy;
- improving internal controls to ensure that supporting documentation is prepared in accordance with documented agency procedures;
- improving internal controls to ensure that corrective actions are initiated and completed in accordance with policies and procedures;
- revising policies to obtain a greater assurance of accuracy and integrity by independently validating performance data provided by other organizational units;
- revising the checklist used for segregation of duties compensating control to include verification that the annuitant's name matches the name on the medical examination ordered for occupational disability annuitants; and
- providing ongoing training and fraud awareness training for PES staff sufficient for their job duties.

Management Responses and Our Comments for Key Recommendations

RRB management concurred with 9 of our 21 recommendations. We discussed all of our recommendations with RRB management before issuing the report for comments. At that time, the Office of Programs expressed some disagreement with some of the recommendations but not the extent to which they nonconcurred. At that time and subsequently, they did not provide any documentation to refute our findings.

RRB management concurred with our recommendations to: (1) identify PES as a separate unit subject to the RRB's management control review process, (2) revise documented policies and procedures to ensure that they are complete, (3) formally develop and test PES' internal controls needed to ensure the integrity and accuracy of its operation and reported results, (4) periodically test PES' internal controls, (5) revise the quality assurance policies and procedures used to ensure that the correct benefit payment amount is recorded in the system used to calculate payment accuracy rates, (6) improve internal controls for quality assurance cases to ensure that supporting documentation is prepared in accordance with agency guidance, (7) revise policies and procedures to include controls to ensure that the appropriate office is notified regarding the need for timely corrective action to be taken on errors that impact the integrity of annuitant information, (8) ensure that PES staff receives ongoing training sufficient for their job duties, and (9) ensure that PES staff receives fraud awareness training.

The Office of Programs did not concur with our recommendations regarding revision of the sample selection process to ensure completeness of initial award identification and that the proper award actions are identified, and the need for statistical sampling



training. They stated that their current process is efficient, creates an accurate universe, and is statistically valid. Management's response demonstrates the lack of understanding of statistical sampling and justifies our recommendations, including the need for statistical sampling training.

The Office of Programs also did not concur with our recommendations regarding: (1) annually sampling benefit payments without recent adjudicative activity, (2) revision of the process for documenting benefit payment amounts used to compute payment accuracy rates, (3) improving internal controls to ensure that corrective actions are initiated and completed in accordance with policies and procedures, (4) revision of their policies to obtain greater assurance of accuracy and integrity by independently validating performance results provided by other organizational units, and (5) revision of the quality assurance checklist for segregation of duties compensating control for verification that the annuitant's name matches the name on the examination order.

Railroad Retirement Board Must Take Further Action to be Compliant with Federal Records Management Directives (Report No. 17-08)

The OIG conducted an audit of records management, retention, and storage at the RRB.

Objectives

The objectives of our audit were to:

- describe RRB's practices associated with the use of personal email accounts, unsecured modems, and portable universal serial bus (USB) flash drive devices;
- determine if the RRB has established a viable records management program that ensures agency records are appropriately maintained and preserved in accordance with federal statutes and regulations, and that the program provides oversight to identify, classify, maintain, preserve, or destroy agency records throughout the record life cycle; and
- determine if the RRB complied with OMB guidance and National Archives and Records Administration (NARA) bulletins concerning government records.



Results of Audit

Our audit determined that RRB's senior agency officials used personal email accounts, unsecured modems, and portable USB flash drive devices to avoid agency information technology systems while conducting official business and storing agency records. These practices resulted in the potential for numerous federal records to be lost and allowed for the potential unlawful removal or destruction of federal records.

In addition, the audit determined that the RRB is not fully compliant with OMB and NARA records management guidance and, although the RRB has established a records management program, improvements are necessary to ensure agency records are appropriately maintained and preserved in accordance with federal statutes and regulations.

Recommendations

We made 15 detailed recommendations to RRB management related to the following.

- Allocating sufficient resources for developing and implementing policies and procedures, including those for training; separating employees; notifications of criminal penalties; managing and preserving records using electronic messaging systems; and metadata, enterprise rights management, and encryption.
- Developing supplemental records management training material that are specific to the RRB.
- Ensuring all newly hired contractors are provided records management training within 30 days of their hire or start date.
- Developing and implementing roles-based training for senior officials, including actions to take when the official separates from the RRB.
- Providing additional Capstone related training content for records liaisons.
- Developing specific records management performance goals with target completion dates and performance measures.
- Ensuring a comprehensive inventory of nonelectronic records is prepared and associated records disposition schedules are prepared and approved by NARA.
- Performing a comprehensive review and update of Administrative Circular Information Resources Management - 4, *Records Disposition*.
- Including an errata page or table of changes in the RRB's Records Disposition Handbook.
- Implementing a control to ensure changes to the RRB's Records Disposition Handbook is reviewed for accuracy prior to publication.



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Management's Response

Agency management has agreed to take corrective action for all recommendations and commented on the report section describing the RRB's practices associated with the use of personal email accounts, unsecured modems, and portable USB flash drive devices.



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Management Decisions and Implementation

As part of its oversight activities, the OIG tracks the agency’s implementation of audit recommendations. The reporting of management decisions and corrective actions for all audit recommendations is required by the OMB Circular No. A-50 (Revised) and the Inspector General Act.

Management Decisions	
Requiring Management Decision on April 1, 2017	0
Pending Management Decision for New Recommendations	0
Management Decision on Previous Recommendations	0
Recommendations Pending Management Decision on September 30, 2017	0

Corrective Action	
Recommendations Requiring Action on April 1, 2017	251
Recommendations Issued During Reporting Period	98 ⁴
Corrective Actions Completed During Reporting Period	22
Recommendations Rejected During Reporting Period	1
Final Actions Pending on September 30, 2017	326

The Inspector General Empowerment Act of 2016 requires additional details pertaining to outstanding and unimplemented recommendations. This information, including the associated potential cost savings, regarding the 326 open recommendations is incorporated into this report by reference and may be accessed in the Semiannual Report section of our website.⁵ This report is titled *Open or Unimplemented Audit Recommendations and Cost Savings as of September 30, 2017*.

⁴ Includes Priority Audit Memorandum (17-06 PAM) issued on October 4, 2016 and disclosed in Audit Report 17-06.

⁵ <https://www.rrb.gov/index.php/OurAgency/InspectorGeneral>



Office of Investigations

OI's primary objective is to identify, investigate, and refer for prosecution or monetary recovery action cases of waste, fraud, or abuse in the RRB's programs. OI also seeks to prevent and deter program fraud by reporting systemic weaknesses identified through investigative work. In order to maximize the impact of its resources, OI pursues cooperative investigative activities in coordination with other Inspectors General such as the Office of Inspector General for the Department of Health and Human Services, the Office of Inspector General for the Social Security Administration (SSA), and other law enforcement agencies, such as the Federal Bureau of Investigation and the U.S. Secret Service.

Current Caseload

During this reporting period, OI opened 109 new investigative cases.

Investigative Caseload Data	
Investigative Cases Open as of April 1, 2017 ⁶	229
Investigative Cases Closed During Reporting Period	48
Investigative Cases Opened During Reporting Period	109
Investigative Cases Open as of September 30, 2017	290

