



U.S. RAILROAD RETIREMENT BOARD

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## OFFICE OF INSPECTOR GENERAL

# Improvements Needed for the Unapplied Cash Process at the Railroad Retirement Board

Report No. 19-08

May 16, 2019

**OFFICE OF INSPECTOR GENERAL**  
**U.S. RAILROAD RETIREMENT BOARD**  
*Improvements Needed for the Unapplied Cash  
Process at the Railroad Retirement Board*



## What We Found

Our audit determined that after the Program Accounts Receivable System (PARS) migration to the Financial Management Integrated System (FMIS), the Railroad Retirement Board's (RRB) process for Unapplied Cash needed improvement. Internal controls for the unapplied cash process were not adequate and could not be relied on to ensure the proper processing of transactions. We found that the controls were outdated and RRB lacked a comprehensive agency-wide process for maintaining, monitoring, and reporting on unapplied cash. Because RRB did not establish and implement proper monitoring control activities, (1) transactions were not reconciled and were not always properly recorded or processed timely; and (2) migration efforts failed to fully automate the unapplied cash process.

## What We Recommend

To address the weaknesses identified in this audit, we made 14 recommendations related to improving the unapplied cash process at the RRB, which included recommendations related to internal controls over unapplied cash; recording, processing and reconciling unapplied cash; and controls over the interface process between the Overpayment Recovery Correspondence System Unapplied Cash Application and the Financial Management Integrated System. RRB management concurred with five recommendations and did not concur with nine recommendations. Although RRB management did not concur with a significant number of our audit recommendations, we continue to see the need for these corrective actions, as explained in various sections of the report titled Management's Comments and Our Response.

## What We Did

Our objective was to: (1) assess the adequacy of controls over the unapplied cash process; (2) determine if unapplied cash was being properly recorded and reconciled in an accurate and timely manner; and (3) assess the impact of the PARS to FMIS migration on the unapplied cash process.

In order to complete this work, we considered laws, regulations, and guidance, compared criteria to RRB policies, procedures, and documentation, and reviewed and tested RRB documentation to assess the adequacy of internal controls. We also interviewed applicable RRB staff and conducted data analysis and walkthroughs.

The scope of the audit was unapplied cash transactions in FMIS for fiscal year 2017.

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## INTRODUCTION

This report presents the results of the Office of Inspector General's audit of the unapplied cash process at the Railroad Retirement Board (RRB).

### Objective(s), Scope, and Methodology

The objectives of this audit were to: (1) assess the adequacy of controls over the unapplied cash process; (2) determine if unapplied cash was being properly recorded and reconciled in an accurate and timely manner; and (3) assess the impact of the PARS to FMIS migration on the unapplied cash process.

To accomplish our objective, we

- identified criteria provided in applicable laws and regulations related to unapplied cash;
- identified, reviewed, and evaluated RRB policies and procedures related to the unapplied cash process;
- interviewed key management and staff and conducted walkthroughs;
- identified and tested controls and transactions related to unapplied cash;
- conducted data analysis on unapplied cash general ledger transactions;
- reviewed contract documentation for the PARS to FMIS migration; and
- reviewed email documentation related to the processing of unapplied cash cases.

We assessed the reliability of unapplied cash receipt transaction data provided by the RRB through data extract by (1) reviewing data for obvious errors in accuracy and completeness; (2) reviewing systems from which data was obtained; and (3) communicating with RRB officials knowledgeable about the data. In addition, we traced unapplied cash receipt transaction data to source documents and systems. Because the data provided was outside the scope of our review, and we were unable to obtain data for the scope of our review, we determined that we would not rely on computer processed data to materially support our findings, conclusions, or recommendations.

Our scope was unapplied cash transactions in FMIS for fiscal year 2017.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We conducted our fieldwork at RRB headquarters in Chicago, Illinois from January 2018 through July 2018 and December 2018 through February 2019. This audit was suspended from August 2018 through November 2018 due to resources needed to perform mandated audits.

## **Background**

The RRB, an independent agency in the executive branch of the federal government, administers retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA). During fiscal year 2017, benefit payments under the RRA and RUIA totaled approximately \$12.5 billion and \$104.6 million, respectively.

One of the RRB's comprehensive strategic goals is to serve as responsible stewards for customers' trust funds and agency resources. The objective is to ensure that trust fund assets are protected, collected, recorded, and reported appropriately. To address this objective, the RRB states that "In instances where erroneous payments occur, the RRB will apply its debt collection and management policies in a fair and equitable manner."

Within the RRB, the Bureau of Fiscal Operations (BFO) contains several organizational units, two of which are the Debt Recovery Section (DRS) and the Accounting Section. The Chief Financial Officer is responsible for oversight of BFO. The responsibilities of these component units are noted below.

The mission of DRS is to record, collect, and account for all debts (owed to the RRB) under the RRA and RUIA. This mission also includes promptly and correctly employing all appropriate collection tools, accurately and efficiently accounting for all collections, adjudicating waiver requests, and reporting on the status of debts and collections. A DRS control objective states that amounts collected should be properly monitored, accurately and timely deposited, attributed to the correct fund, and posted accurately and timely to the correct account by authorized personnel or systems.

BFO's Accounting Section is responsible for the RRB's financial accounting, including the design, review, and implementation of automated accounting and financial management systems; and for providing advisory services to operating officials, both within and outside the RRB. These responsibilities also include ensuring that transactions are posted to the correct accounts, and periodically reconciling the different accounts for accuracy.

Within the RRB, the Office of Programs contains several organizational units, two of which are the Retirement/Survivor Benefits Division (referred to as RRA) and the Unemployment and Program Support Division (referred to as RUIA). RRA is responsible for retirement/survivor benefit claims operations. RUIA is responsible for the unemployment, sickness, taxation, and Medicare claims operations, and also provides clerical support to the Office of Programs.

RRB management and internal control policies and structures are governed by:

- The Executive Committee functions as the RRB's senior management council that assesses and monitors deficiencies in internal control. Under the direction and leadership of the Senior Executive Officer, the Executive Committee oversees daily RRB operations and is responsible for oversight and problem solving regarding cross organizational internal control issues.
- Management Control Review Committee (MCRC) also has agency-wide internal control responsibilities. The MCRC prepares internal control documents required by the Federal Managers' Financial Integrity Act of 1982 for inclusion in the agency's annual Performance and Accountability Report.<sup>1</sup> The purpose of the MCRC is to establish and oversee a process to identify and eliminate management control weaknesses and financial nonconformance.
- RRB organizational heads are responsible for installing, maintaining, monitoring, revising, and enforcing management controls within their organizations. The RRB defines assessable units for agency activities that can impact its mission.

For debt collection purposes, unapplied cash are cash remittances deposited into the RRA or RUIA accounts and recorded in the Financial Management Integrated System (FMIS) as a cash receipt transaction that cannot be applied to debts for generally two reasons: (1) the remittance was received before the corresponding debt has been established in FMIS or (2) the remittance does not match an existing open debt in FMIS [i.e. does not match the amount of an open debt, billing document identification number, or social security number].

