U.S. RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

Fiscal Year 2018 Financial Statement Audit Letter to Management

Report No. 19-06

February 20, 2019

OFFICE OF INSPECTOR GENERAL
U.S. RAILROAD RETIREMENT BOARD
Fiscal Year 2018 Financial Statement Audit Letter to Management

What We Found

We identified numerous reporting errors in the preliminary and final draft financial statements and related notes provided in the fiscal year 2018 Performance and Accountability Report and closing package data. RRB experienced problems generating certain financial statements through its general ledger system reporting that required the statements to be manually created in Excel from data extracts. We identified 21 monthly reconciliations performed by the Bureau of Fiscal Operations that were not performed in a timely manner. None of the reconciliations were completed until the Office of Inspector General requested them. We identified numerous voucher preparation errors related to both missing recommended supporting documentation and documentation where personally identifiable information was not redacted. The RRB did not accrue the outstanding balance of its annual funding when it received final funding for the fiscal year, but recorded the amount one month late.

What We Recommend

To address the weaknesses identified in this audit report, we made seven recommendations related to improving the RRB's internal control and operations. Recommendations included: (1) improving controls over the accuracy of the Performance and Accountability Report, financial statements, notes and closing package; (2) mapping and testing general ledger accounts to financial statement lines in the general ledger system; (3) ensuring required reconciliations are performed in a timely manner; (4) strengthening controls to prevent personally identifiable information from being included in voucher documentation; and (5) ensuring appropriations are accrued in the correct period. RRB management concurred with four recommendations and did not concur with three recommendations.

What We Did

During our audit of the Railroad Retirement Board's (RRB) fiscal year 2018 general purpose and closing package financial statements, we issued reports dated November 8, 2018 and November 16, 2018, respectively. The contents of this report does not modify those audit opinions. This report addresses certain matters involving the RRB's internal control structure and its operation, which individually did not rise to the level of a material weakness or a significant deficiency. Accordingly, this report is not suitable for any other purpose.

In planning and performing the fiscal year 2018 financial statement audit, we considered internal control in order to determine our auditing procedures for the purpose of issuing our reports on the RRB's financial statements, and not to provide assurance on internal control.

Report Summary **February 20, 2019** **Report No. 19-06**

UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

February 20, 2019

Erhard R. Chorlé, Chairman
U.S. Railroad Retirement Board

The purpose of this letter is to transmit internal control matters that came to our attention during our fiscal year 2018 audit of the Railroad Retirement Board's (RRB) financial statements. Accordingly, this letter is not suitable for any other purpose.

We have audited the RRB's general purpose financial statements and issued our report thereon dated November 8, 2018, except for matters relating to the net assets of the National Railroad Retirement Investment Trust as of September 30, 2018, as to which the date is November 15, 2018.[1] We performed our audit in accordance with U.S. Generally Accepted Government Auditing Standards and Office of Management and Budget (OMB) audit guidance, as applicable to the scope of our audit. We also audited the RRB's closing package financial statements and issued our report thereon dated November 16, 2018. We have not considered internal control since we ended fieldwork for the general purpose audit opinion on November 8, 2018 and the closing package audit opinion on November 16, 2018.

During our audit, we noted certain matters involving the RRB's internal control structure and its operation, which individually did not rise to the level of a material weakness or a significant deficiency; the details of which are presented in the attached report.[2] However, neither this letter nor the attached matters of internal control modifies our reports dated as of November 8, 2018 and November 16, 2018, referred to above. In these reports, we reported a material weakness over financial reporting because of ineffective controls and lack of communication with the National Railroad Retirement Investment Trust's auditors, and a material weakness because of deficient internal controls at the agency wide level.

In planning and performing the audit, we considered internal control in order to determine our auditing procedures for the purpose of issuing our reports on the RRB's financial statements and not to provide assurance on internal control. The maintenance of adequate internal control

[1] Railroad Retirement Board Office of Inspector General (RRB OIG), *The Office of the Inspector General's Report on the Railroad Retirement Board's Fiscal Year 2018 Financial Statements*, Report No. 19-01 (Chicago, IL: November 15, 2018).
[2] A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

designed to fulfill the RRB's control objectives is the responsibility of management. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected.

Our work was not conducted for the primary purpose of making detailed recommendations about the RRB's system of internal control. Had we done so, other matters might have come to our attention that we would have reported to you. Our observations concerning internal control were presented to responsible agency management who were offered the opportunity to review and comment on the draft report. Management's response is attached.

We wish to express our appreciation for the many courtesies and cooperation extended to us during these audits.