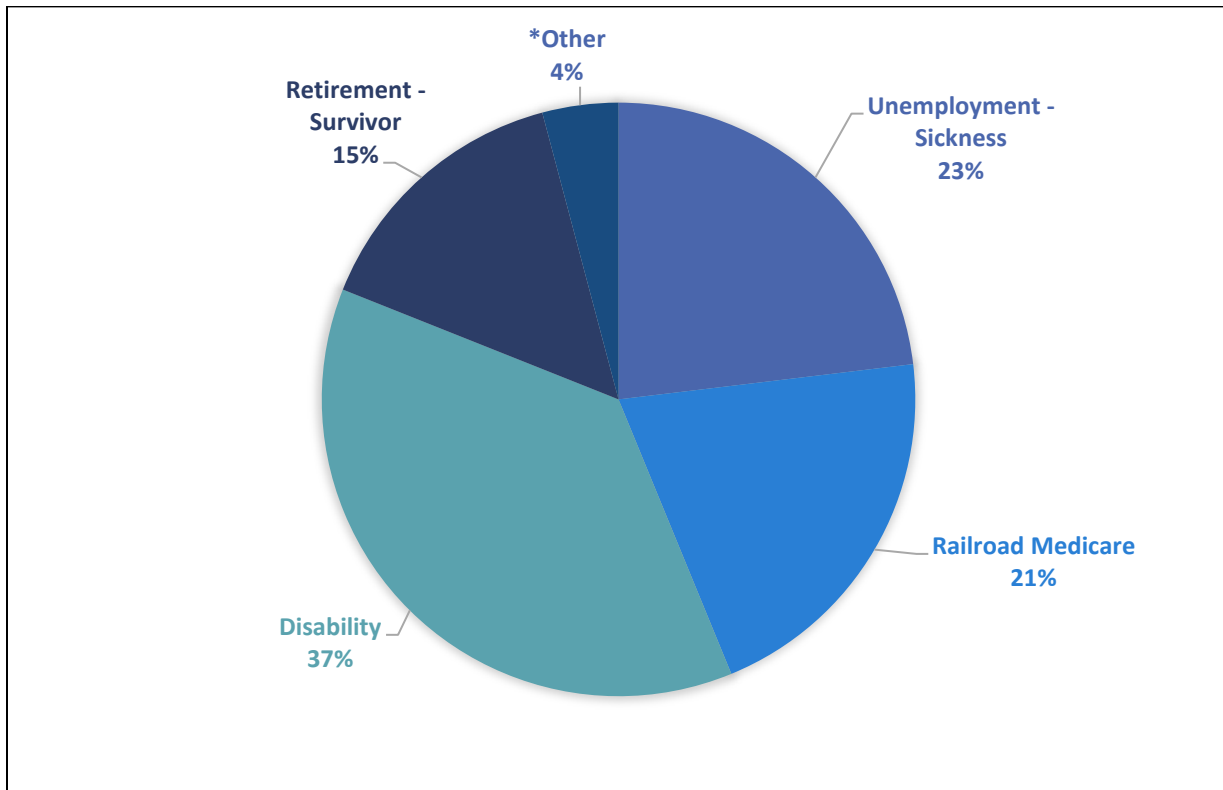
As of September 30, 2017, OI's investigative caseload totaled 290 matters which represents more than \$552.8 million in potential fraud losses.⁷ The chart on the following page reflects the distribution of OI cases open at the end of the reporting period.

⁶ An investigative case may include multiple subjects.

⁷ This reflects potential fraud amounts related to programs administered exclusively by the RRB and potential fraud amounts from other federal programs such as Medicare or Social Security which have been identified during OI's joint investigative work.



Investigative Caseload by Case Type



*Other case type is an amalgam of various types of cases involving matters such as misconduct by RRB employees, threats against agency employees, false reporting by railroad employers, and others.



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Investigative Accomplishments

Action	April 1, 2017 – September 30, 2017
Indictments/Informations Issued During Reporting Period (Original Prosecutive Referral Made Prior to April 1, 2017)	13
Indictments/Informations Issued During Reporting Period (Original Prosecutive Referral Made After April 1, 2017)	5
Subpoenas Issued	66
Arrests	2
Convictions	20
Civil Complaints	2
Civil Judgments	5
Restitution and Fines ⁸	\$23.4 million
Civil Damages and Penalties ⁹	\$440,196
Potential Economic Loss Prevented	\$191,265
Prison	Over 26 Years
Probation	37 Years
Community Service	430 Hours

Investigative Case Summaries

Brief descriptions of representative matters referred to prosecutorial authorities and the resulting convictions are summarized on pages 20 through 25. Federal indictments, informations, and ongoing investigations are not included. OI does not have any substantiated senior government employee misconduct cases or incidents of whistleblower retaliation to report.

⁸ The dollar amounts in this table 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.

⁹ See above footnote.



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Disability Investigations

OI conducts fraud investigations relating to the RRB's disability program. Railroad workers who are awarded an RRB disability annuity are subject to work restrictions and earnings limitations. Disability benefit fraud may involve applicant fraud and sophisticated schemes to hide disqualifying work activities/earnings from the RRB.

During this reporting period, OI obtained three disability fraud convictions. Defendants in these cases received, in the aggregate, sentences totaling 9 months of prison, 9 months of home confinement, 9 years of probation, 150 hours of community service, and were ordered to pay more than \$577,000 in restitution and fines.

A description of these disability cases follow.

Disability Annuitant Jailed for Collecting Almost \$328,000 in Fraudulent Benefit Payments

An OI Special Agent investigated a self-employed disability annuitant who concealed his earnings from the RRB.

This case was referred to the United States Attorney's Office for the Eastern District of Tennessee which filed an information against the annuitant. The annuitant subsequently pled guilty to Theft of Public Money and was sentenced to 3 months of prison, 3 months of home confinement, 3 years of probation, 150 hours of community service, and ordered to repay almost \$328,000 in restitution and fines. Additionally, future disability payments were suspended thereby saving the RRB almost \$160,000.

Disability Annuitant Criminally Convicted for Failing to Report Medical Improvement

An OI Special Agent investigated an RRB disability annuitant who failed to report medical improvement to the RRB.

This case was referred to the United States Attorney's Office for the Northern District of Georgia which filed an indictment against the annuitant. The annuitant subsequently pled guilty to Theft of Public Money and was sentenced to six months of prison, six months of home confinement, three years of probation, and more than \$176,000 in restitution. Additionally, future disability payments were suspended thereby saving the RRB more than \$32,000.



Disability Annuitant Pleads Guilty to Making False Statements

An OI Special Agent investigated a self-employed disability annuitant who failed to report his work activities to the RRB.

This case was referred to the United States Attorney's Office for the Western District of North Carolina which filed an information against the annuitant. The annuitant subsequently pled guilty to making false statements to the RRB and was sentenced to three years of probation and ordered to repay more than \$73,000 in restitution.

Unemployment-Sickness Insurance Investigations

Unemployment-Sickness Insurance benefit fraud typically involves individuals claiming and receiving Unemployment Insurance (UI) or Sickness Insurance (SI) benefits while working or collecting state administered unemployment benefits. OI receives the majority of these case referrals from the RRB's Sickness and Unemployment Benefits Division.

During this reporting period, OI obtained six convictions and four civil judgments for UI-SI fraud cases. Defendants in these cases received, in the aggregate, sentences totaling 9 years of probation, 150 hours of community service, and were ordered to pay more than \$198,000 in restitution, fines, and civil damages/penalties.

Descriptions of representative UI-SI cases completed during this reporting period follow.

UI Claimant Sentenced to 150 Hours of Community Service

OI investigated a UI claimant based upon a referral from the RRB. OI's investigation determined that during the period of December 2012 through January 2014, the claimant applied for UI benefits on the same days he was working and being paid by a private employer. The claimant submitted a total of 14 false claims and collected more than \$13,000 in fraudulent UI benefits.

This case was referred to the United States Attorney's Office for the Central District of California. The United States Attorney's Office indicted the claimant for fraud. The claimant subsequently pled guilty and was sentenced to 3 years of probation, 150 hours of community service, and ordered to pay full restitution plus a special assessment.



UI Claimant Sentenced to Five Years of Probation

OI investigated a UI claimant based upon a referral from the RRB. OI's investigation determined that during the period of May 2014 through March 2015, the claimant applied for UI benefits on the same days he was working and being paid by a private employer. The claimant submitted a total of 23 false claims and collected more than \$14,000 in fraudulent UI benefits.

This case was referred to the United States Attorney's Office for the Southern District of Iowa. The annuitant was indicted on Theft of Government Property and False Statements. He pled guilty and was sentenced to five years of probation and ordered to pay full restitution.

UI Claimant Fails to Report Work and Earnings to the RRB

OI investigated a UI claimant based upon a referral from the RRB. OI's investigation determined that during the period of March 2013 through October 2013, the claimant applied for UI benefits on the same days he was working and being paid by a private employer. The claimant submitted a total of 23 false claims and collected almost \$12,000 in fraudulent UI benefits.

This case was referred to the United States Attorney's Office for the Southern District of Texas. The RRB claimant entered into a settlement agreement with the United States Attorney's Office agreeing to repay the full amount to settle charges under the False Claims Act.



Retirement-Survivor Investigations

The RRA provides retirement-survivor benefits for qualified railroad workers and their families. RRB retirement-survivor benefit fraud typically involves:

- an individual failing to report information to the RRB that may disqualify the annuitant from receiving benefits;
- instances of theft or fraudulent cashing of retirement benefit checks by someone other than the authorized RRB annuitant; or
- an individual designated to receive RRB benefits on behalf of an RRB annuitant fraudulently using the funds for their own personal use.