After cash remittances are categorized as unapplied cash, the disposition may include any combination of the following for all or some of the remittance: (1) apply it to an open debt, (2) refund it to the claimant, annuitant, or payer, or (3) transfer it to the appropriate benefit fund (i.e. RRA to RUIA or RUIA to RRA).

While unapplied cash is not considered material to the RRB's financial statements, cash is an asset that is highly susceptible to theft. Therefore, every effort should be made to ensure that trust fund assets are protected, collected, recorded, and reported appropriately, as is stated in the RRB's strategic goals.

In the past, benefit receivables were processed in the RRB's Program Accounts Receivable System (PARS) and transactions were manually posted into the RRB's previous financial system, the Federal Financial System, and then into FMIS starting in October 2014. In June 2016, all balances in PARS, along with most of its debt receivable functionality, were migrated to FMIS when PARS was retired.

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<sup>1</sup> Pub. L. No. 97-255, 96 Stat. 814 (1982) Federal Managers' Financial Integrity Act.  
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When RRB began planning for the PARS to FMIS migration, the RRB intended for debt collection operations previously provided by PARS to migrate to FMIS utilizing existing accounts receivable functionalities. The system was intended to: (1) achieve compliance with RRB applicable laws, regulations, standards, and requirements; (2) improve and facilitate user access to financial information through online inquiries and reporting tools; (3) reduce redundancy in data entry, storage, and processing; (4) improve security, control, and disaster recovery capability; and (5) reduce manually intensive business processes.

In connection with the migration, the RRB planned to develop a separate unapplied cash processing application, to replace the unapplied cash processing table in PARS, which would interface with FMIS for the processing of unapplied cash receipts. However, this application for unapplied cash processing was not completed prior to the migration from PARS to FMIS in June 2016.

As a result, each unapplied cash item that DRS could not match or apply to a related transaction in FMIS, was forwarded through email to the Office of Programs with all related documents for follow up. The Office of Programs (RRA and RUIA) then conducted their adjudicative review to determine the proper disposition of the unapplied cash receipt items and email DRS the disposition actions that would require manual processing in FMIS.

The PARS to FMIS migration project proceeded according to the following timeline:

- In January 2016, the RRB's Bureau of Information Services was tasked with modifying two applications pertaining to unapplied cash. The Universal System Tracking and Reporting System application was to be modified to "track" unapplied cash, and the Overpayment Recovery Correspondence System (ORCS) was to be used for disposition of unapplied cash. Both applications were to be modified in order to pass unapplied cash activity into FMIS when PARS migrated to FMIS in June 2016.
- In June 2016, PARS was retired and outstanding receivable balances were migrated to FMIS. This completed the final phase to move all receivables and collections to an integrated financial management system maintained by RRB's contracted service provider.
- In July 2016, the PARS to FMIS migration was completed.
- In November 2016, the RRB determined that the Universal System Tracking and Reporting System application could not support the unapplied cash process. At this point, Office of Programs and the Bureau of Information Services decided to expand the ORCS application to include a new unapplied cash process.
- From November 2016 to August 2017, ORCS was in development and operated on a test basis from August 2017 to January 2018.
- The separate ORCS Unapplied Cash Application went live on January 19, 2018, which was approximately 18 months after the PARS to FMIS migration.

From the time of the migration in June 2016 until January 19, 2018, DRS, RRA, and RUIA were responsible for the following:

- DRS reviewed lockbox cash receipts to apply all receipts to the proper debt receivable accounts in FMIS. All receipts that DRS could not readily match or apply to the proper account would be classified in the unapplied cash account in FMIS. In most cases, cash receipts that did not have a corresponding billing document number were designated as an unapplied cash item. If the cash receipt was more than the related debt, it was also classified under unapplied cash in FMIS.
- For all cash receipts that DRS could not match or apply to an existing receivable, DRS would either forward them to RRA and RUIA by email for follow-up or RRA and RUIA would query FMIS for follow-up.
- RRA and RUIA conducted adjudicative reviews to determine the proper disposition action for the unapplied cash receipts.
- After RRA and RUIA completed their adjudicative review, they notified DRS of the proper disposition actions required in FMIS. Notification was usually provided by email.
- DRS then manually processed all unapplied cash disposition requests from RRA and RUIA into FMIS.
- After DRS's disposition actions were entered in FMIS, the Accounting Section ensured the proper posting of general ledger account transactions in FMIS.

After the ORCS Unapplied Cash Application was released in January 2018, DRS, RRA, and RUIA unapplied cash responsibilities essentially remained the same, but unapplied cash processing became fully automated, eliminating the need for manual entries and allowing RRA's and RUIA's adjudicative reviews and dispositions to be documented in the ORCS Unapplied Cash Application.



## RESULTS OF AUDIT

Our audit determined that after the PARS to FMIS migration: (1) RRB's controls over the unapplied cash process were not adequate; (2) transactions were not being reconciled, and were not always properly recorded or processed timely; and (3) migration efforts failed to produce a functional unapplied cash application that fully automated the processing of unapplied cash.

We made 14 recommendations to address these weaknesses. The details of the audit findings and recommendations for corrective action follow. The full text of RRB management's response is included in this report as Appendix I.

### Internal Controls Not Adequate

We determined that internal controls for the unapplied cash process were not adequate and could not be relied on to ensure the proper processing of transactions. We found that

- the RRB lacked a comprehensive agency-wide process for maintaining, monitoring, and reporting on unapplied cash; and
- existing controls were outdated and were not always complete.

These conditions occurred because RRB did not: (1) identify the need for a comprehensive agency-wide process over unapplied cash, or (2) identify, analyze, and respond to significant unapplied cash process changes.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* (GAO Standards) require that management: (1) identifies changes in the internal control system that either have occurred or are needed because of changes in the entity and its environment; (2) considers whether current controls address the identified issues and modifies controls if necessary; (3) documents in policies the internal control responsibilities of the organization; and (4) communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.<sup>2</sup> This includes management documenting, in policies for each unit, its responsibility for process objectives and risks, control activity design, implementation, and operating effectiveness. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity.

The RRB's *Management Control Guide* states that all levels of management are accountable for implementation of the management and internal control policies and objectives at the RRB.<sup>3</sup> It also states that management control documentation should be updated when warranted in the judgment of the responsible official. To ensure that documentation is complete, current, and accurate, it needs to be updated as changes occur.

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<sup>2</sup> Government Accountability Office (GAO), *Standards for Internal Controls in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

<sup>3</sup> Railroad Retirement Board (RRB), *Management Control Guide* (Chicago, IL: February 2015).

### ***Railroad Retirement Board Lacked a Comprehensive Agency-Wide Process for Maintaining, Monitoring, and Reporting on Unapplied Cash***

Although RRB had processes for establishing internal controls, we found that RRB did not have a comprehensive agency-wide process for maintaining, monitoring, and reporting on unapplied cash. For example, we found that existing controls for each applicable organizational unit were not being updated on a timely basis to reflect current unapplied cash business processes resulting from the PARS to FMIS migration. In addition, existing controls were not always complete across the organizational units.