Very truly yours,

Original Signed By

Martin J. Dickman
Inspector General

Attachments

cc: Johnathan D. Bragg, Labor Member
Thomas R. Jayne, Management Member
Daniel J. Fadden, Senior Executive Officer/Director of Field Service
Ana M. Kocur, General Counsel
Shawna Weekley, Chief Financial Officer
Jeffrey G. Baer, Director of Audit Affairs and Compliance
Timothy Hogueisson, Financial Management and Program Analyst
Sylvia G. Zaragoza, Acting Secretary to the Board
Daniel Bartnicki, Executive Assistant/General Attorney

Contents

MATTERS INVOLVING INTERNAL CONTROL 1

REPORTING ERRORS 1

MONETARY ERRORS 1

INCOMPLETE OR INACCURATE NOTE CONTENT 1

INCORRECT LINE CAPTIONS ON FINANCIAL STATEMENT HEADINGS 1

RECOMMENDATION 2

MANAGEMENT'S COMMENTS AND OUR RESPONSE 3

FINANCIAL STATEMENTS NOT PRODUCED BY THE RRB'S GENERAL LEDGER SYSTEM IN A TIMELY MANNER 3

RECOMMENDATIONS 4

MANAGEMENT'S COMMENTS AND OUR RESPONSE 4

RECONCILIATIONS NOT PERFORMED TIMELY 5

RECOMMENDATION 6

MANAGEMENT'S COMMENTS 6

VOUCHER DOCUMENTATION ERRORS 6

VOUCHERS DID NOT INCLUDE ALL REQUIRED DOCUMENTATION 6

PII WAS NOT REDACTED ON ALL SUPPORTING DOCUMENTATION ATTACHED TO VOUCHERS 7

RECOMMENDATIONS 7

MANAGEMENT'S COMMENTS 7

APPROPRIATIONS NOT ACCRUED IN A TIMELY MANNER 7

RECOMMENDATION 8

MANAGEMENT'S COMMENTS 8

APPENDIX I: MANAGEMENT COMMENTS 9

APPENDIX II: STATUS OF PRIOR LETTER TO MANAGEMENT AUDIT RECOMMENDATIONS SINCE FEBRUARY 2018 14

MATTERS INVOLVING INTERNAL CONTROL

During our audit of the RRB's general purpose and closing package financial statements, we noted certain matters involving the RRB's internal control structure and its operations. Although these matters do not rise to the level of a significant deficiency or material weakness, either individually or in the aggregate, they represent areas in which control weaknesses increase the risk of error or mishandling.

The details of our observations and recommendations for corrective action follow. The full text of management's response is provided in Appendix I. The status of prior financial statement related audit recommendations is provided in Appendix II.

Reporting Errors

We identified numerous reporting errors in the preliminary and final draft financial statements and related notes provided in the fiscal year 2018 Performance and Accountability Report (PAR) and closing package data. Exceptions found consisted of monetary errors, incomplete or incorrect note content, and incorrect line captions or headings for financial statements.

Monetary Errors

Monetary errors consisted of the following.

- Financial and performance related information presented in the Management's Discussion and Analysis and Performance Sections of the PAR contained inaccuracies.
- A line on the consolidated balance sheet in the final draft PAR did not total correctly, resulting in an under reporting of approximately $34 million.
- Six draft notes with incorrect monetary amounts.

Incomplete or Inaccurate Note Content

We identified the following errors in draft financial statement notes

- three notes with incomplete content,
- one note with inaccurate content, and
- one required note that was not included.

Incorrect Line Captions on Financial Statement Headings

PAR financial statement errors included the following.

- Line captions on the Statement of Changes in Net Position in an initial draft PAR were not reformatted in accordance with applicable guidance.

- The heading for the Combining Statement of Budgetary Resources in the draft PAR had an incorrect date.

For the closing package audit, some of the required documents were prepared incorrectly. The reconciliation templates did not crosswalk the reclassified financial statement lines to the lines on the audited general purpose financial statements as required by Treasury guidance. Also, minor corrections were required for closing package notes.

According to Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (GAO Standards), control activities should be designed and implemented to ensure all data is completely and accurately recorded.[3] Financial statement and note presentation in the PAR are based on financial reporting requirements published by OMB. Statements should present sufficient detail to be useful to the reader. If detail is necessary, the statement should contain summary information and the detail should be reported in the notes. Totals presented in the notes in support of amounts presented in financial statements must agree with amounts presented in the body of the financial statements.[4]

The errors made by the preparer of the documents were not detected during the review process. In addition, the Bureau of Fiscal Operations (BFO) has several new employees and the Office of Inspector General (OIG) believes that many of the reporting errors were the result of new or different staff in BFO assigned to prepare these documents. BFO management stated that these errors could have been the result of the need for additional training or human error. As a result, additional time was needed for the OIG to identify the errors, notify BFO staff of the need for corrections, and to review the corrected documents. Had the OIG not identified these errors prior to publication of the PAR, the PAR could have contained inaccurate information which may have reflected negatively on the RRB's financial accounting and reporting.

The OIG identified a similar issue regarding recording errors in the fiscal year 2015 Letter to Management and BFO implemented the recommended corrective action in fiscal year 2017.[5] To address that recommendation, BFO developed the *RRB Preparation Checklist for Financial Statements* and the *RRB Reference for Financial Statement Note 2* and published them in BFO's Accounting Procedures Guide (APG). However, due to the number of errors in current year documentation, internal control improvements are still needed.