During this reporting period, OI obtained three convictions, in one case, related to Retirement-Survivor benefit fraud. Defendants in this case received, in the aggregate, sentences totaling seven years of probation and were ordered to pay almost \$63,000 in restitution and fines.

A description of this case follows.

Annuitant's Children Steal Approximately \$63,000 Worth of RRB Annuity Payments

OI Special Agents determined that an annuitant's children failed to report her death to the RRB and fraudulently collected approximately \$63,000 worth of RRB annuity payments.

This case was referred to the United States Attorney's Office for the Northern District of Ohio which filed a criminal information against the children. They subsequently pled guilty to Theft of Government Funds and were sentenced, in the aggregate, to seven years of probation and approximately \$63,000 in restitution.

Railroad Medicare Investigations

All of OI's active Medicare cases are being worked jointly with either the Office of Inspector General for the U.S. Department of Health and Human Services, the Office of Inspector General for the Office of Personnel Management, or other agencies responsible for investigating health care fraud. Interagency cooperation is imperative to effective law enforcement especially among agencies responsible for investigating the complexities of health care fraud committed against multiple federal agencies.



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During this reporting period, OI obtained eight convictions and one civil judgment in Railroad Medicare related fraud cases. Defendants in these cases received, in the aggregate, sentences totaling almost 26 years of prison, 12 years of probation, 130 hours of community service, and were ordered to pay more than \$23 million in restitution, fines, and civil damages/penalties.¹⁰

Descriptions of representative Railroad Medicare cases completed during this reporting period follows.

Clinical Psychologist and Owner of Psychological Service Centers Convicted for Health Care Fraud

OI Special Agents worked cooperatively as members of the Medicare Fraud Strike Force to investigate allegations against the owners of several psychological service companies. The team's investigation revealed that the subject providers submitted more than \$13.5 million in fraudulent Medicare claims for medically unnecessary psychological services or for psychological services that were never provided.

This case was referred to the United States Attorney's Office for the Eastern District of Louisiana. After a seven-day trial, the owners were convicted of Conspiracy to Commit Health Care Fraud and Making False Statements Related to Health Care Matters. They were sentenced to a combined total of 22 years of prison, 6 years of probation, and more than \$21 million in restitution. Additionally, two employees pled guilty to Conspiracy to Commit Health Care Fraud and were sentenced to a combined total of 54 months of prison, 6 years of probation, and more than \$5.6 million in restitution.

Chiropractic Physician Prosecuted

OI initiated this investigation pursuant to a referral from the Internal Revenue Service's Criminal Investigative Service. The subsequent investigation revealed that a chiropractic clinic had fraudulently billed multiple health care plans, including Railroad Medicare, for higher level services than were actually performed.

This case was referred to the United States Attorney's Office for the Southern District of Illinois which filed an information against the target for committing Health Care Fraud

¹⁰ This total reflects the full amount of restitution, fines, and civil damages/penalties ordered. Since OI's Railroad Medicare fraud cases are joint investigations, the total dollar amount includes losses to other health care programs.



and Money Laundering. She subsequently pled guilty and was sentenced to three years of probation, six months of home confinement, and more than \$63,000 in restitution.

Podiatrist Sentenced to Prison

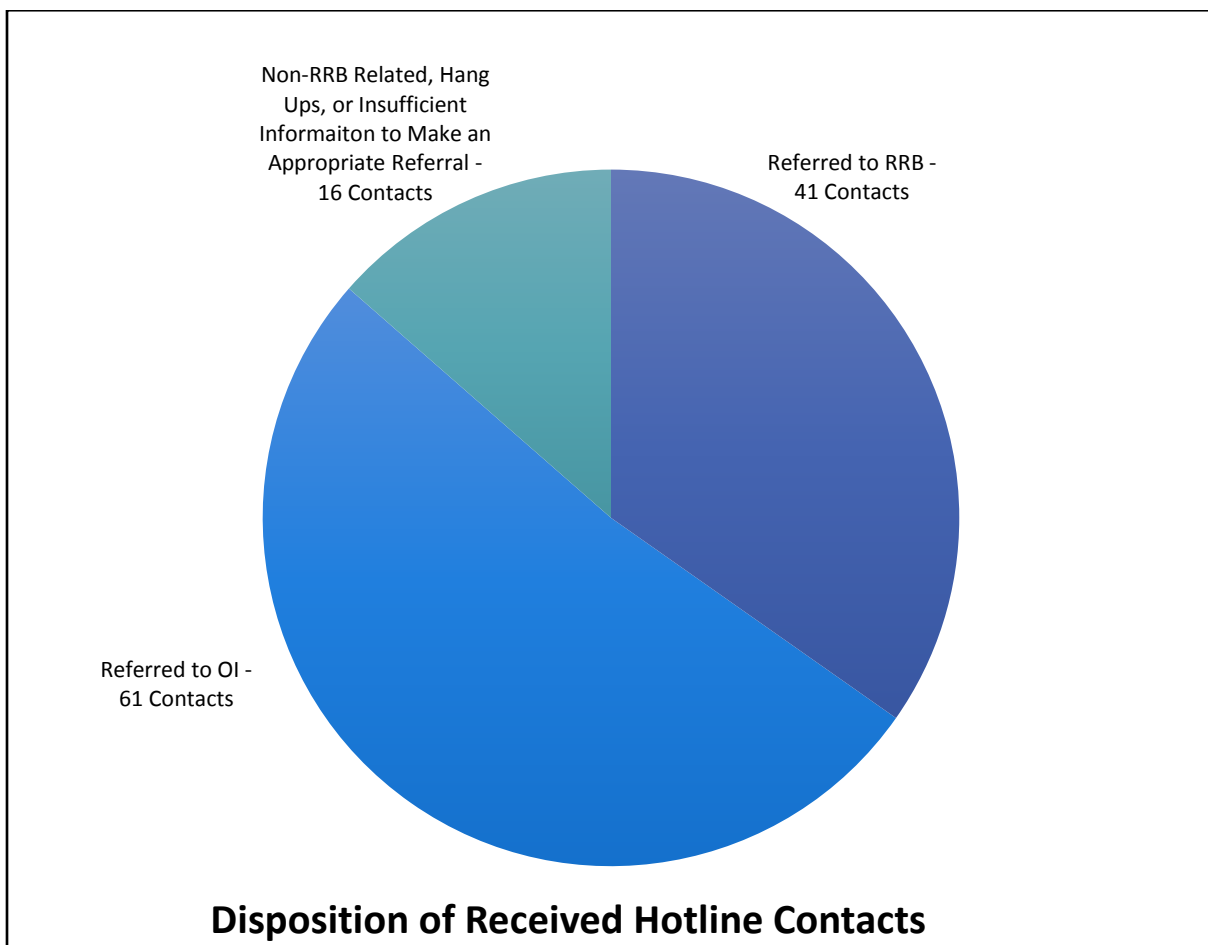
OI initiated this investigation pursuant to a referral from the Office of Inspector General for the Department of Health and Human Services. The subsequent joint investigation revealed that a podiatrist falsified medical records to justify billing Medicare for non-covered services.

This case was referred to the United States Attorney's Office for the District of Wyoming which filed a criminal information against the podiatrist. He subsequently pled guilty to all counts and was sentenced to six months of prison, two years of probation, and more than \$40,000 in restitution



Hotline Contacts

The OIG's hotline provides an open line of communication for individuals to report suspected criminal activity and mismanagement/waste of RRB funds. During this reporting period, our hotline received 118 contacts in the following manner: 55 percent by telephone, 15 percent by mail, and 30 percent by email. The following chart summarizes the disposition of these received hotline contacts.





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OTHER OVERSIGHT ACTIVITIES

Significant Management Decision with Which the Inspector General is in Disagreement

In addition to significant issue disagreements discussed elsewhere in this report, the OIG's ongoing internal communications with the Director of Programs regarding the RRB's debt collections activities have caused increasing concerns regarding the RRB's willingness to hold perpetrators accountable for committing fraud or abusing federal programs. The RRB's lackluster debt collection efforts, and in some cases even an unwillingness to establish debt, on cases of proven fraud (including the Long Island Rail Road convictions) violates the RRB's fiduciary responsibility to serve as responsible stewards and should alarm its stakeholders. Further development of this issue continues.