Because procedures can become less effective over time, or the application of controls can change, RRB's senior management should continually assess and evaluate internal controls agency-wide.

Having a comprehensive agency-wide process for maintaining, monitoring, and reporting unapplied cash will help RRB to: (1) ensure that the internal controls implemented are current, adequately designed; and that control failures and risks are identified, corrected, and mitigated on a timely basis; (2) facilitate organizational cohesiveness in providing effective oversight; (3) significantly improve accountability over the entire unapplied cash process; and (4) effectively and efficiently achieve its mission, goals, and objectives of ensuring that trust fund assets are protected, collected, recorded, and reported appropriately.

### ***Existing Controls were Outdated and Were Not Always Complete***

The migration to FMIS in June 2016 represented a significant change in the processing and internal controls over unapplied cash. During our review, we found that the RRB's charts of controls (for DRS, RRA, and RUIA), and BFO's *Accounting Procedures Guide* had not been updated to reflect the current unapplied cash business processes subsequent to the PARS/FMIS migration. In addition, the controls that we identified were either implied, incomplete, or poorly documented.

Because RRB did not identify, analyze, and respond to significant changes that impacted the internal control system, the following occurred: (1) unapplied cash data were inaccurate; (2) processing was delayed; (3) payments due to beneficiaries were not promptly sent back; and (4) receivables were not properly reduced. As a result, the RRB's objective, to ensure that trust fund assets are protected, recorded, and reported appropriately, was not met for unapplied cash.

### ***Recommendations***

1. We recommend that the Executive Committee develop a comprehensive agency-wide process for maintaining, monitoring and reporting on unapplied cash to ensure that all unapplied cash items are properly identified, recorded, monitored, reconciled, investigated, and resolved.

We recommend that the Bureau of Fiscal Operations:

2. update all control documentation (including policies and procedures, charts of controls, and other related documentation) to reflect the changes that occurred to unapplied cash as a result of the migration to the Financial Management Integrated System; and
3. test the updated unapplied cash controls to ensure that they are present and operating as intended.

We recommend that the Office of Programs:

4. update all control documentation (including policies and procedures, charts of controls, and other related documentation) to reflect the changes that occurred to unapplied cash as a result of the migration to the Financial Management Integrated System; and
5. test the updated unapplied cash controls to ensure that they are present and operating as intended.

### ***Management's Comments and Our Response***

In its comments, RRB management stated that on page 5 of the draft audit report the first bullet point was not correct. The bullet stated “[t]he Accounting Section then posted the transaction in FMIS based on disposition received from DRS.” RRB management also stated, the accounting section was not involved in this process; therefore, this bullet should be removed from the report in its entirety.

During our audit fieldwork, Accounting Section management stated that the Accounting Section’s involvement was limited to preparing the standard voucher for the recording of unapplied cash receipts and the disposition of such receipts based on disposition data from DRS. Based on these statements, we clarified the content of this bullet, now the last bullet on page 5 of this report, accordingly for the readers’ understanding.

BFO management concurred with recommendations 2 and 3, and the Office of Programs concurred with recommendations 4 and 5.

For recommendation 1, the SEO, on behalf of the Executive Committee, nonconcurred. RRB management stated that “as acknowledged by the auditors, ‘unapplied cash is not material to the RRB’s financial statements...’ Therefore, suggesting that a comprehensive agency-wide process is necessary to manage unapplied cash is not reasonable, warranted, or cost effective. As communicated to the OIG verbally and via formal memo on March 6, 2019, two Executive Committee (EC) members, the Chief Financial Officer and the Acting Director for the Office of Programs (OP), have appropriate responsibility for unapplied cash and are both actively engaged in continuous monitoring activities.” Management also stated that internal control documentation may need to be updated and tested, but the notion that a comprehensive agency-wide process, monitored by the SEO on behalf of the Board, overstates the importance of the subject matter and is not an effective or efficient use of RRB’s resources.

The OIG continues to assert that this recommendation is warranted. Although unapplied cash is not considered material to the RRB's financial statements taken as a whole, this does not negate the need for establishing effective control activities for the entire unapplied cash process, as this process impacts program integrity and customer service. Although RRB management is responsible for this area, our findings show that control activities are needed to address the cited deficiencies. While RRB management's comments stated that the management staff for Office of Programs and the Bureau of Fiscal Operations have appropriate responsibility for unapplied cash, it was evident during the course of our audit that there was no unified system of oversight for the unapplied cash process. It was clear from our observations that each unit's responsibilities were limited to their involvement in the unapplied cash process. As a result, issues documented in this audit report remained unresolved. We believe that an agency-wide process for unapplied cash could help facilitate organizational cohesiveness and provide effective oversight for the unapplied cash process.

### **Transactions Were Not Reconciled and Were Not Always Properly Recorded or Processed Timely**

We determined that after the PARS to FMIS migration, unapplied cash transactions were not being reconciled and were not always properly recorded or processed timely. We found the following:

- BFO was unable to provide a universe of unapplied cash receipts for fiscal year 2017.
- There was no reconciliation process in place for unapplied cash transactions.
- FMIS contained errors in the posting logic for unapplied cash. Therefore, transactions were not being posted to the proper accounts.
- In July 2017, BFO recorded a questionable adjustment of \$15 million for unapplied cash. Despite this adjustment, the unapplied cash balance as of September 30, 2017 was incorrect.
- BFO maintained no aging reports for the unapplied cash account.

These deficiencies occurred because: (1) RRB did not establish and implement proper monitoring control activities for the unapplied cash process; and (2) RRB's FMIS and ORCS Unapplied Cash Application systems could not provide historical unapplied cash data.

GAO's Standards state that management should

- design control activities so that all transactions are completely and accurately recorded;
- perform ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions;

- evaluate and document the results of ongoing monitoring and separate evaluations to identify internal control issues. Management uses this evaluation to determine the effectiveness of the internal control system. Differences between the results of monitoring activities and the previously established baseline may indicate internal control issues, including undocumented changes in the internal control system or potential internal control deficiencies; and
- design control activities over the information technology infrastructure to support the completeness, accuracy, and validity of information processing by information technology.<sup>4</sup>

The RRB's *Management Control Guide* states that the Federal Managers' Financial Integrity Act of 1982 provides that the objectives of internal accounting and administrative controls are to provide reasonable assurance that revenues and expenditures applicable to RRB operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.

### ***No Universe of Unapplied Cash Receipts***

To determine the reliability of unapplied cash balances, we asked BFO to provide a complete universe of unapplied cash receipts for fiscal year 2017 for our review. BFO told us that this information could not be provided because FMIS does not track the history of individual cash receipt documents. This was confirmed by the FMIS contractor. We requested that the Office of Programs provide similar information (unapplied cash receipts received, carried over from prior year, and receipts disposed of) from the ORCS Unapplied Cash Application, but the Office of Programs could not provide this information due to limitations in the ORCS Unapplied Cash Application. As a result, RRB was unable to provide a complete data universe of unapplied cash receipts for fiscal year 2017.