Recommendation

1. We recommend that the Bureau of Fiscal Operations conduct additional training or implement other control procedures to ensure the accuracy of the preparation and review of the Performance and Accountability Report, financial statements and related notes, and the closing package.

[3] Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).
[4] Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements* (Washington, D.C.: July 30, 2018).
[5] RRB OIG, *Fiscal Year 2015 Financial Statement Audit Letter to Management*, Report No. 16-04, Recommendation 5 (Chicago, IL: February 2, 2016).

Management's Comments and Our Response

RRB management did not concur with the recommendation. They stated that the recommendation was intended to address the cause of inconsistencies identified during the audit on the same draft documentation that BFO was compiling, updating, and reviewing simultaneously. They indicated that the OIG did not clearly identify a cause for the errors through sufficient appropriate audit evidence. They stated that the OIG's uncertainty to the cause has resulted in a recommendation that is broad, imprecise and may, or may not address the reported finding. They also stated that due to the auditor's uncertainty, they cannot determine a path forward and reject the recommendation.

We disagree with management's response and their reasons for rejecting our recommendation are not valid. As discussed in this report, we identified the causes and provided BFO management an opportunity to comment on the cause or to provide a more specific cause. At the exit conference, BFO management suggested that the errors could have been the result of the need for additional training or human error. We expanded our recommendation to include the cause provided by BFO management. We identified problems in the process of preparing and reviewing financial statement documentation and recommended that management improve internal controls over that process. Per OMB guidance management is responsible for establishing and maintaining internal controls to achieve specific internal control objectives related to operations, reporting and compliance. [6]

Financial Statements not Produced by the RRB's General Ledger System in a Timely Manner

RRB was not able to generate the Combined Statement of Budgetary Resources in the Financial Management Integrated System (FMIS) as of June 30, 2018 or September 30, 2018 prior to the end of our audit field work on November 8, 2018 because of continued inaccuracies in line amounts. In addition, the RRB could not produce an accurate Consolidated Balance Sheet in FMIS as of June 30, 2018 until September 18, 2018.

FMIS was designed to generate the agency's proprietary and budgetary financial statements. These statements should be accurate as they are generated directly from the agency general ledger system. However, RRB and its FMIS contractor, CGI Federal Incorporated, experienced problems when attempting to map general ledger accounts to financial statement lines resulting from changes in financial statement guidance.

In accordance with GAO Standards, management must design appropriate control activities for its information technology infrastructure to support the completeness, accuracy, and validity of information processing.

The RRB could not rely on FMIS to produce its third quarter and fiscal year-end Combined Statement of Budgetary Resources. Therefore, BFO created the Combined Statement of Budgetary Resources from extracted data obtained from the U.S. Department of Treasury's

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[6] Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (Washington, D.C.: July 15, 2016).

Report on Budget Execution and Budgetary Resources (SF-133). In addition, because FMIS could not produce an accurate Consolidated Balance Sheet for third quarter reporting, BFO produced the Consolidated Balance Sheet in Excel from financial data extracted from the trial balance. This method was also used to produce the Consolidated Balance sheet for fiscal year end.

There is a greater likelihood of error in the amounts and presentation of the financial statements if the statements are not automatically generated within the RRB's financial reporting system. GAO Standards states that automated control activities tend to be more reliable because they are less susceptible to human error and are typically more efficient.

BFO management noted that they were not required to generate their financial statements automatically from FMIS. They indicated that they met their reporting requirements and deadlines for the financial statements using their methodology to manually create the statements.

Recommendations

We recommend the Bureau of Fiscal Operations work with the Financial Management Integrated System contractor to:

2. create procedures to ensure the general ledger accounts are properly mapped to the financial statement lines in the Financial Management Integrated System; and
3. conduct periodic testing to ensure proper mapping of general ledger accounts to the financial statement lines in Financial Management Integrated System.

Management's Comments and Our Response

RRB management did not concur with recommendations 2 and 3. For recommendation 2 management stated that FMIS is contractor operated and maintained. They indicated that BFO has an operations and maintenance contract which includes a process to make needed financial reporting changes. In support of their non-concurrence for recommendation 3 management indicated that the Excel version of the financial statements serve as the internal control to ensure proper mapping of the general ledger accounts to the financial statement lines in FMIS. They noted that we did not have any finding or take exception to the preparation and presentation of the Excel versions nor did we identify any material misstatements in our audit.

We disagree with management's response for recommendation 2. Although management indicates it has a contract for operations and maintenance for FMIS which includes a process for making financial reporting changes, this process clearly was not effective in fiscal year 2018 as evidenced by the inability of FMIS to produce a Combined Statement of Budgetary Resources and Consolidated Balance Sheet in a timely manner. We continue to assert that additional procedures are needed to ensure proper mapping of financial statement lines in FMIS.