OIG Alerts

OIG Alerts supplement our current audit and investigative processes by providing the Inspector General with a quick and efficient mechanism to suggest program integrity improvements. During this semiannual reporting period, the Inspector General issued two OIG Alerts relating to the RRB's disability program. These alerts were restricted from public distribution because of their sensitive nature.

Inspections, Evaluations, and Audits Not Disclosed to the Public

"Priority Audit Memorandum – Contractor Training Not Assigned" (PAM 17-01), which contained a recommendation, was not disclosed to the public. The purpose of this memorandum was to ensure timely completion of certain training by RRB contractors. This memorandum was restricted from public distribution because of its sensitive nature.



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OPERATIONAL ISSUES

The following operational issues impact the OIG's ability to effectively carry out its oversight role.

Attempts to Interfere with the Independence of the Office of Inspector General

As we have reported in prior periods, our office has experienced ongoing resistance to its oversight activities by the RRB. While the following examples may not individually be deemed as attempts to interfere, collectively they create an environment in which the RRB often disregards weaknesses identified through OIG audits.

- We reported that the RRB had been noncompliant with improper payment reporting for three consecutive years due to the lack of risk assessments prepared in accordance with OMB guidance for all of the programs that the RRB administers. RRB management did not concur with our recommendation to take corrective actions as required by OMB for third year noncompliance, thus the agency is in further violation of OMB guidance.
- We reported deficiencies for the RRB's quality assurance process for the RRA. We determined that actions taken by RRB staff invalidates the statistical reliability of the reported results. Cases reviewed during the RRA quality assurance process are used to compute agency benefit payment noncompliance, RRB performance results, and improper underpayments. We recommended that RRB management: (1) revise its sample process, (2) revise quality assurance policies and procedures to ensure the statistical validity of the sample results, and (3) provide training to ensure statistical validity of the reported results. RRB management did not concur with these recommendations, thus allowing the RRB to continue to report results that are not statistically valid.

We believe each audit recommendation and finding discussed above, and those that remain unaddressed from our prior reporting, requires action by the agency. Continued inaction leaves taxpayer funds at risk of loss and misallocation.

In addition to the examples above and as reported previously, in conducting the fiscal year 2014 through 2017 mandated consolidated agency financial statement audit, the RRB has refused to provide the OIG access to the National Railroad Retirement Investment Trust's (NRRIT) auditor or associated audit work papers, as required by American Institute of Certified Public Accountants Standards (AICPA). As a result, our



office issues a disclaimer of opinion on the RRB's financial statements, which directly impacts the governmentwide financial statements. The OIG intends to continue reporting on this matter as the refusal leaves approximately \$25 billion in federal funds without independent oversight.¹¹

National Railroad Retirement Investment Trust

The NRRIT is a tax-exempt entity independent of the Federal Government which was established by the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) to manage and invest railroad retirement assets. RRSIA requires that the NRRIT report to the RRB but does not provide the OIG with oversight authority to conduct audits and investigations of the NRRIT. We have, however, monitored the NRRIT since 2001 and have continually expressed concerns regarding lack of meaningful oversight. Despite these concerns, the RRB continues to maintain a passive relationship with the NRRIT. A lack of NRRIT investment fund management accountability, transparency, and stringent financial oversight can be precursors to fraud, waste, or abuse. Yet, the NRRIT fund, which supports the railroad retirement program, continues to remain outside the purview of those appointed to protect the interests of the program's beneficiaries and tax-paying public. To ensure the integrity, economy, and long-term viability of the NRRIT, RRB management must establish and implement independent performance audit requirements that will strengthen administrative and financial oversight and ensure fund transparency.

Additionally, as discussed elsewhere in this report, the OIG is not able to comply with the AICPA auditing standards (section 600) and will disclaim on the RRB's financial statements this year and in future years until legislative changes are made regarding the relationship between the OIG, the NRRIT, and its auditors.

¹¹ As of September 30, 2016, the RRB's NRRIT investments were valued at approximately \$25 billion.



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LEGISLATIVE & REGULATORY REVIEW

The Inspector General Act of 1978, as amended, requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the agency. The agency did not submit any legislative proposals for OIG review during this reporting period.



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APPENDICES

<i>Appendix</i>	<i>Title</i>	<i>Page No.</i>
A	Office of Inspector General Reports and Other Publicly Available Papers Issued	32
B	Audit Reports with Questioned Costs or with Recommendations that Funds be Put to Better Use	33
C	Report on Receivables, Waivers, and Recoveries	35
D	Significant Matters	37
E	Peer Reviews	44
F	Reports Prepared by Management	45
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Appendix A – Office of Inspector General Reports and Other Publicly Available Papers Issued

- Railroad Retirement Board Did Not Always Comply with the Federal Travel Regulation (Report No. 17-04)
- 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)
- Fiscal Year 2016 Audit of Information Security at the Railroad Retirement Board – Abstract (Report No. 17-06)
- Improvements Needed for the Program Evaluation Process at the Railroad Retirement Board (Report No. 17-07)
- Railroad Retirement Board Must Take Further Action to be Compliant with Federal Records Management Directives (Report No. 17-08)

All publicly available audit reports and papers are available on our website at <https://www.rrb.gov/index.php/OurAgency/InspectorGeneral>.

Appendix B – Audit Reports with Questioned Costs or with Recommendations That Funds be Put to Better Use

	Audit Reports With Questioned Costs	Amount of Questioned Costs	Amount of Unsupported Costs
A. For which no management decision had been made by April 1, 2017	0	\$0	\$0
B. Which were issued from April 1, 2017 through September 30, 2017	2	\$19,053,762	\$19,053,762
Subtotal (A + B)	2	\$19,053,762	\$19,053,762
C. For which a management decision was made between April 1, 2017 through September 30, 2017	2	\$19,053,762	\$19,053,762
(i) dollar value of disallowed costs (agreed to by management)		\$2,173	\$2,173
(ii) dollar value of costs not disallowed (not agreed to by management)		\$19,051,589	\$19,051,589
D. For which no management decision had been made by September 30, 2017	0	\$0	\$0
E. Report for which no management decision was made within six months of issuance	0	\$0	\$0

	Audit Reports With Recommendations That Funds Be Put to Better Use	Dollar Value
A. For which no management decision had been made by April 1, 2017	0	\$0
B. Which were issued from April 1, 2017 through September 30, 2017	0	\$0
Subtotal (A + B)	0	\$0
C. For which a management decision was made between April 1, 2017 through September 30, 2017	0	\$0
(i) dollar value of recommendations agreed to by management		\$0
(ii) dollar value of recommendations not agreed to by management	0	\$0
D. For which no management decision had been made by September 30, 2017	0	\$0
E. Report for which no management decision was made within six months of issuance	0	\$0

Appendix C – Report on Receivables, Waivers, and Recoveries

The fiscal year 1999 appropriations language for the OIG requires the reporting of additional information concerning actual collections, offsets, and funds put to better use achieved as a result of the OIG's activities.

Office of Investigations

Recoveries realized by the RRB resulting from court-ordered restitution and civil damages			
Fiscal Year	Amount Recovered	Fiscal Year	Amount Recovered
1999	\$ 855,655	2014	\$1,021,544
2000	\$1,038,134	2015	\$ 904,400
2001	\$ 990,356	2016	\$1,121,313
2002	\$ 785,843	2017	\$1,118,172
2003	\$ 947,876		
2004	\$ 646,273		
2005	\$ 844,183		
2006	\$1,281,680		
2007	\$1,347,049		
2008	\$1,389,489		
2009	\$1,097,227		
2010	\$1,118,256		
2011	\$2,293,530		
2012	\$1,417,125		
2013	\$1,922,166		