### ***No Reconciliation Process in Place***

From the time that PARS was retired in June 2016 until January 2018, DRS, RRA, and RUIA were processing unapplied cash cases manually. This process began with DRS forwarding by email, all unapplied cash cases that they could not match to a debt receivable to RRA and RUIA for follow up and proper disposition action. RRA and RUIA would then email the disposition actions needed back to DRS for manual input into FMIS.

Because the process was manual rather than automated, and because they could not provide a complete universe of unapplied cash receipts, we asked the RRB if they could provide any reports to show that they monitored, tracked, controlled, or reconciled unapplied cash transactions to ensure their completeness and accuracy. They could not provide these reports, and there was no documentation to show that they had ever performed reconciliations related to the unapplied cash account.

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<sup>4</sup> GAO, GAO-14-704G.

### ***Financial Management Integrated System Unapplied Cash Posting Logic Errors***

During our audit, we determined that the FMIS posting logic for recording unapplied cash transactions was incorrect, and BFO remained unaware of the problem until several months after the PARS to FMIS migration. As a result, during fiscal year 2017, the unapplied cash account reached an unusually high balance of \$15 million. BFO initially told us that the significant build up in the balance of the unapplied cash account was probably attributable to the use of incorrect posting logic codes between FMIS and the ORCS Unapplied Cash Application.

BFO later confirmed that when the benefit receivable functions were migrated into FMIS, the posting logic for unapplied cash receipt transactions was incorrect. Specifically, they told us that when an unapplied cash transaction occurred, FMIS recorded the entry into the incorrect standard general ledger (SGL) accounts. FMIS was recording the transaction(s) to the Benefits Expense SGL account instead of the unapplied cash SGL account. For financial reporting purposes, the erroneous entries caused both expenses and liabilities to be understated.

### ***Questionable \$15 Million Unapplied Cash Adjustment and Uncorrected Unapplied Cash Balance at September 30, 2017***

In July of 2017, BFO made a questionable adjustment of approximately \$15 million to the unapplied cash account based on the assumption that manual entries to this account were duplicating the automated entries already posted by FMIS. At the time of this adjustment a complete documented verification or reconciliation had not been made to determine whether or not all the manual entries were actually duplicate entries. In addition, the adjustment reduced the unapplied cash account balance from a \$15.9 million credit balance to approximately a \$51,800 credit balance at June 30, 2017 which appears questionable. As of September 30, 2017, the balance was a debit balance of approximately \$12,200 which is not considered a reasonable balance for this account.

According to the schedule of outstanding unapplied cash cases at September 30, 2017, the balance in the unapplied cash account should have approximated a credit balance of at least \$2 million. We found that there was no complete documented determination or reconciliation as to what the proper adjustment to unapplied cash should have been to correct the balance at September 30, 2017.

### ***Bureau of Fiscal Operations Maintained No Aging Reports***

To determine the amount of time that unapplied cash receipt items remained unresolved, we asked BFO and the Office of Programs to provide an unapplied cash aging report for fiscal year 2017. BFO and the Office of Programs told us there were no aging reports for fiscal year 2017. Data for unapplied cash receipts that were processed during fiscal year 2017 were not available.

After further discussions, DRS was able to provide a listing of unapplied cash receipts that remained outstanding on September 30, 2017. Although the listing had deposit and receipt dates, the listing did not provide a calculation of the age of the unapplied cash receipt items listed. Therefore, we calculated the age of the unapplied cash receipts using the deposit and receipt dates.

While we could not verify the completeness of the listing of outstanding unapplied cash receipts that we were given, based on our calculations, taking the difference in days between the cash receipt deposit date and September 30, 2017, we determined that the majority of outstanding unapplied cash receipts (approximately 1,200 out of 2,000 items) ranged in age from 6 months to 4 years old, with the average age of about 13 months old. The age of these open unapplied cash receipts confirms the absence of monitoring controls that were needed to ensure the timely processing of unapplied cash receipts.

The absence of an aging report reduced the amount of control over unapplied cash cases, which resulted in untimely processing of unapplied cash transactions. Because transactions were not reconciled and were not always properly recorded or processed timely, delays occurred for the application of beneficiary debts and for returning payments to beneficiaries that no longer had outstanding debts.

### ***Recommendations***

We recommend that the Bureau of Fiscal Operations:

6. work with the Railroad Retirement Board's Financial Management Integrated System contracted service provider to implement Financial Management Integrated System modifications to ensure that all unapplied cash transactions [unapplied cash receipts received, carried over from prior year, and receipts disposed of (applied to debt)] are maintained going forward, for completeness and accountability;
7. develop and implement a formal reconciliation process to ensure accountability, completeness, and accuracy of unapplied cash transactions;
8. work with the Railroad Retirement Board's Financial Management Integrated System contracted service provider to correct Financial Management Integrated System posting logic for unapplied cash to ensure that unapplied cash transactions are properly recorded;
9. establish internal controls over accounting adjustments for unapplied cash to ensure that the adjustments are proper and that balances are accurate; and
10. develop and maintain an unapplied cash aging report to ensure proper monitoring and timely processing of unapplied cash receipts.



We recommend that the Office of Programs:

11. work with the Railroad Retirement Board's Bureau of Information Services to implement Overpayment Recovery Correspondence System modifications to ensure that unapplied cash historical files [carried over from prior years, and receipts disposed of (applied to debt)] are maintained for completeness and accountability.

### ***Management's Comments and Our Response***

The Bureau of Fiscal Operations concurred with recommendation 7, but did not concur with recommendations 6, 8, 9, and 10.

For recommendation 6, BFO management stated that BFO coordinated with CGI (the contracted service provider) to implement posting logic fixes in fiscal year 2018. As a result of this completed corrective effort, all unapplied cash activity flows through the unapplied cash GL (general ledger) account, as such BFO staff has the ability to generate a general ledger report to show all unapplied activity. As described above, the BFO provided the OIG evidence of the posting logic fixes during the course of the OIG's audit fieldwork. Therefore, BFO considers corrective action taken sufficient to address this recommendation and will therefore, not take any additional corrective action on this matter.

OIG disagrees with BFO management's response to recommendation 6 which focuses on the need for system modifications to the Financial Management Integrated System (FMIS) to ensure that all unapplied cash transactions are maintained going forward, for completeness and accountability. Based on a documented response from RRB management, we were informed by BFO and CGI that FMIS could not track historical data for unapplied cash transactions. Given this, although BFO may have implemented posting logic fixes in fiscal year 2018, it is not clear or certain as to whether the posting logic fixes alone have fully addressed our concerns regarding the completeness and accountability of the universe of unapplied cash transactions. In addition, any posting logic corrections made would have been well after the scope of our audit, which was fiscal year 2017.