We also disagree with management's response for recommendation 3. Management's response that the Excel versions of the financial statements serve as a control over FMIS and that we did not have findings on these versions during our audit is missing our entire point that

FMIS is designed to automatically generate the financial statements. We did not question the accuracy of the RRB's fiscal year 2018 Excel versions of the financial statements nor their ability to produce these statements outside of FMIS. Our concern was that accounts were not properly mapped to financial statement lines in FMIS preventing the timely production of financial statements in FMIS. Therefore, we believe our recommendation is essential to allow for the full utilization of FMIS, through the production of system generated financial statements.

Reconciliations not Performed Timely

The OIG identified numerous monthly reconciliations performed by BFO as internal controls that were not performed in a timely manner. These included:

- a reconciliation of disbursements of approximately $1 billion and a reconciliation of deposits of approximately $28 million per RRB records compared to Treasury records completed approximately 2 months late;
- 15 reconciliations of Fund Balance with Treasury totaling approximately $292 million that were completed 2 to 4 months late;
- 2 reconciliations of the account receivable with the Department of Labor totaling approximately $161 million which were completed approximately 7 and 4 months late; and
- 2 reconciliations of railroad employer payroll tax receipt information provided by Treasury and data from the bank receiving electronic payroll tax deposits on behalf of the RRB totaling approximately $5 billion. These reconciliations were completed approximately 7 months and 3 months late.

None of the above reconciliations, which have been verified by BFO as regular control procedures, were completed until the OIG requested them. BFO's APG indicates that all of the above reconciliations are to be performed on a monthly basis.

In accordance with GAO Standards, management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. Ongoing monitoring includes reconciliations.

According to GAO's Financial Audit Manual, regular reconciliation of the entity's Fund Balance with Treasury records with Treasury records is a key control in maintaining the accuracy and reliability of entity fund balance records.[7] Effective reconciliations serve as a detection control for identifying unauthorized and unrecorded transactions at the entities and at Treasury. Reconciliations are also important in preventing entity disbursements from exceeding appropriated amounts and providing an accurate measurement of the status of available resources.

Improper review and monitoring of reconciliations by responsible supervisory personnel resulted in the delayed reconciliations. When discussing the Fund Balance with Treasury reconciliations, a responsible official informed us that due to other monthly accounting

[7] GAO, *Financial Audit Manual*, GAO-18-625G (Washington, D.C.: June 2018).

priorities, such as assuring completion and entry of monthly accounting transactions into FMIS, experienced staff who perform reconciliations are sometimes not available.

When reconciliations are not completed in a timely manner there is a greater risk that account balances will be incorrect and that discrepancies will not be detected. In addition, it may require additional effort and resources to resolve discrepancies that have been outstanding for a longer period.

Because there is already an outstanding audit recommendation related to the reconciliations with the Department of Labor and the reconciliation of payroll tax receipts, we will not make recommendations in those areas.[8]

Recommendation

4. We recommend that the Bureau of Fiscal Operations implement controls to ensure that required reconciliations such as monthly reconciliations of Fund Balance with Treasury and reconciliations of disbursements and receipts are completed in a timely manner.

Management's Comments

The Bureau of Fiscal Operations concurred with this recommendation.

Voucher Documentation Errors

We identified numerous voucher preparation errors, mainly related to supporting documentation for the vouchers. This included both missing recommended supporting documentation and documentation where personally identifiable information (PII) was not redacted.

Vouchers did not Include all Required Documentation

During our audit we identified 12 vouchers that did not have the recommended supporting documentation attached in the system of record for approximately $1.2 billion in transactions. The APG contains a listing of the recommended documentation that should be attached to each recurring voucher. GAO Standards requires that management clearly documents all transactions and significant events in a manner that allows the documentation to be readily available for examination and requires documentation and records to be properly managed and maintained.

Because of the large volume of documentation attached to these vouchers, the preparer and approver of the voucher did not detect the missing documentation. While BFO provided the documentation requested by the OIG, it was not in FMIS. Since FMIS is the system which maintains the RRB's official financial records, these records were incomplete due to missing or inadequate documentation required by the APG. Also, incomplete documentation increases the risk for financial reporting errors. However, these 12 vouchers all had sufficient other

[8] RRB OIG, *Fiscal Year 2017 Financial Statement Audit Letter to Management*, Report No. 18-04, Recommendation 5 (Chicago, IL: February 8, 2018).

documentation attached to support the financial recording. There were no reporting errors. Because of this, and existing prior OIG recommendations regarding attaching sufficient supporting documentation and the review and approval process of voucher documentation, we are not making any additional recommendations in these areas.

PII was not Redacted on all Supporting Documentation Attached to Vouchers

We noted 14 vouchers in FMIS where accounting staff attached supporting documentation containing PII that had not been redacted. Most of these vouchers contained multiple instances of PII with some containing up to 9 items. The RRB's Rules of Behavior for Information Technology Systems state that access to PII must be restricted to authorized individuals who need it to conduct their jobs. Additionally, RRB's APG states that all documents scanned and attached to the voucher should not contain PII or should have PII blackened out with a marker. The APG also indicates that voucher reviewers should reject documents with PII that have not been redacted.