Office of Audit

Report	Funds to Be Put to Better Use	Funds Agreed by Management	Receivables Established	Waivers	Recoveries to Date ¹²
99-03	\$50,850	\$50,850	\$50,850	\$50,490	\$360
99-14	\$83,000	\$83,000	\$34,423	\$0	\$30,584
99-16	\$48,000,000	\$48,000,000	\$0	\$0	\$27,500,000
99-17	\$11,000,000	\$11,000,000	\$0	\$0	\$1,604,545
00-16	\$235,000	\$235,000	\$0	\$0	\$253,846
03-06	\$306,129	N/A	\$0	\$0	\$306,129
04-06	\$821,000	\$821,000	\$604,429	\$5,564	\$629,688
04-10	\$400,000	\$400,000	\$0	\$0	\$761,151
05-03	\$1,800,000	\$1,800,000	\$4,455,247	\$339,244	\$3,319,636
05-06	\$10,000	\$10,000	\$0	\$0	\$42,915
05-07	\$1,070,000	\$1,070,000	\$49,943	\$0	\$95,376
05-10	\$2,600,000	\$2,600,000	\$311,000		
06-04	\$257,000	\$257,000			
06-05	\$2,100	\$2,100	\$0	\$0	\$0
06-06	\$200,000	\$200,000	\$31,455	\$0	\$39,375
09-02	\$600,000	\$600,000	\$320	\$0	\$1,944,350 ¹³
10-09	\$3,355,408	\$3,355,408	\$0	\$0	\$3,355,408
10-13	\$212,038	\$92,412	\$0	\$0	\$18,614
12-03	\$3,483	\$3,483	\$0	\$0	\$3,483
13-03	\$112,600	\$112,600	\$0	\$0	\$0
13-08	\$2,440	\$2,440	\$0	\$2,440	\$0
13-09	\$9,927 ¹⁴	\$9,927	\$4,330 ¹⁵	\$0	\$10,004
14-04	\$866,000	\$866,000	\$51,490	\$51,490	\$0
14-08	\$11,900,000	\$0	\$0	\$0	\$0
15-03	\$11,148	\$11,148	\$0	\$0	\$0
16-02	\$6,914	\$6,914	\$0	\$0	\$210
16-10	\$19,500	\$0	\$0	\$0	\$0

¹² Both overpayments and underpayments are included in this column.

¹³ Amount reflects correction of previously reported recoveries by the RRB.

¹⁴ Amount includes additional monies reported by the RRB.

¹⁵ Amount reflects correction of previously reported receivables by the RRB.

Appendix D – Significant Matters

The OIG has identified deficiencies in RRB management controls as a significant matter. A summary of the issues and related recommendations for corrective action follow.

Financial Controls and Reporting

Ineffective Controls

We continued to cite a material weakness in financial reporting in our financial statement audit for fiscal year 2017 because we continued to find ineffective controls for material transactions. We found that financial transactions that exceeded \$400 million did not have adequate supporting documentation in the official records when the transactions were recorded and approved in the RRB's financial system. To address our previous audit recommendations, RRB management explained that during this semiannual period they developed new controls, conducted training, and updated procedures. Other corrective actions remain in progress.

In fiscal year 2016, we reported that selective financial management business process controls need improvement to ensure proper access, segregation of duties, appropriate approvals, proper payments, vendor data, and processing overrides. During this semiannual period, corrective actions attempted by management were not sufficient to ensure program integrity of vendor code data and to ensure correction of discrepant vendor codes. Corrective actions for the remaining recommendations remain in progress.

In fiscal year 2015, we reported that internal controls were not adequate to ensure that obligations were recorded and reported in accordance with applicable laws and regulations and were inadequately documented to support open obligations. During this semiannual period, management provided evidence of travel and purchase cardholder training; however, because management did not explain how this process will ensure that future training is completed in a timely manner, we determined that these actions were not sufficient to provide complete evidence of implementation. Corrective actions for the remaining recommendations remain in progress.

For fiscal year 2014, we reported ineffective controls as part of an overall material weakness in financial reporting and made recommendations for improvements. Corrective actions for three recommendations remain in progress.

Communication with the NRRIT's Auditor

This portion of the overall material weakness in financial reporting continues to exist. Communication between OIG and NRRIT auditors is required to achieve compliance with AICPA standards. RRB management continues to cite statutory limitations as the

basis for not permitting OIG auditors to communicate with NRRIT auditors, and therefore, did not concur with the recommendation for corrective action. We continue to look for resolution of this issue.

Ineffective Control Environment

In fiscal year 2017 and in connection with our financial statement audit, we continued to cite a material weakness for the RRB’s control environment that was identified in fiscal year 2016. This material weakness was reported because RRB management has not taken corrective action to address high level, monetarily significant issues that could have a detrimental effect on reliability of financial reporting at RRB and governmentwide levels. We cited six examples of audit concerns regarding agency actions and inactions that were found not be in accordance with authoritative guidance, previous agreements, and policies and procedures. We made four recommendations for improvement, and RRB management did not concur with two of the recommendations and took corrective action for one. The reasons cited by RRB management for nonconcurrency provided further justification for this new material weakness. Corrective action for the remaining recommendation remains in progress.

During fiscal year 2017, we reported that the RRB did not always comply with the FTR and that the RRB’s approval and authorization controls were not always adequate and enforced. As a result, there was an increased risk for unauthorized travel and potential fraud, waste, and abuse of government funds. We determined that RRB travel policies and procedures allowed for noncompliance with the FTR. RRB management did not concur with some of our recommended corrective actions, and in one instance stated that there was no requirement for RRB policies and procedures to mirror the FTR. Other reasons RRB management provided for nonconcurrency included reliance on the travel system that the RRB uses and the warnings and other system functionalities built into the system. The OIG disagreed and reiterated the need for improved controls, adequate documentation, and updated policies and procedures to ensure compliance with the FTR.

Financial Controls and Reporting Issue Area	Date of Report	Audit Report and Recommendations
Ineffective Controls	August 1, 2014 March 31, 2015 August 14, 2015 November 30, 2015	Report No. 14-10, 1-2 Report No. 15-05, 2 Report No. 15-08, 1-4, 6, 9-12, 16 Report No. 16-02, 6, 8-11
Communication with the NRRIT’s Auditor	March 31, 2015	Report No. 15-05, 8
Ineffective Control Environment	February 16, 2017 April 11, 2017	Report No. 17-03, 2-4 Report No. 17-03, 1-19

Program Integrity Activities

Death Matches with SSA and CMS

Previously in 2016, we reported that the RRB does not record receivables for returned payments because they do not consider them outstanding debts. Our testing identified certain death match cases with overpayments where a receivable had not been recorded and the payments had been returned before RRB systems recognized them as overpayments. Because the RRB uses the accounts receivable system to estimate improper payments, improper payment estimates may have been understated. In addition, other studies and reports that rely on information from the RRB's accounts receivable system could be impacted. Returned payments are overpayments that should be recorded as receivables and subsequently offset. They meet the definition of improper payments and should be reported as improper payments. Recommendations 1 and 2 for Management Information Report 16-08 (Issued August 4, 2016) were closed as implemented on March 21, 2017. We recommended that the RRB:

1. take the necessary steps to ensure that receivables are recorded for overpayments returned to the RRB; and
2. revise procedures to ensure that all overpayments made to deceased annuitants are included in the RRB's improper payment reporting.

With regards to recommendation #1, the RRB revised their procedures (Procedure Transmittal 16-56, RCM 6.6.135 – 6.6.173) to state that a railroad retirement debt must be established even if all or some of the payments have been returned. In addition, they provided training to the Survivor Initial Section. We reviewed the examples provided and they do indicate that payments returned to the RRB are now being established as receivables in the Financial Management Integrated System (FMIS). Based on these examples, we believe that we can conclude that the RRB is establishing receivables for overpayments returned to the RRB in FMIS. Since receivables recorded by the RRB in FMIS are the source of the RRB's improper payment reporting, overpayments made to deceased annuitants returned to the RRB should now be included in the RRB's improper payment reporting. However, the OIG has yet to assess if these types of receivables have indeed been included in the RRB's improper payments calculations going forward. We plan to review this area when we next review improper payments.

Occupational Disability Program

In 2007, the OIG initiated a joint investigation with the Federal Bureau of Investigation that unraveled a complex occupational disability fraud scheme perpetrated by a number of Long Island Rail Road retirees, doctors, and disability facilitators. Foundational flaws, which leave the RRB's occupational disability program susceptible to fraud and abuse, remain including an agency culture that focuses on paying benefits quickly; thereby increasing the likelihood of erroneous payments. The RRB's occupational disability approval rate (at the initial level) has remained fairly consistent near the 98 percent mark, with some months recording a 100 percent approval rate. According to a 2009 Government Accountability Office audit of the RRB's occupational disability program, "a nearly 100-percent approval rate in a federal disability program is troubling, and could indicate lax internal controls in RRB's decision-making process, weaknesses in program design, or both."¹⁶

In fiscal year 2016, we reported that medical opinions used in the decision to award disability annuities added limited value to the disability determination process. Medical opinions used by the RRB were found to be inaccurate and incorrectly presumed to have been based on all medical evidence in the file when the opinion did not support that assumption. Controls were also ineffective in ensuring that contract requirements were met, and that medical licenses, insurance requirements, and timeliness was effectively monitored by the RRB.