For recommendation 8, BFO management stated that while they acknowledged that corrective action (regarding the posting logic) was necessary, they stated that correction was completed, and the evidence was provided to the audit team during their fieldwork period.

OIG disagrees with BFO management's response to recommendation 8. This recommendation remains valid based on the fact that: (1) the posting logic problem existed during the scope of our audit, which was fiscal year 2017; and (2) we were unable to verify that the posting logic fixes which occurred in fiscal year 2018, were indeed successful regarding the completeness and accuracy of all unapplied cash data.



For recommendation 9, BFO management stated that they non-concurred with the OIG's characterization of the (\$15 million Unapplied Cash Adjustment) as 'questionable.' They further stated that "In 2017, BFO internal control procedures determined that the manual voucher SV517 entries to record cash receipts to the FBWT (Fund Balance With Treasury) General Ledger (GL) account was duplicating entries that were also being recorded automatically each accounting period due to the FMIS PAR migration."

The SV517 records cash activity associated with Intragovernmental Payment and Collection (IPAC) activity for Debt Management Service, Treasury Receivable and Collection System and Department of Justice as well as Treasury's Collections Information Repository (CIR). Based on the results of BFO's internal review, BFO reversed the SV517 vouchers for periods July 2016 through June 2017 that totaled approximately \$15 million; the primary focus of the entry was to correct the FBWT GL account. Adjustments to the unapplied cash account were a byproduct of correcting duplicative entries in the FBWT GL account. Further, in FMIS BFO included the detailed documentation to support the SV517 reversal entries. Through FMIS, this information was available to the OIG. Further, verbally during the exit conference on March 6, 2019 and via formal memorandum to the OIG, BFO clarified the focus of the 15 million dollar entry."

OIG disagrees with BFO management's response to recommendation 9. Our review of the supporting documentation provided for the \$15 million adjustment did not identify a complete verification or reconciliation of duplicate entries. Furthermore, BFO claims in their management response above, that the adjustment to unapplied cash account was a byproduct of correcting duplicate entries in the Fund Balance with Treasury. We question the purpose of such an adjustment that was intended to correct the balance in the Fund Balance with Treasury general ledger (GL) account while the Unapplied Cash Account balance remained substantially incorrect.

For recommendation 10, BFO management stated that "BFO non-concurs with the assertion that a specific unapplied cash aging report is necessary to ensure timely processing of unapplied cash transactions. FMIS tracks and records the deposit and receipt dates for all unapplied cash items and, as demonstrated in the draft audit report, this information can be used to determine the age of the unapplied cash items. Further, as previously communicated to the OIG, the posting logic fixes implemented during fiscal year 2018 (discussed above), allow for additional visibility through review of the unapplied cash GL account. Given that the OIG acknowledges that unapplied cash transactions, are immaterial to the RRB's financial statements and considering the current FMIS query capabilities, it is not cost effective to pursue development of a specific aging report for unapplied cash."

OIG disagrees with BFO management's response to recommendation 10. While we could not verify the completeness of the listing of outstanding unapplied cash receipts that we were provided, we calculated the average age of outstanding unapplied cash receipts at September 30, 2017 to be approximately 13 months old. We believe this observation speaks to the need for the utilization of an aging report. A clearly defined aging report that is reviewed on a periodic basis is an effective monitoring control that can provide the awareness needed to ensure the timely processing of unapplied cash items.

The Office of Programs non-concurred with recommendation 11. Office of Programs management referred to a separate discussion in their comments regarding the “Aging Report.” They further stated that “Additionally, in the context of RRB’s re-engineering/IT modernization efforts, the Office of Programs will assess the viability of the Unapplied Cash application and future archiving capabilities and take appropriate action.”

OIG disagrees with the Office of Programs response to recommendation 11. We are not clear as to how RRB management’s comments regarding the “aging report” relates to recommendation 11, which recommended that system modifications be made to the Overpayment Recovery Correspondence System to ensure that all unapplied cash historical files related to disposition actions are maintained for completeness and accountability. By stating that they “will assess the viability of the Unapplied Cash Application and future archiving capabilities and take appropriate action”, it is our hope that management will see the value in our concern regarding the need for completeness and accountability over the entire unapplied cash process, to include all data related to unapplied cash in the Overpayment Recovery Correspondence System.

### **Migration Efforts Failed to Produce a Functional Unapplied Cash Application**

The RRB’s plan for the PARS to FMIS migration was to transfer all of the debt collection operations previously provided by PARS to FMIS utilizing existing accounts receivable functionalities. The PARS to FMIS migration was intended to: (1) achieve compliance with applicable laws, regulations, standards, and requirements; (2) improve and facilitate user access to financial information through online inquiries and reporting tools; (3) reduce redundancy in data entry, storage, and processing; (4) improve security, control, and disaster recovery capability; and (5) reduce manually intensive business processes.

In connection with the migration, an unapplied cash application was to be designed to interface with FMIS to process the disposition of all unapplied cash receipts and properly record the transactions in FMIS. Although all of the balances in PARS, including unapplied cash, were transferred to FMIS during the migration in June 2016, migration efforts failed to produce an unapplied cash application to fully automate the unapplied cash process using the same functionalities as PARS.

A fully automated unapplied cash process was not created after the migration as planned due to

- inadequate migration control activities in place to ensure appropriate coverage of objectives and risks related to the unapplied cash migration process; and
- the lack of assigning a key role to an appropriate person for overall responsibility of coordinating and overseeing all control activities for the unapplied cash process across applicable organizations and assessable units.

GAO Standards state that:

- Management should design control activities for appropriate coverage of objectives and risks in the operations. Operational processes transform inputs into outputs to achieve the organization's objectives. Management designs entity-level control activities, transaction control activities, or both depending on the level of precision needed so that the entity meets its objectives and addresses related risks.
- To achieve the entity's objectives, management should assign responsibility and delegate authority to key roles throughout the entity. A key role is a position in the organizational structure that is assigned an overall responsibility of the entity. Generally, key roles relate to senior management positions within an entity.<sup>5</sup>

### ***Inadequate Unapplied Cash Migration Control Activities***

Our review of the migration process related to unapplied cash, and discussions with BFO staff, determined that RRB could not provide evidence of

- a complete formal project management plan or any other project monitoring and evaluation documents used in the PARS migration to FMIS;
- a risk assessment performed by the contracted service provider or RRB for the PARS to FMIS migration system implementation;
- proper management of contract or project requirements by contracted service provider or RRB;
- documented sign-offs for deliverables, user acceptance testing, or final project;
- monitoring and required system implementation testing by the contracted service provider or RRB as noted in the contract Statement of Work; or
- documented system migration controls.

The Office of Programs staff continued to manually adjudicate unapplied cash cases until the ORCS Unapplied Cash Application became fully functional in January 2018, approximately 18 months after the PARS to FMIS system migration in July 2016.

The absence of such control activities reduced the RRB's effectiveness in meeting its unapplied cash migration objectives of: (1) improving and facilitating user access to financial information; (2) reducing redundancy of data entry; and (3) reducing manually intensive business processes.