The PII in these vouchers was not identified by the preparer because of the volume of the supporting documentation and the approver did not adequately review the voucher. As a result, anyone who is able to access FMIS to view attached documents could view the PII and use the information for illicit purposes or for other harmful actions. Although this issue was identified in a prior OIG audit report and BFO implemented corrective actions, we are recommending additional corrective action because of the errors identified in the current audit.

Recommendations

We recommend that the Bureau of Fiscal Operations:

5. strengthen controls to ensure that preparers redact all personally identifiable information and approvers thoroughly review support for personally identifiable information; and
6. redact personally identifiable information from the vouchers, identified during this audit, that had personally identifiable information included in supporting documentation.

Management's Comments

The Bureau of Fiscal Operations concurred with these recommendations.

Appropriations not Accrued in a Timely Manner

The RRB did not accrue the outstanding balance of its annual funding when it received final funding for the fiscal year in June 2018. Instead this amount was recorded one month late in the July accounting period.

In accordance with GAO Standards transactions should be recorded promptly to maintain relevance and value during decision making processes. Management should design control activities to ensure all transactions are recorded accurately and promptly.

BFO personnel indicated that this transaction was not recorded in the correct period because of changes in responsibilities from the prior fiscal year and because of a miscommunication about when the funding should be recorded.

Because the final appropriation amounts were accrued one month late, balances as of June 30, 2018 were misstated. The RRB and OIG's administrative funds were overstated by approximately $53 million and Railroad Retirement Act and Railroad Unemployment Insurance Act funds were understated by approximately $53 million. However, once the final funding was accrued in July, these misstatements were corrected.

Recommendation

7. We recommend that the Bureau of Fiscal Operations improve its internal controls to ensure that appropriations are accrued in the correct accounting period.

Management's Comments

The Bureau of Fiscal Operations concurred with this recommendation.

APPENDIX I: MANAGEMENT COMMENTS

UNITED STATES GOVERNMENT
MEMORANDUM

FORM G-115f (1-92)
RAILROAD RETIREMENT BOARD

February 8, 2019

TO : Debra Stringfellow-Wheat
Deputy Assistant Inspector General for Audit

FROM : Shawna R. Weekley
Chief Financial Officer

SHAWNA WEEKLEY

Digitally signed by SHAWNA WEEKLEY
DN: c=US, o=U.S. Government, ou=Railroad Retirement Board, cn=SHAWNA WEEKLEY, 0.9.2342.19200300.100.1.1=60001000028809
Date: 2019.02.08 15:16:28 -06'00'

SUBJECT : Fiscal Year 2018 Financial Statement Audit Letter to Management

The Railroad Retirement Board's response to findings and recommendations contained in the *Fiscal Year 2018 Financial Statement Audit Letter to Management* are provided below.

FINDING 1, REPORTING ERRORS:

Non-concur.

The Office of Inspector General (OIG) mischaracterizes errors identified in various draft documents as "reporting errors." The discrepancies identified in various draft versions of the documents were corrected prior to publishing the Fiscal Year 2018 (FY18) Performance and Accountability Report (PAR), therefore, there were no "reporting errors."

The OIG's audit process requires the Bureau of Fiscal Operations (BFO) to submit various draft/working versions of the RRB's financial statements and related notes provided in the FY18 PAR. Therefore, the OIG's audit procedure was conducted on draft documentation that the BFO was compiling, updating, and reviewing simultaneously. For example, the OIG supported this "finding" in part by an evaluation of placeholders in an initial version of the draft PAR that was created using the Fiscal Year 2017 PAR document (line captions and headings). The BFO had not yet updated those sections of the document. Since the draft PAR documents under audit were concurrently flowing through BFO's compilation, update, and review process, the OIG could not emphatically state that, the reported inconsistencies would have been included in the final publication of the PAR. Specifically, the OIG acknowledges this fact through the following statement:

> "…the PAR could have contained inaccurate information which may have reflected negatively on the RRB's financial accounting and report." (Emphasis Added).

Nevertheless, all inconsistencies identified during the review were addressed, which prevented any "reporting errors," and consequently, there was no effect on financial reporting or impact on the reliability of the financial information. The Government Accountability Office, 2011

Revision of the *Government Auditing Standards,* commonly referred to as generally accepted government auditing standards (GAGAS), states that "effect or potential effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks." (GAGAS ¶ 4.14) Since reporting errors were prevented, there was no impact, effect, or potential effect and therefore, no demonstrated need for further corrective action.

<u>Recommendation 1</u>: "We recommend that the Bureau of Fiscal Operations conduct additional training or implement other control procedures to ensure the accuracy of the preparation and review of the Performance and Accountability Report, financial statements and related notes, and the closing package."

Management Response: Non-concur.