In fiscal year 2014, we reported that a provision of the RRA allows railroad employees to purchase their service eligibility for an occupational disability annuity through injury settlements with their railroad employer, and without the RRB as a party to the settlement. The RRB is then obligated to pay the annuity from the RRA trust fund, which could potentially impact the trust fund by as much as \$2.2 billion if all annuitants who barely qualified for an occupational disability had purchased some of the qualifying service months through an injury settlement. Additionally, under the law, such settlements are not always taxable as railroad compensation.

In fiscal year 2013, we reported that the RRB did not always verify job duty information before granting occupational disability annuities, and RRB policies and procedures were inadequate to ensure such verifications were obtained. Job duty information is used to determine the applicant's job duties normally performed and to consider impairment-related restrictions. Such information is used to support whether the applicant is unable to perform his or her railroad occupation, a requirement for the awarding of occupational disability benefits.

¹⁶ Government Accountability Office, *Railroad Retirement Board: Review of Commuter Railroad Occupational Disability Claims Reveals Potential Program Vulnerabilities*, GAO-09-821R (Washington D.C.: September 9, 2009).

Program Integrity Issue Area	Date of Report	Audit Report and Recommendations
Death Matches with SSA and CMS	August 4, 2016	Report No. 16-08, 1 & 2 (closed)
Medical Opinions	March 9, 2016	Report No. 16-05, 1-8,10, 12-18
Injury Settlements	July 18, 2014	Report No. 14-08, 1-2
Job Duty Verifications	January 15, 2013	Report No. 13-02, 1, 3-5

Oversight of Railroad Medicare

In fiscal year 2016, we determined that controls were not adequate to ensure the RRB’s cost allocation plans and Medicare reimbursement calculations were accurate and supported in accordance with federal requirements. Further, the RRB’s Medicare cost allocation policies and procedures were not effective in preventing errors. Labor costs were reimbursed based on management’s professional judgment and indirect costs had not been formally approved by CMS.

RRB management concurred with 10 recommendations and did not concur with 16 recommendations. Management’s response raises concerns and increases the risk of inaccurate future reimbursements from CMS. Generally, RRB and OIG disagree on the applicability of and the RRB’s compliance with OMB Circular A-87 which provides the federal requirements for preparation of the cost allocation plan. The RRB nonconcurred with recommendations that would require retroactive assessment of the accuracy of reimbursements received from CMS in compliance with the applicable interagency agreement or address the examples of noncompliance with OMB Circular A-87.

The weaknesses resulted in unsupported Medicare direct costs totaling approximately \$30.4 million and unsupported indirect costs ranging from \$9.5 million to \$33.8 million for fiscal years 2010 through 2014. Final determination of the accurate reimbursable Medicare costs may result in violations of the Purpose Statute and Antideficiency Act.

On December 2, 2016, the RRB requested that the OIG rescind its audit report that disclosed the control inadequacies within its cost allocation plans and offered recommendations for improving the accuracy of Medicare reimbursement calculations. The agency believes the OMB Circular A-87 guidance does not adequately address the reimbursement relationship between two federal agencies and was superseded during the review.

OMB Circular A-87 establishes specific requirements and expectations with respect to the reimbursement of the RRB’s Medicare costs and was adopted by the RRB within the terms of its interagency agreement with CMS. Rejection by RRB management of the OMB Circular A-87 requirements would leave no criteria in place for the RRB to be held

accountable in requesting cost reimbursement from CMS. OMB Circular A-87 was determined to be effective and was in effect during the entirety of the timeframe covered by the audit. On this basis, the OIG denied the RRB's request on January 18, 2017. Corrective action for the remaining recommendations remains in progress.

In fiscal year 2015, we determined that controls were not sufficient to ensure that payments for Railroad Medicare chiropractic services complied with Medicare requirements. Inadequate contract oversight resulted in vulnerabilities exposing approximately \$14 million in payments for unnecessary and improper chiropractic services from 2009 through 2013. In addition, the reviews performed by the RRB's Medicare contractor did not validate the medical necessity for billed chiropractic services, nor did the contractor's procedures adequately identify ongoing risks associated with chiropractic service claim payments. Such risks include the frequency of chiropractic visits, the use of dual modifiers, commonly up coded chiropractic services, and high risk chiropractic services. Corrective action for the remaining recommendations remains in progress.

Oversight of Railroad Medicare Issue Area	Date of Report	Audit Report and Recommendations
Reimbursed Medicare Costs	August 22, 2016	Report No. 16-10, 1-16, 23-24
Chiropractic Services	June 4, 2015	Report No. 15-07, 7, 9-11

Information Technology

As with all federal agencies, the RRB faces the challenge of how to modernize its information technology and safeguard sensitive data, while accomplishing the agency's mission. On November 9, 2016, we released our fiscal year 2016 online CyberScope report on the information security at the RRB as mandated by FISMA. Our audit determined that the RRB continues to make progress in implementing an information security program that meets the requirements of FISMA, yet a fully effective security program has not been achieved. Each of the five cybersecurity framework functions were assessed as not effective when evaluated using the five level maturity model. Prior information technology reports included recommendations for improvement, many of which continue to be open or unimplemented. With the issuance of our last report, the RRB had 128 open audit recommendations from OIG audit reports issued since 2002, and another 543 open recommendations from other evaluators.

Information Technology Issue Area	Date of Report	Audit Report
Information Security	June 16, 2017	Report No. 17-06

For more information on major management challenges identified by our office, see *Management and Performance Challenges Facing the Railroad Retirement Board*, OIG Management Information Report No. 17-02, December 1, 2016.

Appendix E – Peer Reviews

Office of Audit

In general, federal audit organizations may receive a peer review rating of pass, pass with deficiencies, or fail.

The results of OA's most recently completed peer review, for the period ending March 31, 2015, was transmitted on September 23, 2015. OA received a peer review rating of pass.

The OA did not conduct any peer reviews of other audit organizations during this reporting period.

Office of Investigations

A rating of Compliant conveys that the reviewed Office of Inspector General has adequate internal safeguards and management procedures to ensure that the Council of Inspectors General on Integrity and Efficiency standards are followed and that law enforcement powers conferred by the Inspector General Act are properly exercised.

The results of OI's most recent peer review, for the period ending January 14, 2014, was transmitted on June 23, 2014. OI received a rating of Compliant.

During this semiannual reporting period, OI did not complete any peer reviews of other investigative offices.

Appendix F – Reports Prepared by Management Final Action on Audits with Disallowed Costs

Pages 45 through 54 were prepared exclusively by the RRB.

For the 6-Month Period Ending September 30, 2017	<u>Number of Audit Reports</u>	<u>Disallowed¹⁷ Costs</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	0	\$ 0
B. Audit reports on which management decisions were made during the period.	0	\$ 0
C. Total audit reports pending final action during the period. (A + B)	0	\$ 0
D. Audit reports on which final action was taken during the period.		
1. Recoveries		
(a) Collections and offsets	0	\$ 0
(b) Property	0	\$ 0
(c) Other	0	\$ 0
2. Recovery Waived	0	\$ 0
3. Total of 1 and 2	0	\$ 0
E. Audit reports needing final action at the end of the period (C - D.3).	0	\$ 0

¹⁷ The Railroad Retirement Board's Office of Inspector General has not identified disallowed costs during the current, or prior, reporting periods. The Inspector General Act of 1978, as amended, defines a disallowed cost as "a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government."

***Management Report on Final Action on Audits with
Recommendations to Put Funds to Better Use for the
6-Month Period Ending September 30, 2017***

Pages 45 through 54 were prepared exclusively by the RRB.

	<u>Number of Audit Reports</u>	<u>Funds to be Put¹⁸ to Better Use</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	1	\$600,000 ¹⁹
B. Audit reports on which management decisions were made during the period.	0	\$0
C. Total audit reports pending final action during the period. (A - B)	1	\$600,000
D. Audit reports on which final action was taken during the period.		
1. Value of recommendations implemented (completed)	0	\$0
2. Value of recommendations that management concluded should not or could not be implemented (completed)	0	\$0
3. Total of 1 and 2	0	\$0
E. Audit reports needing final action at the end of the period	1	\$600,000

¹⁸ Numbers reported represent amounts associated with open recommendations for which corrective action is not yet complete.