The untimely development of the Unapplied Cash Application delayed RRB's ability to process unapplied cash receipts in the most accurate, timely, and efficient manner.

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<sup>5</sup> GAO, GAO-14-704G.

### ***Lack of Assignment of Overall Responsibilities for Coordinating and Overseeing Unapplied Cash Process Across Applicable Organizations***

The RRB had not designated a responsible official to oversee the entire unapplied cash process. While the RRB was facing unapplied cash migration challenges, we noted that cross-organizational coordination and oversight responsibilities had not been assigned to one individual. Assignment of the appropriate personnel to this key role would have facilitated better oversight and accountability among applicable organizations regarding the processing of unapplied cash cases in FMIS.

Because the RRB had not assigned an appropriate person the overall responsibility for the entire unapplied cash process, RRB experienced: (1) significant delays in the development of a functional Unapplied Cash Processing Application; and (2) further challenges in processing unapplied cash transactions accurately, timely, and efficiently.

Because the RRB developed an ORCS Unapplied Cash Processing Application in January 2018, after our scope ended, our recommendations are limited accordingly.

### ***Recommendations***

12. We recommend that Bureau of Fiscal Operations establish and implement unapplied cash control activities to ensure that a qualified person is assigned a key role for the overall responsibility of coordinating and overseeing all control activities for the unapplied cash process across organizations and assessable units.
13. We recommend that the Office of Programs work with the Bureau of Fiscal Operations to establish and implement control activities to ensure that the Overpayment Recovery Correspondence System Unapplied Cash Application is fully interfaced with the Financial Management Integrated System so that all unapplied cash transactions are properly processed and recorded in the Overpayment Recovery Correspondence System Unapplied Cash Application.
14. We recommend that the Bureau of Fiscal Operations work with the Office of Programs to establish and implement control activities to ensure that the Financial Management Integrated System is fully interfaced with the Overpayment Recovery Correspondence System Unapplied Cash Application so that all unapplied cash transactions are properly processed and recorded in the Financial Management Integrated System.

## ***Management's Comments and Our Response***

RRB Management did not concur with these recommendations.

For recommendation 12, BFO management stated that “this recommendation is redundant to recommendation 1, with which the SEO non-concurred. To reiterate the OIG acknowledges the unapplied cash amount is immaterial to the RRB’s financial statements as demonstrated by the balance at the time of PAR conversion, which was \$326,293. The BFO non-concurs with this recommendation. The BFO cannot assign ‘an appropriate person’ the ‘overall responsibility of coordinating and overseeing all controls activities for unapplied cash process across bureaus/offices/assessable units.’ As was reiterated verbally and via formal memorandum on March 6, 2019, the beginning to end unapplied cash process spans both the BFO and OP; as such, the Chief Financial Officer and the Acting Director of the Office of Programs already have responsibility for unapplied cash.”

OIG disagrees with BFO management’s response to recommendation 12 and that it is redundant to recommendation 1. Recommendation 1 relates to the need for developing an agency wide internal control process for maintaining, monitoring, and reporting on unapplied cash. Recommendation 12 relates to the need for assigning a qualified person to a key role to provide effective oversight over the entire unapplied cash process. Although unapplied cash is not considered material to the RRB’s financial statements taken as a whole, this does not negate the need for establishing effective control activities over unapplied cash. While management has identified multiple Executive Committee members that are involved in the unapplied cash process, the results of our audit have identified inadequate controls, processing and reporting concerns, and an unapplied cash migration failure, which strongly confirms the need for management to consider the assignment of a qualified person to a key role to provide stronger oversight and accountability across organizations and assessable units.

For recommendation 13, the Office of Programs stated that they non-concur that “control activities are necessary to ensure that the Overpayment Recovery Correspondence System Unapplied Cash Application is fully interfaced with the Financial Management Integrated System. Additionally, in the context of RRB’s re-engineering/IT modernization efforts the Office of Programs will assess the viability of the Unapplied Cash application and take appropriate action as resources permit.”

OIG disagrees with the Office of Programs management’s response to recommendation 13. Although the Office of Programs stated that they will assess the viability of the unapplied cash application in connection with RRB’s re-engineering/IT modernization efforts, we are not certain as to whether this assessment will fully address our concerns. In regards to the Office of Programs statement as to whether control activities are necessary for implementing recommendations 13 and 14, GAO standards states that management should design control activities for appropriate coverage of objectives and risks in the operations. The fact that the results of our audit have identified inadequate controls, processing and reporting concerns, and an unapplied cash migration failure strongly supports the need for control activities related to the Overpayment Recovery Correspondence System Unapplied Cash Application and FMIS.

For recommendation 14, BFO management stated that they non-concur “because this recommendation is redundant to recommendation 13. Additionally, control activities are not necessary to ensure that the FMIS fully interfaces with the ORCS Unapplied Cash Application. As the Contracting Officer Representative (COR) for FMIS the BFO will provide all support necessary to ensure the RRB’s automated solution for unapplied cash properly interfaces with FMIS.”

OIG disagrees with BFO management’s response to recommendation 14 and that it is redundant to recommendation 13. The two recommendations differ as each relates to a different system. In our draft report, we addressed a recommendation for corrective action to BFO. Subsequent to that draft report, RRB Management asked us to redirect recommendation 13 to the Office of Programs because the Office of Programs is the owner of the Overpayment Recovery Correspondence System Unapplied Cash Application. So, we redirected recommendation 13 to the Office of Programs. However, in doing this, we recognized the continued need for FMIS to properly interface with ORCS. Because BFO is the owner, or COR, for FMIS, we addressed recommendation 14 to BFO.

## APPENDIX I: MANAGEMENT COMMENTS



UNITED STATES GOVERNMENT  
*MEMORANDUM*

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

May 3, 2019

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

**FROM :** Shawna Weekley  
Chief Financial Officer

SHAWNA WEEKLEY  
Digitally signed by SHAWNA WEEKLEY  
DN: cn=Shawna Weekley, ou=U.S. Government,  
ou=Railroad Retirement Board, cn=SHAWNA WEEKLEY,  
o=U.S. GOVERNMENT, c=U.S.A., email=shawna.weekley@rrb.gov,  
Date: 2019.05.03 15:33:39 -0500

Crystal Coleman  
Acting Director, Office of Programs

CRYSTAL COLEMAN  
Digitally signed by CRYSTAL COLEMAN  
Date: 2019.05.03  
15:35:35 -0500

Daniel Fadden  
Senior Executive Officer/Director of Field Service

DANIEL FADDEN  
Digitally signed by DANIEL FADDEN  
Date: 2019.05.03 15:38:51 -0500

**SUBJECT:** Draft Audit Report - Unapplied Cash Accounts

We have reviewed the referenced draft audit report<sup>1</sup> issued on Friday, April 12, 2019. Our response is as follows:

**Point of Clarification:** On page 5 of the draft audit report the first bullet point is not correct. The bullet states “[t]he Accounting Section then posted the transaction in FMIS based on disposition received from DRS.” As communicated to the OIG<sup>2</sup>, the accounting section was not involved in this process; therefore, this bullet should be removed from the report in its entirety.

