



# Fraud Prevention and Detection

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Office of the Inspector General**

# Railroad Retirement Board Cont.

- **The RRB's central mission is to pay accurate and timely benefits under the Railroad Retirement Act and the Railroad Unemployment Insurance Act.**
- **During fiscal year 2017, the RRB paid approximately \$12.5 billion in retirement and survivor benefits to roughly 550,000 beneficiaries.**

# Office of Inspector General

- **The Railroad Retirement Solvency Act of 1983 amended the Railroad Retirement Act to provide for an Office of Inspector General (OIG) at the RRB.**
- **The OIG's oversight authority is governed by the Inspector General Act of 1978, as amended.**

# Office of Inspector General Cont.

- **The OIG is an independent office within the RRB.**
- **The Inspector General for the RRB is appointed by the President with the advice and consent of the Senate.**

# Office of Inspector General Cont.

- **The OIG has three operational components: the immediate Office of the Inspector General, the Office of Audit, and the Office of Investigations.**

# OIG's Mission Statement

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

# Office of Audit

- **The Office of Audit conducts financial, performance, and compliance audits and evaluations of RRB programs and operations.**
- **Recent audits include:**
  - **annual financial statements audit and**
  - **audit of RRB's compliance with the Improper Payments Elimination and Recovery Act.**

# Office of Investigations

- **The Office of Investigations focuses its efforts on identifying, investigating, and presenting RRB benefit fraud cases for prosecution.**



# Fiscal Year 2017 Investigative Accomplishments

- 54 Investigative reports submitted;
- 16 Indictments/Informations;
- 3 Arrests;
- 39 Convictions;
- 4 Civil Complaints;
- 11 Civil Judgments;
- \$86.1 Million in Restitution and Fines (which includes totals from joint investigations.);
- \$61 Million in Civil Damages and Penalties (which includes totals from joint investigations.);
- \$573,000 in Potential Economic Loss Prevented;

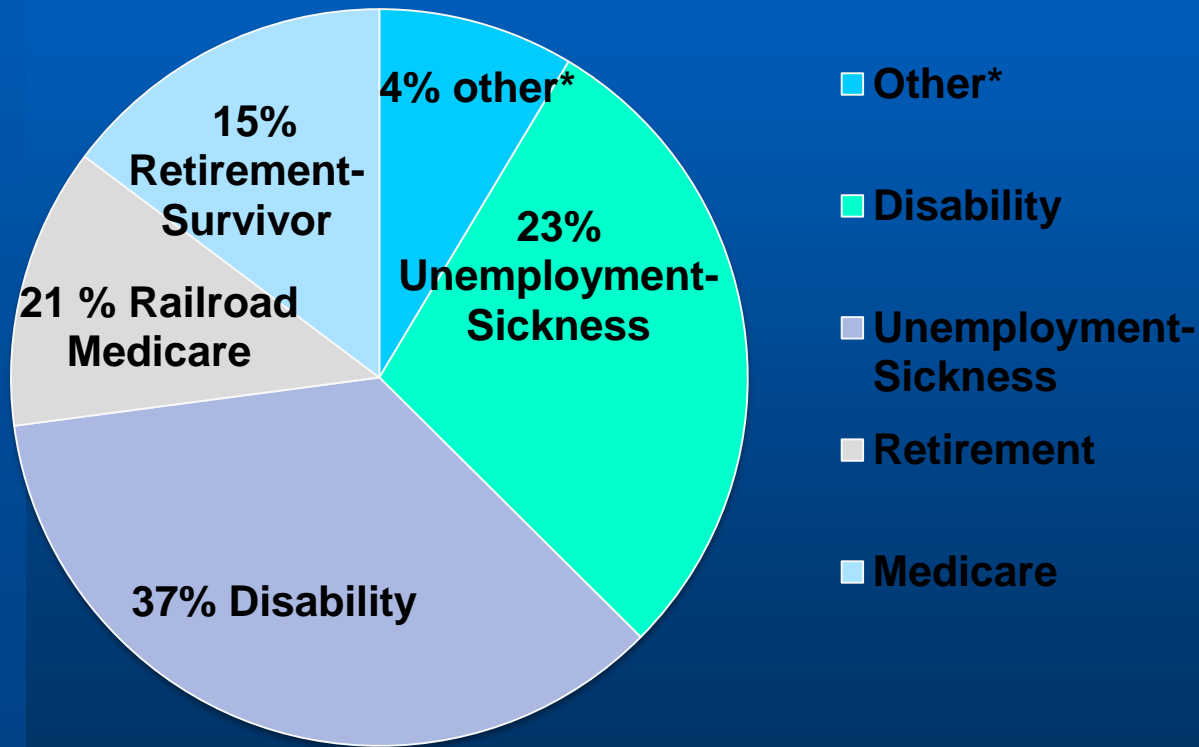
# Fiscal Year 2017 Investigative Accomplishments Cont.

- 930 Hours of Community Service;
- 72 years of prison;
- 86 years of probation;
- Note that financial accomplishments reflect amounts recovered from jointly worked cases.