¹⁹ Comprised of \$600,000 from Audit Report 09-02, Fiscal Year 2008 Financial Statement Audit Letter to Management. Resolution is pending Office of Inspector General review.

**Management Statement on Resolved Audit Reports Over
12 Months Old with Final Action Pending as of
September 30, 2017**

Pages 45 through 54 were prepared exclusively by the RRB.

Report	Date	Disallowed Cost	Funds put to Better Use	Status
Review of information Security at the Railroad Retirement Board (02-04)	2/5/2002	NONE	NONE	The Bureau of Information Services closed 27 of 28 recommendations. The audit POC submitted documentation supporting recommendation closure for the final open recommendation. However, the OIG determined corrective actions were not sufficient to justify closure.
Review of Internal Control over The Actuarial Projection Process (05-04)	5/5/2005	NONE	NONE	The Chief Actuary continues to review work plan prior to submission to OIG.
Review of Incident Handling and Reporting at the Railroad Retirement Board (06-09)	8/24/2006	NONE	NONE	Audit POC closed 10 of 11 recommendations. Audit POC needs to meet with OIG to discuss closure of final recommendation.
Audit of Federal Income Taxes Withheld from Railroad Retirement Annuities (07-07)	7/30/2007	NONE	NONE	Five of six recommendations were closed. Last recommendation on hold due to resources to higher priority projects.
Fiscal Year 2007 Evaluation of information Security at the Railroad Retirement Board (07-08)	9/27/2007	NONE	NONE	Audit POC closed five of seven recommendations. Work in progress to close remaining two.
Audit of Controls to Safeguard Sensitive Personally Identifiable information (07-09)	9/27/2007	NONE	NONE	Work and coordination continues with outside contractor to close remaining recommendations.
Evaluation of Information Security for the RRB's Financial Interchange Major Application (08-03)	9/26/2008	NONE	NONE	Work in progress.

Fiscal Year 2008 Evaluation of Information Security at the RRB (08-05)	9/30/2008	NONE	NONE	Audit POC closed seven of eight recommendations. Documentation for the one remaining recommendation is currently being reviewed prior to submission to OIG.
Fiscal Year 2008 Financial Statement Audit Letter to Management (09-02)	3/24/2009	NONE	YES	Audit POC closed 9 of 13 recommendations. Documentation for one of four recommendations was submitted for OIG review. Further review and updating of documentation along with case reviews are currently being performed on the remaining three recommendations.
Audit of the Railroad Medicare Integrity Program at Palmetto Government Benefits Administrators (09-04)	9/25/2009	NONE	NONE	Three of fifteen recommendations remain open. The audit POC submitted documentation supporting recommendation closure on multiple occasions for the remaining three; however, the OIG determined corrective actions were not sufficient to justify closure.
Fiscal Year 2009 Evaluation of information Security (10-01)	11/12/2009	NONE	NONE	Documentation is currently being reviewed prior to submission to OIG for the last recommendation.
Review of Statistical Methods Employed in the Financial Interchange Determination (10-06m)	5/4/2010	NONE	NONE	The Bureau of Actuary is reviewing documentation and will take the necessary action(s). They will coordinate with the Bureau of Information Services for programming services.
Review of the Technical Approach and Methodology Used to Determine the Annual Financial Interchange Amount for the Year Ended September 30, 2008 (10-07m)	5/19/2010	NONE	NONE	The Bureau of Actuary is reviewing documentation and will take the necessary action(s).
Review of the Accuracy of the Financial Interchange as Executed for the Year	5/25/2010	NONE	NONE	The Bureau of Actuary is reviewing documentation and will take the necessary action(s).

Ended September 30, 2008 (10-10m)				
Audit of Unilateral Disability Freeze Determinations (10-11)	8/12/2010	NONE	NONE	One of three recommendations was closed. Work continues on remaining two. Target completion in FY18.
Audit of the Account Benefits Ratio (10-12)	9/29/2010	NONE	NONE	The Bureau of Actuary is reviewing and will take the necessary action(s).
Audit of Controls Over Railroad Medicare Contract Costs (11-06)	4/20/2011	NONE	NONE	Five of fifteen recommendations remain open. The audit POC submitted documentation supporting recommendation closure for the last five recommendations on multiple occasions; However, the OIG determined corrective actions were not sufficient to justify closure.
Audit of Railroad Retirement Act Benefits Overpayments and Internal Controls (11-07)	6/29/2011	NONE	NONE	The audit POC closed 13 of 14 recommendations. For the remaining open recommendation, the chart of controls for RBD and SBD will be updated and tested prior to submission to OIG for closeout.
Review of the Railroad Retirement Board's Security Patch Management Process (11-08)	7/7/2011	NONE	NONE	The audit POC closed 10 of 13 recommendations. Work continues on the three remaining recommendations.
Inspection of the Railroad Retirement Board's Agency Enterprise General Information Support System Certification and Accreditation (11-10)	9/28/2011	NONE	NONE	One of three recommendations was closed. Documentation is currently being reviewed and finalized for submission to OIG for remaining recommendations.
Fiscal Year 2011 Evaluation of Information Security at the Railroad Retirement Board (12-02)	1/5/2012	NONE	NONE	Eleven of thirteen recommendations were closed. Implementation documentation for the remaining two recommendations was submitted multiple times by the audit POC but deemed insufficient by the OIG.

				Documentation is currently being reviewed and finalized for resubmission for the remaining two.
Fiscal Year 2011 Financial Statement Audit Letter to Management (12-04)	1/31/2012	NONE	NONE	Three of six recommendations were closed. Work continues on procedure review.
Inspection of the Railroad Retirement Board's Representative Payee Monitoring (12-07)	7/27/2012	NONE	NONE	Original report contained 20 recommendations. Three recommendations remain open. Work continues on three remaining recommendations prior to submission to the OIG for closeout.
Inspection of the Railroad Retirement Board's Financial Interchange System Continuous Monitoring (12-08)	9/21/2012	NONE	NONE	The Bureau of Actuary is currently reviewing and will take the necessary action(s).
Audit of Job Duty Verification Procedures for Long Island Rail Road Occupational Disability Applicants (13-02)	1/15/2013	NONE	NONE	One of five recommendations was closed. Documentation is currently being reviewed and finalized for resubmission to OIG for remaining.
Fiscal Year 2012 Audit of Information Security at the Railroad Retirement Board (13-04)	2/12/2013	NONE	NONE	Eleven of nineteen recommendations were closed. Documentation is being reviewed and finalized for resubmission on four recommendations, and work continues on the remaining four.
Audit of the Railroad Retirement Board's Compliance with the Government Charge Card Abuse Prevention Act of 2012 (13-10)	9/19/2013	NONE	NONE	In the process of reviewing policies and procedures to develop controls for when and how often to review charge card holders.
Audit of the Railroad Retirement Board's Privacy Program (13-11)	9/20/2013	NONE	NONE	Three of eleven recommendations were closed. Documentation is currently being reviewed and finalized for submission to OIG for remaining eight.

Fiscal Year 2013 Financial Statement Audit Letter to Management (14-02)	2/20/2014	NONE	NONE	One of two recommendations was closed. Bureau of Fiscal Operations staff updating Accounting Procedures Guide and developing training.
Fiscal Year 2013 Audit of Information Security at the Railroad Retirement Board (14-03)	3/4/2014	NONE	NONE	Four of seven recommendations were implemented. Corrective action underway for the remaining three. Bureau of Information Services is coordinating internally to review procedures and identify resources to address necessary corrective action.
Audit of the General and Application Controls in the Railroad Retirement Board's Financial Management Information System (14-06)	5/6/2014	NONE	NONE	Ten of twenty-five recommendations were closed. Office of Administration and the Bureau of Information Services are working to implement corrective actions and submission of close out requests to the OIG for remaining recs.
Audit of Payment Controls over Railroad Medicare Claims Submitted by Physical Therapists (14-07)	5/16/2014	NONE	NONE	Three of ten recommendations remain open. Office of Programs working to implement corrective action and re-submit documentation for close out.
Management Information Report - Railroad Medicare Progress and Challenges (14-09)	7/25/2014	NONE	NONE	Four of thirteen recommendations remain open. Working on documentation and coordinating with external organization prior to submitting request for closure.
Audit of Business Process Controls in the Financial Management integrated System (14-10)	8/1/2014	NONE	NONE	Seven of nine recommendations were closed. Bureau of Fiscal Operations staff have re-written Accounting Procedures Guide and are coordinating close-out of remaining two recommendations.