**Findings and Recommendations:**

**FINDING 1:** Internal Controls Were Not Adequate: Partially Concur.

The Bureau of Fiscal Operations (BFO) concurs with the portion of the finding that states existing controls should be updated to reflect our current process and will take appropriate corrective action. The BFO and Senior Executive Officer (SEO) disagree with the assertion that the Railroad Retirement Board (RRB) needs a comprehensive agency-wide process for managing unapplied cash.

<sup>1</sup> RRB OIG Draft Audit: *Draft – Improvements Needed for the Unapplied Cash Process at the Railroad Retirement Board*, issued on April 12, 2019 (on file at RRB).

<sup>2</sup> Memorandum, *Briefing Paper: Audit of Unapplied Cash Accounts*, from Shawna R. Weekley, Chief Financial Officer and Crystal Coleman, Acting Director of Office of Programs, to Debra Stringfellow-Wheat, Deputy Assistant Inspector General Audit (March 6, 2019).



As acknowledged by the auditors, “unapplied cash is not material to the RRB’s financial statements...”<sup>3</sup> Therefore, suggesting that a comprehensive agency-wide process is necessary to manage unapplied cash is not reasonable, warranted, or cost effective. As communicated to the OIG verbally and via formal memo on March 6, 2019, two Executive Committee (EC) members, the Chief Financial Officer and the Acting Director for the Office of Programs (OP), have appropriate responsibility for unapplied cash and are both actively engaged in continuous monitoring activities.<sup>4</sup> Internal control documentation may need to be updated and tested, but the notion that a comprehensive agency-wide process, monitored by the SEO on behalf of the Board, overstates the importance of the subject matter and is not an effective or efficient use of agency resources.

**Recommendation 1:** We recommend that the Executive Committee develop a comprehensive agency-wide process for maintaining, monitoring and reporting on unapplied cash to ensure that all unapplied cash items are properly identified, recorded, monitored, reconciled, investigated, and resolved.

**Management Response 1:** On behalf of the EC, the SEO non-concurs. See comments above related to Finding 1.

**Recommendation 2:** We recommend that the BFO update all control documentation (including policies and procedures, charts of controls, and other related documentation) to reflect the changes that occurred to unapplied cash as a result of the migration to the Financial Management Integrated System.

**Management Response 2:** The BFO Concurs. Estimated Completion Date June 30, 2019.

**Recommendation 3:** We recommend that the BFO test the updated unapplied cash controls to ensure that they are present and operating as intended.

**Management Response 3:** The BFO Concurs. Estimated Completion Date June 30, 2019.

**Recommendation 4:** We recommend that the Office of Programs update all control documentation (including policies and procedures, charts of controls, and other related documentation) to reflect the changes that occurred to unapplied cash as a result of the migration to the Financial Management Integrated System.

**Management Response 4:** The OP Concurs. Estimated Completion Date March 30, 2020.

**Recommendation 5:** We recommend that the Office of Programs test the updated unapplied cash controls to ensure that they are present and operating as intended.

**Management Response 5:** The OP Concurs. Estimated Completion Date March 30, 2020.

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<sup>3</sup> See RRB OIG Draft Audit, at pg. 3

<sup>4</sup> See Memorandum, at pg. 3-4.



**FINDING 2**: Reconciliations, Recording and Processing: Partially Concur.

- **Posting Logic**: The BFO non-concurs with this portion of the finding, because the BFO coordinated with CGI to correct the FMIS unapplied cash posting logic issues in fiscal year 2018. BFO communicated this information to the OIG on May 30, 2018, during the OIG's fieldwork for this audit and nine months prior to the audit's conclusion. On May 30, 2018 via email, the BFO provided evidence of the completed work effort via formal response to the OIG's *Document/Information Request for the OIG's Audit of Unapplied Cash* ("unified response"), dated April 27, 2018 (i.e. response #17 of the unified response addresses posting logic).

Prior to providing the OIG the "unified response" in which the posting logic fix was discussed, the Director of Audit Affairs and Compliance encouraged the audit manager to meet with subject matter experts to discuss the content of the RRB's response to a lengthy list of questions. In response, the audit manager stated that the OIG would not conduct/attend any additional interviews on the unapplied cash topic. That verbal conversation took place prior to the May 30, 2018 submission of the unified response to the OIG.

In the email transmittal and on the first page of the unified response, BFO further reiterated the need for additional conversations prior to concluding the audit, in order for the auditors to obtain sufficient, appropriate evidence/context to support their audit conclusions. On June 7, 2018, the lead auditor for the audit requested documentation regarding the posting logic fix. In response and on the same day, BFO provided to the lead auditor via email, with a courtesy copy to audit manager (1) evidence that BFO and CGI tested the posting logic and (2) evidence to support that unapplied cash transactions were properly posting in FMIS. The audit staff did not conduct any further interviews or initiate any more conversations on this matter after June 7, 2018. Further, verbally during the exit conference on March 6, 2019 and via formal memorandum to the OIG<sup>5</sup>, the RRB again communicated its completed work efforts relating to the posting logic associated with unapplied cash.

- **Unapplied Cash Adjustment**: The BFO non-concurs with the OIG's characterization of the adjustment as questionable. In 2017, BFO internal control procedures determined that the manual voucher SV517 entries to record cash receipts to the FBWT General Ledger (GL) account was duplicating entries that were also being recorded automatically each accounting period due to the FMIS PAR migration. The SV517 records cash activity associated with Intragovernmental Payment and Collection (IPAC) activity for Debt Management Service, Treasury Receivable and Collection System and Department of Justice as well as Treasury's Collections Information Repository (CIR). Based on the results of BFO's internal review, BFO reversed the SV517 vouchers for periods July 2016 through June 2017 that totaled approximately \$15 million; the primary focus of the entry was to correct the FBWT GL account. Adjustments to the unapplied cash account were a byproduct of correcting duplicative entries in the FBWT GL account. Further, in FMIS BFO included the detailed documentation to support the SV517 reversal entries. Through FMIS, this information was available to the OIG. Further, verbally during the

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<sup>5</sup> *Id.* at pg. 4.

exit conference on March 6, 2019 and via formal memorandum to the OIG,<sup>6</sup> the BFO clarified the focus of the 15 million dollar entry.

- **Aging Report:** The BFO non-concurs with the assertion that a specific unapplied cash aging report is necessary to ensure timely processing of unapplied cash transactions. FMIS tracks and records the deposit and receipt dates for all unapplied cash items and, as demonstrated in the draft audit report,<sup>7</sup> this information can be used to determine the age of the unapplied cash items. Further, as previously communicated to the OIG,<sup>8</sup> the posting logic fixes implemented during fiscal year 2018 (discussed above), allow for additional visibility through review of the unapplied cash GL account. Given that the OIG acknowledges that unapplied cash transactions, are immaterial to the RRB's financial statements<sup>9</sup> and considering the current FMIS query capabilities, it is not cost effective to pursue development of a specific aging report for unapplied cash.