# Investigative Caseload

- **As of September 30, 2017, the Office of Investigations' caseload totaled 290 matters, representing more than \$552.8 million in potential fraud (including jointly worked cases).**

# Current Caseload by Case Type



# Fraud Prevention

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- **Prevention is key - prevent improper payments from going out the door in the first place.**

# Fraud Prevention Cont.

- **Proper controls should be put in place upfront.**
  - **Know your organization. What controls do they have in place? An Inspector General? Auditors? A fraud referral hotline? Policies/Procedures?**
- **Modify existing controls/procedures when problems are identified.**

# Identify Systemic Weaknesses or Vulnerabilities

- **Report and respond to any weaknesses or vulnerabilities detected in your program.**
  - **Identify the weakness or vulnerability. Why and how did it happen?**
  - **How does it impact program integrity?**
  - **What is the best way to legally close the loophole?**

# Systemic Weaknesses or Vulnerabilities Cont.

- **For Example:**

- **Identified Weakness/Vulnerability:**  
RRB beneficiaries were not reporting corporate ownership to the RRB.
- **How did it happen:** RRB's annual eligibility questionnaire did not ask the right questions.
- **Solution:** Updated the annual questionnaire to address this issue.



# Train Your Contact Representatives

- **Properly train your contact representatives. They are your frontline.**
- **They are most likely the main contact the applicant/retiree will have with your organization.**

# Establish Fraud Prevention Controls for Contact Representatives Cont.

- Treat each applicant as if it is the first time they have applied for benefits.
- Explain penalties for false statements (criminal/civil/admin).
- Document each and every contact including routine phone calls, visits, mailings, etc.
  - The RRB utilizes a contact log to document all contacts with beneficiaries.

# Establish Fraud Prevention Controls for Contact Representatives Cont.

- Provide applicable receipts and booklets every time.
- Never rush interview and always allow time for questions and clarification.
- Encourage face to face meetings.
- Witness all signatures and verify same with I.D.

# Establish Fraud Prevention Controls for Contact Representatives Cont.

- **Positively identify caller if there is a telephonic change of address request or a direct deposit routing change.**
- **Contact supervisor and/or law enforcement if something just does not seem right.**
  - **OLG has successfully performed undercover operations in RRB field offices to prevent identity theft.**

# Importance of Fraud Prevention Controls – Case Example

- **We successfully prosecuted a case where an individual utilized details from an RRB beneficiary's obituary to successfully change the direct deposit routing numbers to her own. She was able to scheme the government out of approximately \$1 million in fraudulent benefits from various Federal agencies.**

# Long Island Rail Road Prosecution

- **Massive fraud scheme perpetrated by former LIRR employees, doctors, and disability facilitators.**
- **Conspiracy between employees, doctors, and facilitators to falsify RRB disability applications.**
- **Joint investigation with the FBI.**

# LIRR Cont.

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- **Thirty-three individuals were indicted by the U.S. Attorney's Office for the Southern District of New York.**
- **All 33 people have either pled guilty (28 individuals) or been convicted at trial (5 individuals).**

# LIRR Cont.

- **Federal sentences imposed totaled:**
  - 544 months of prison,
  - 594 months of probation,
  - 456 months of supervised release,
  - 57 months of home confinement,
  - 300 hours of community service, and
  - approximately \$614 million in restitution, forfeiture, and fines.



# Fraud Detection Tips

- **Follow-up if a mailing address is changed to a P.O. Box or if bank routing or account numbers change.**
- **Scrutinize Representative Payees.**
  - **Are they using the funds to benefit the beneficiary?**

# Fraud Detection Tips Cont.

- **If an individual retires on disability, perform a check with the state agency responsible for registering business entities to determine whether there is any corporate ownership or affiliation.**
- **Maintain a hotline for anonymous tips.**

# Fraud Referral Policy

- **Have a clear fraud referral policy in place.**
- **Policy should include an appropriate dollar threshold.**
- **Copies of relevant documents should accompany referral, i.e. file notes, applications, claims for benefits, doctor's statements.**

# Fraud Referral Policy Cont.

- Referral memo should include basic information such as: subject's name, SS# (and SS# under which payments were made), DOB, home address, telephone number, etc.
- Provide additional info, such as time period and amount of erroneous payment and method of discovery.

# Case Prosecution

- **Public retirement fraud cases may be prosecuted by:**
  - State and local prosecutors
  - U.S. Attorney's Office.
- **If it does not rise to the level of fraud, refer for an administrative overpayment.**

# Types of Retirement Fraud We See

- **RRB Retirement/Survivor fraud typically involves:**
  - **an individual failing to report information to the RRB that may disqualify the annuitant from receiving benefits;**
  - **instances of theft and/or fraudulent cashing of retirement benefit checks by someone other than the authorized RRB annuitant; or**

# Types of Retirement Fraud We See

## Cont.

- **an individual designated to receive RRB benefits on behalf of an RRB annuitant (representative payee) fraudulently using the funds for their own personal use.**

# It's Your Money

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- Remember that it is ultimately your money too. It is important to have the safeguards in place to protect it!



# Conclusion

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- **Successful retirement/survivor case examples.**
- **Questions.**

**Office of Inspector General for the  
Railroad Retirement Board**

**Hotline: (800) 772- 4259**