Recommendations 1 is intended to address the cause of the inconsistencies identified during the audit, where audit work was performed on the same draft documentation that the BFO was compiling, updating and reviewing simultaneously. However, the OIG did not clearly articulate a cause for the inconsistencies through compilation of sufficient appropriate audit evidence. Specifically, the OIG states:

> "…the Office of Inspector General (OIG) <u>believes that many of the reporting errors were the result of</u> new or different staff in BFO assigned to prepare these documents. BFO management stated that these errors <u>could have been the result of</u> the need for additional training or human error." (Emphasis Added)

These statements clearly communicate that the OIG was not certain as to why the perceived inconsistencies occurred. The OIG's uncertainty as to the cause has resulted in a recommendation that is broad, imprecise and may, or may not, address their reported finding. Because the auditors did not sufficiently articulate the cause for their reported finding, the BFO cannot determine a path forward given the auditor's uncertainty, and therefore, rejects the recommendation as provided.

<u>FINDING 2, FINANCIAL STATEMENTS NOT PRODUCED BY FINANCIAL SYSTEM</u>:

Non-concur.

Prior to RRB's implementation of Financial Management Integrated System (FMIS), the BFO manually produced the agency's financial statements using Microsoft Excel (Excel). Subsequent to FMIS implementation, BFO began to produce two sets of financial statements, one generated via FMIS and the other manually prepared using Excel. Since, the BFO can directly configure the Excel versions and quickly incorporate any guidance changes, the Excel versions serve as an internal control to validate information generated by FMIS. The OIG continues to require both financial statement versions as audit deliverables.

Submission of FY18 FMIS generated Combined Statement of Budgetary Resources (SBR) was delayed during the audit due to the issuance of Office of Management and Budget (OMB) Circular A-136, on July 30, 2018 that required significant changes to the SBR. When the BFO received the new guidance, it immediately began work with the FMIS contractor to implement the changes. Also, BFO had identified mapping errors and been working with the FMIS contractor to implement the programing changes on the Consolidated Balance Sheet (BS), which delayed its submission to the OIG.

For both the SBR and BS, the BFO submitted the manually prepared Excel version to the OIG as normal, but could not provide the FMIS version to fulfill the audit deliverable. Regardless, as the OIG is aware, the Excel version of each financial statement is incorporated into the FY 18 PAR, consistent with prior years. It is noteworthy, that the OIG did not issue a finding, recommendation, or otherwise take exception to the preparation or presentation of the Excel versions and did not identify any material misstatements during the course of the audit.

Management fulfilled its responsibility to the financial statement audit by preparing and fairly presenting financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP) issued by the Federal Accounting Standards Advisory board (FASAB). Furthermore, criteria is one of four finding elements and is defined as "[t]he laws, regulations … standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated." (GAGAS ¶ 4.11) Criteria provide the objective basis by which performance is assessed. The OIG did not provide criteria that require the RRB to generate and present automated financial statements; therefore, BFO rejects this finding.

Recommendation 2: We recommend that the Bureau of Fiscal Operations work with the Financial Management Integrated System contractor to create procedures to ensure the general ledger accounts are properly mapped to the financial statement lines in the Financial Management Integrated System.

Management Response: Non-concur.

The FMIS is contractor operated and maintained. The BFO has an operations and maintenance contract that includes a process to address necessary financial reporting changes.

Recommendation 3: We recommend that the Bureau of Fiscal Operations work with the Financial Management Integrated System contractor to conduct periodic testing to ensure proper mapping of general ledger accounts to the financial statement lines in Financial Management Integrated System.

Management Response: Non-concur.

The Excel version of the financial statements serve as the internal control to ensure proper mapping of the general ledger accounts to the financial statement lines in FMIS. As noted above the OIG did not issue a finding, recommendation, or otherwise take exception to the preparation or presentation of the Excel versions and did not identify any material misstatements during the course of the audit. See also response above to Recommendation 2.

FINDING 3, RECONCILIATIONS:

Concur.

Recommendation 4: We recommend that the Bureau of Fiscal Operations implement controls to ensure that required reconciliations such as monthly reconciliations of Fund Balance with Treasury and reconciliations of disbursements and receipts are completed in a timely manner.

Management Response: Concur.
Target Date: December 2019.

FINDING 4, VOUCHER DOCUMENTATION ERRORS:

Concur in part.

BFO non-concurs with the portion of the finding that addresses missing recommended supporting documentation. The OIG also seems conflicted about the reported issue. In one instance the finding refers to "required documentation" and in other instances the finding characterizes the issue as "missing recommended supporting documentation." As the OIG states, the Accounting Procedures Guide (APG) "…contains a listing of the recommended documentation that should be attached to each recurring voucher." The guidance uses the terms "recommended" and "should," which are not definitive statements. Further, the OIG states that the 12 vouchers cited in the finding "…all had sufficient other documentation attached to support the financial recording." This is clearly not a reportable issue.