**Recommendation 6:** We recommend that the BFO work with the Railroad Retirement Board's Financial Management Integrated System contracted service provider to implement Financial Management Integrated System modifications to ensure that all unapplied cash transactions [unapplied cash receipts received, carried over from prior year, and receipts disposed of (applied to debt)] are maintained going forward, for completeness and accountability.

**Management Response 6:** The BFO non-concurs. The BFO coordinated with CGI to implement posting logic fixes in fiscal year 2018. As a result of this completed corrective effort, all unapplied cash activity flows through the unapplied cash GL account, as such BFO staff has the ability to generate a general ledger report to show all unapplied activity. As described above, the BFO provided the OIG evidence of the posting logic fixes during the course of the OIG's audit fieldwork. Therefore, the BFO considers corrective action taken sufficient to address this recommendation and will therefore, not take any additional corrective action on this matter.

**Recommendation 7:** We recommend that the BFO develop and implement a formal reconciliation process to ensure accountability, completeness, and accuracy of unapplied cash transactions.

**Management Response 7:** The BFO concurs. Accounting has developed and implemented a formal reconciliation process for unapplied cash transactions and will provide the results to the OIG. Estimated completion date: June 30, 2019.

**Recommendation 8:** We recommend that the BFO work with the Railroad Retirement Board's Financial Management Integrated System contracted service provider to correct Financial Management Integrated System posting logic for unapplied cash to ensure that unapplied cash transactions are properly recorded.

**Management Response 8:** The BFO non-concurs. While the BFO acknowledged corrective action was necessary, that corrective action was completed, and the evidence provided to the

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<sup>6</sup> *Id.*

<sup>7</sup> See RRB OIG Draft Audit, at pg. 13.

<sup>8</sup> See Memorandum, at pg. 3-4.

<sup>9</sup> See RRB OIG Draft Audit, at pg. 3.

audit team during their fieldwork period. See also “Posting Logic” discussion above.

**Recommendation 9:** We recommend that the BFO establish internal controls over accounting adjustments for unapplied cash to ensure that the adjustments are proper and that balances are accurate.

**Management Response 9:** The BFO non-concurs. See “Unapplied Cash Adjustment” discussion above. The OIG has not provided any evidence to substantiate the claim implied through the recommendation that the adjustment was not proper or accurate.

**Recommendation 10:** We recommend that the BFO develop and maintain an unapplied cash aging report to ensure proper monitoring and timely processing of unapplied cash receipts.

**Management Response 10:** The BFO non-concurs. See “Aging Report” discussion above.

**Recommendation 11:** We recommend that the Office of Programs work with the Railroad Retirement Board’s Bureau of Information Services to implement Overpayment Recovery Correspondence System modifications to ensure that unapplied cash historical files [carried over from prior years, and receipts disposed of (applied to debt)] are maintained for completeness and accountability.

**Management Response 11:** The OP non-concurs. See “Aging Report” discussion above. Additionally, in the context of RRB’s re-engineering/IT modernization efforts the Office of Programs will assess the viability of the Unapplied Cash application and future archiving capabilities and take appropriate action.

**FINDING 3:** Migration Efforts: The BFO non-concurs.

- **Migration Control Activities:** The BFO non-concurs with the OIG’s statement that, in relation to unapplied cash, the RRB could not provide evidence of a complete formal project management plan or any other project monitoring, evaluation, or risk assessment documents used in the PAR migration to FMIS. The documentation associated with the PAR migration is voluminous and as mentioned above prior to submitting the “unified response” on May 30, 2018 and again in the document itself, we strongly encouraged the OIG auditors to conduct additional conversations prior to concluding the audit, in order for the auditors to obtain sufficient, appropriate evidence/context to support their audit conclusions. Nevertheless, on May 30, 2018 via the unified response, the BFO provided numerous documents related to the unapplied cash portion of the PAR Migration. Some of the documents that BFO provided included the PAR Migration Statement of Work, Fit/Gap Analysis, Project Plan, Unapplied Collections Interface Design, Conversion Plan, Internal Team Charter, Test Scripts and evidence of testing and relevant contract documents.
- **Overall Responsibilities:** The BFO non-concurs with the OIG’s assertion that the absence of an individual assigned the overall responsibility for the “entire unapplied cash process” caused significant delays in the development of a functional unapplied cash processing application and inaccurate, untimely and inefficient processing of cash transactions. Instead, the delays were due primarily to significant resource constraints



and the need to redirect efforts from utilizing the USTAR application to expanding the ORCS for the unapplied cash process.

**Recommendation 12:** We recommend that BFO establish and implement unapplied cash control activities to ensure that an qualified person is assigned a key role for the overall responsibility of coordinating and overseeing all control activities for the unapplied cash process across organizations and assessable units.

**Management Response 12:** This recommendation is redundant to recommendation 1, with which the SEO non-concurred. To reiterate the OIG acknowledges the unapplied cash amount is immaterial to the RRB's financial statements as demonstrated by the balance at the time of PAR conversion, which was \$326,293. The BFO non-concurs with this recommendation. The BFO cannot assign "an appropriate person" the "overall responsibility of coordinating and overseeing all controls activities for unapplied cash process across bureaus/offices/assessable units." As was reiterated verbally and via formal memorandum on March 6, 2019, the beginning to end unapplied cash process spans both the BFO and OP; as such, the Chief Financial Officer and the Acting Director of the Office of Programs already have responsibility for unapplied cash.<sup>10</sup>

**Recommendation 13:** We recommend that the Office of Programs work with the BFO to establish and implement control activities to ensure that the Overpayment Recovery Correspondence System Unapplied Cash Application is fully interfaced with the Financial Management Integrated System so that all unapplied cash transactions are properly processed and recorded in the Overpayment Recovery Correspondence System Unapplied Cash Application.

**Management Response 13:** The Office of Programs non-concurs that control activities are necessary to ensure that the Overpayment Recovery Correspondence System Unapplied Cash Application is fully interfaced with the Financial Management Integrated System. Additionally, in the context of RRB's re-engineering/IT modernization efforts the Office of Programs will assess the viability of the Unapplied Cash application and take appropriate action as resources permit.

**Recommendation 14:** We recommend that the BFO work with the Office of Programs to establish and implement control activities to ensure that the Financial Management Integrated System is fully interfaced with the Overpayment Recovery Correspondence System Unapplied Cash Application so that all unapplied cash transactions are properly processed and recorded in the Financial Management Integrated System.

**Management Response 14:** The BFO non-concurs because this recommendation is redundant to recommendation 13. Additionally, control activities are not necessary to ensure that the FMIS fully interfaces with the ORCS Unapplied Cash Application. As the COR for FMIS the BFO will provide all support necessary to ensure the RRB's automated solution for unapplied cash properly interfaces with FMIS.

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<sup>10</sup> See Memorandum, at pg. 4.