Audit of the Data Management Application Controls and Selected General Controls in the Financial Management Integrated System (14-12)	9/30/2014	NONE	NONE	Five of eight recommendations were closed. Bureau of Information Services staff currently reviewing and revising policy and procedures.
Fiscal Year 2014 Audit of Information Security at the Railroad Retirement Board (15-04)	3/16/2015	NONE	NONE	Four of nine recommendations were closed. Corrective action underway, Bureau of Information Services is coordinating internally to review procedures and identify resources to address corrective action.
Fiscal Year 2014 Financial Statement Audit Letter to Management (15-05)	3/31/2015	NONE	NONE	Sixteen of nineteen recommendations were closed. Concurred with two of three open recommendations. Took corrective action and submitted close-out requests. OIG determined corrective actions were not sufficient. Will work with the OIG to identify appropriate corrective action.
Railroad Retirement Board's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2014 Performance and Accountability Report (15-06)	5/15/2015	NONE	NONE	Four of ten recommendations were closed. Non-concurred with two of remaining six recommendations. Took corrective action to coordinate preparation of risk assessment for agency programs, prepared and submitted risk assessments, developed policy and procedure. OIG determined corrective actions were not sufficient. Will continue to work with the OIG to identify appropriate corrective action.
Railroad Retirement Board Medicare Contract Oversight Did Not Effectively Mitigate Chiropractic Service Risks (15-07)	6/4/2015	NONE	NONE	Four of eleven recommendations remain open; however, the RRB non-concurred with two of the four. Coordinating with

				multiple stakeholders to close out two recs.
Audit of the Internal Controls Over Obligations at the Railroad Retirement Board (15-08)	08/14/15	None	None	RRB concurred with seven of ten open recommendations. RRB submitted close-out requests, pending OIG review. Coordinating with multiple stakeholders for remaining recommendations and will continue to work corrective action and re-submit close out requests.
Select Financial Management Integrated System Business Process Controls Need Improvement (16-02)	11/30/2015	NONE	NONE	Seven of eleven recommendations were closed. Submitted multiple close-out requests for remaining open recommendations but the OIG determined corrective actions were not sufficient. Responsible office continue to work corrective actions and will re-submit close out requests to the OIG.
Fiscal Year 2015 Financial Statement Audit Letter to Management (16-04)	2/2/2016	NONE	NONE	Two of five recommendations were closed. Bureau took corrective action that the OIG did not deem sufficient. Bureau will continue to work corrective action and will re-submit close out requests to the OIG.
Control Weaknesses Diminish the Value of Medical Opinions in the Railroad Retirement Board Disability Determination Process (16-05)	3/9/2016	NONE	NONE	Two of eighteen recommendations were closed and the RRB non-concurred with six recommendations. Of the remaining recommendations, the RRB submitted close-out requests and the OIG did not deem the corrective actions sufficient. RRB reviewing documentation, and will submit to OIG for closeout.

Fiscal Year 2015 Audit of Information Security at the Railroad Retirement Board - Abstract (16-06)	4/26/2016	NONE	NONE	Six of twenty-three recommendations were closed. Agency currently reviewing documentation for remaining recommendations and will submit to OIG for closeout.
Audit of the RRB's Compliance with the Improper Payments Elimination and Recovery Act in the FY 2015 PAR (16-07)	5/13/2016	NONE	NONE	Closed three of the six recommendations. Concurred with one of three open recommendations. Documentation is currently being reviewed prior to submission to the OIG for the last one.
Management Information Report - The RRB's Method for Recording and Reporting Overpayments Identified by Death Matches (16-08)	8/4/2016	NONE	NONE	Closed two of the seven recommendations. Corrective actions are underway and documentation is under review prior to submission to the OIG for closeout of the remaining recommendations.
Railroad Retirement Board Did Not Calculate Reimbursed Medicare Costs In Accordance With Federal Requirements (16-10)	8/22/2016	NONE	NONE	Agency concurred with ten of the 26 recommendations. Four of the ten were closed. Documentation for the remaining six recommendations is currently being reviewed prior to submission to the OIG.

Appendix G – Reporting Requirements

Act Section	Inspector General Reporting Requirements	
4(a)(2)	Review of Legislation and Regulations	30
5(a)(1)	Significant Problems, Abuses, and Deficiencies	37 – 43
5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	37 – 43
5(a)(3)	Prior Significant Recommendations Not Yet Implemented	37 – 43
5(a)(4)	Matters Referred to Prosecutive Authorities	3, 4, 19
5(a)(5)	Summary of Reports to the Chairman	None
5(a)(6)	Open or Unimplemented Audit Recommendations and the Associated Cost Savings	16
5(a)(7)	Summary of Each Significant Report	4 – 15
5(a)(8)	Statistical Table on Management Decisions on Questioned Costs	33
5(a)(9)	Statistical Table on Management Decisions on Recommendations That Funds be Put to Better Use	34
5(a)(10)	Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	16
5(a)(11)	Description and Explanation for Any Significant Revised Management Decision	None
5(a)(12)	Information on Any Significant Management Decision With Which the Inspector General Disagrees	7, 8, 10, 13, 27, 37 – 43
5(a)(13)	Chairman Statement of Compliance	None
5(a)(14)	Peer Reviews	44
5(a)(15), (16)	Peer Reviews – Outstanding Recommendations	None
5(a)(17), (18)	Investigative Reports Issued to the Department of Justice and Metrics Used	3

5(a)(19)	Investigations Involving Senior Government Employees	None
5(a)(20)	Instances of Whistleblower Retaliation	None
5(a)(21)	Attempts to Interfere	28 – 29
5(a)(22)(a)	Inspections, Evaluations, and Audits Closed and Not Disclosed to the Public	27
5(a)(22)(b)	Investigations Involving Senior Government Employees Closed and Not Disclosed to the Public	None

Act Section	Management Reporting Requirements Pages 45 through 54 were prepared exclusively by the RRB.	Page(s)
5(b)(1)	Management Comments	Management's Transmittal
5(b)(2)	Statistical Table on Final Action on Disallowed Costs	45
5(b)(3)	Statistical Table on Final Action to Put Funds to Better Use	46
5(b)(4)	Statement on Audit Reports With Final Action Pending	47 – 54

Appendix H – Acronyms

Acronym	Explanation
AICPA	American Institute of Certified Public Accountants
CMS	Centers for Medicare and Medicaid Services
BFO	Bureau of Fiscal Operations
BIS	Bureau of Information Services
FISMA	Federal Information Security Modernization Act of 2014
FMIS	Financial Management Integrated System
FTR	Federal Travel Regulation
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
NARA	National Archives and Records Administration
NRRIT	National Railroad Retirement Investment Trust
OA	Office of Inspector General for the Railroad Retirement Board – Office of Audit
OI	Office of Inspector General for the Railroad Retirement Board – Office of Investigations
OIG	Office of Inspector General for the Railroad Retirement Board
OMB	Office of Management and Budget
PES	Program Evaluation Section
RRA	Railroad Retirement Act
RRB	Railroad Retirement Board
RRSIA	Railroad Retirement and Survivors' Improvement Act of 2001
RUIA	Railroad Unemployment Insurance Act
SSA	Social Security Administration
SI	Sickness Insurance
UI	Unemployment Insurance
USB	Universal Serial Bus

Appendix I – Legal References

Antideficiency Act - 31 U.S.C. § 1341(a), 1342, 1349-1351, 1511(a), and 1512-1519

Federal Information Security Modernization Act of 2014 – P.L. 113-283

Improper Payments Elimination and Recovery Act of 2010 – P.L. 111-204

Improper Payments Elimination and Recovery Improvement Act of 2012 – P.L. 112-248

Improper Payments Information Act of 2002 – P.L. 107-300

Inspector General Act of 1978, as amended – 5 U.S.C. App. 3

Inspector General Empowerment Act of 2016 – P.L. 114-317

Purpose Statute – 31 U.S.C. § 1301(a)

Railroad Retirement Act – 45 U.S.C. § 231, et. seq.

Railroad Unemployment Insurance Act – 45 U.S.C. § 351, et. seq.

Railroad Retirement and Survivors' Improvement Act of 2001 – P.L. 107–90

Railroad Retirement Solvency Act of 1983 – P.L. 98–76

Social Security Act – 42 U.S.C. § 301, et seq.

REPORT FRAUD, WASTE, AND ABUSE



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