We concur with the portion of the finding related to redacting PII.

Recommendation 5: We recommend that Bureau of Fiscal Operations strengthen controls to ensure that preparers redact all personally identifiable information and approvers thoroughly review support for personally identifiable information.

Management Response: Concur.
Target Date: December 2019.

Recommendation 6: We recommend that the Bureau of Fiscal Operations redact personally identifiable information from the vouchers, identified during this audit that had personally identifiable information included in supporting documentation.

Management Response: Concur.
Target Date: March 2019.

FINDING 5, APPROPRIATION ACCRUAL:

Concur.

Recommendation 7: We recommend that Bureau of Fiscal Operations improve its internal controls to ensure that appropriations are accrued in the correct accounting period.

Management Response: Concur.
Target Date: December 2019.

cc: Dan Fadden, Senior Executive Officer/Director of Field Service
Ana Kocur, General Counsel
John Walter, Chief of Accounting and Budget
Jeff Baer, Director of Audit Affairs and Compliance

APPENDIX II: STATUS OF PRIOR LETTER TO MANAGEMENT AUDIT RECOMMENDATIONS SINCE FEBRUARY 2018

We have reviewed the implementation of recommendations resulting from prior audits of the RRB's financial statements. The table below presents a summary of the current status of recommendations that were pending when we issued our Letter to Management dated February 8, 2018, in connection to our audit of the RRB's fiscal year 2017 financial statements.

		Status of Corrective Action	
Bureau and Audit Recommendation	**Audit Area**	**Completed As Of**	**In Progress**
BUREAU OF FISCAL OPERATIONS			
The Bureau of Fiscal Operations should strengthen its internal controls over the review and approval process to ensure that all vouchers are properly prepared, are only prepared after completion of a transaction, have sufficient documentation, and are approved by designated officials. (RRB OIG Audit Report 14-02, Recommendation No. 1)	Accounting		X
The Bureau of Fiscal Operations should develop and implement new controls for financial reporting. (RRB OIG Audit Report 15-05, Recommendation No. 2)	Accounting		X
The Bureau of Fiscal Operations should develop and implement a policy to inform the financial statement auditors of significant internal control deficiencies as predefined by financial statement auditors each year. (RRB OIG Audit Report 16-04, Recommendation No. 1)	Accounting		X
The Bureau of Fiscal Operations should design and implement new controls, policies, and/or procedures for the reconciliation of the statement of net cost to budget note to ensure that amounts are fully supported. (RRB OIG Audit Report 16-04, Recommendation No. 4)	Accounting	August 2018 Closed without implementation because RRB adopted new note allowed by OMB.	

Bureau and Audit Recommendation	Audit Area	Status of Corrective Action: Completed As Of	Status of Corrective Action: In Progress
BUREAU OF FISCAL OPERATIONS CONTINUED			
The Bureau of Fiscal Operations should improve controls to ensure consistency between transactions recorded on the voucher input form and the actual entry in the Financial Management Integrated System. (RRB OIG Audit Report 17-03, Recommendation No. 6)	Accounting		X
The Bureau of Fiscal Operations should ensure that general ledger accounts used in supporting schedules for financial interchange calculations are consistent with those used on the face of the voucher. (RRB OIG Audit Report 17-03, Recommendation No. 7)	Accounting		X
The Bureau of Fiscal Operations should implement document review and approval procedures to ensure that accurate responses are provided for the financial statement checklists as provided in the Financial Audit Manual. (RRB OIG Audit Report 17-03, Recommendation No. 8)	Accounting	July 2018	X
The Bureau of Fiscal Operations should adhere to documented RRB Accounting Procedures Guide to ensure adequate separation of duties. (RRB OIG Audit Report 18-04, Recommendation No. 1)	Accounting	November 2018	
The Bureau of Fiscal Operations should reconsider whether a higher second level of review should be required for the calculation of transfers that the RRB receives from the National Railroad Retirement Investment Trust and document its consideration and conclusion. (RRB OIG Audit Report 18-04, Recommendation No. 2)	Accounting	Closed without implementation.	

		Status of Corrective Action	
Bureau and Audit Recommendation	**Audit Area**	**Completed As Of**	**In Progress**
BUREAU OF FISCAL OPERATIONS CONTINUED			
The Bureau of Fiscal Operations should prepare the Cost Allocation Plan Medicare Parts B, C, and D Administrative Costs annually and provide it as support for audit purposes by the dates specified during each financial statement audit. (RRB OIG Audit Report 18-04, Recommendation No. 3)	Accounting		X
The Bureau of Fiscal Operations should review and update control procedures and workload priorities to ensure the efficiency and accuracy of the voucher review process. (RRB OIG Audit Report 18-04, Recommendation No. 4)	Accounting		X
The Bureau of Fiscal Operations should ensure payroll tax reconciliations and those pertaining to the Department of Labor are performed correctly and in a timely manner. (RRB OIG Audit Report 18-04, Recommendation No. 5)	Accounting		X
The Bureau of Fiscal Operations should revise and document manual and automated internal controls to ensure prevention of Antideficiency Act violations. (RRB OIG Audit Report 18-04, Recommendation No. 6)	Accounting	Despite a response of nonconcurrence, the OIG believes this recommendation should be implemented and will track its status.	
The Bureau of Fiscal Operations should establish controls to ensure year end adjustment transactions are recorded on a timely basis. (RRB OIG Audit Report 18-04, Recommendation No. 7)	Accounting	January 2019	

Bureau and Audit Recommendation	Audit Area	Status of Corrective Action: Completed As Of	Status of Corrective Action: In Progress
BUREAU OF FISCAL OPERATIONS CONTINUED			
The Bureau of Fiscal Operations should ensure transactions that comprise new obligations and upward adjustments for the Statement of Budgetary Resources include appropriate proprietary and budgetary accounts in accordance with the United States Standard General Ledger. (RRB OIG Audit Report 18-04, Recommendation No. 8)	Accounting	January 2019	
The Bureau of Fiscal Operations should develop and document criteria for the transition of nonsupervisory staff from voucher preparer to voucher approver. (RRB OIG Audit Report 18-04, Recommendation No. 9)	Accounting	Closed without implementation.	
RAILROAD RETIREMENT BOARD			
The Board Members should establish an independent committee that will work to identify a functional solution that will enable communication between the OIG and the National Railroad Retirement Investment Trust's component auditor and achieve compliance with American Institute of Certified Public Accountants standards. (RRB OIG Audit Report 15-05, Recommendation No. 8)	Accounting	Despite a response of nonconcurrence, the OIG believes this recommendation should be implemented and will track its status.	
EXECUTIVE COMMITTEE			
The Executive Committee should direct RRB management to elevate RRB OIG auditor concerns regarding application of authoritative guidance and laws and regulations for Executive Committee determinations when RRB management disagrees with RRB OIG auditor assessments. (RRB OIG Audit Report 17-03, Recommendation No. 2)	Control Environment	Despite a response of nonconcurrence, the OIG believes this recommendation should be implemented and will track its status.	

Bureau and Audit Recommendation	Audit Area	Status of Corrective Action: Completed As Of	Status of Corrective Action: In Progress
EXECUTIVE COMMITTEE CONTINUED			
The Executive Committee should develop and implement Executive Committee procedures for enforcement of RRB management responsibilities when RRB management does not take appropriate corrective actions in regard to the application of authoritative guidance and laws and regulations. (RRB OIG Audit Report 17-03, Recommendation No. 3)	Control Environment	Despite a response of nonconcurrence, the OIG believes this recommendation should be implemented and will track its status.	
The Executive Committee should direct RRB management to ensure that RRB OIG auditors are provided with timely notification of significant matters that could impact the RRB's financial statements. (RRB OIG Audit Report 17-03, Recommendation No. 4)	Control Environment	March 2018	
OFFICE OF PROGRAMS			
The Office of Programs should identify and correct cases in which an incorrect Medicare Part B penalty is being collected. (RRB OIG Audit Report 09-02, Recommendation No. 12)	Medicare		X
The Office of Programs should assess the current control environment to determine what action may be necessary to minimize the risk of errors in Medicare Part B premiums. (RRB OIG Audit Report 09-02, Recommendation No. 13)	Medicare		X
OFFICE OF GENERAL COUNSEL			
The Office of General Counsel should develop and implement procedures and controls to ensure that the required Department of Justice forms are prepared. (RRB OIG Audit Report 15-05, Recommendation No. 12)	Legal Representation Letter	August 2018	

Bureau and Audit Recommendation	Audit Area	Status of Corrective Action: Completed As Of	Status of Corrective Action: In Progress
BUREAU OF THE ACTUARY AND RESEARCH			
The Bureau of the Actuary should implement an expanded review and approval process to ensure that all statements and supporting schedules are accurate and consistent. (RRB OIG Audit Report 09-02, Recommendation No. 9)	Social Insurance		X
The Bureau of the Actuary should review and update management control review documentation. (RRB OIG Audit Report 09-02, Recommendation No. 10)	Social Insurance		X
The Bureau of the Actuary should develop and implement controls to ensure compliance with accounting standards and Office of Management and Budget requirements that impact social insurance reporting. (RRB OIG Audit Report 12-04, Recommendation No. 3)	Social Insurance		X
The Bureau of the Actuary should update the quality assurance steps and checklists in their Policies and Procedures for Actuarial Projections to include requirements for the Statement of Changes in Social Insurance Amounts. (RRB OIG Audit Report 12-04, Recommendation No. 4)	Social Insurance		X
The Bureau of the Actuary should modify their procedure for updating the Policies and Procedures for Actuarial Projections to include a comprehensive review of all sections and checklists, and ensure timely and full compliance with the new requirements. (RRB OIG Audit Report 12-04, Recommendation No. 5)	Social Insurance		X