



Office of Inspector General
U.S. RAILROAD RETIREMENT BOARD
Semiannual Report
April 1, 2024 - September 30, 2024





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Message from

THE ACTING INSPECTOR GENERAL

As Acting Inspector General, I am pleased to submit this Semiannual Report to the Congress. This report provides a descriptive summary of the Railroad Retirement Board (RRB) Office of Inspector General (OIG) achievements during the period of April 1, 2024 through September 30, 2024.

At the request of President Joseph R. Biden, Jr., I assumed responsibility as Acting Inspector General for the RRB OIG on April 28, 2024. I am pleased to present our semiannual report for the period April 1, 2024 to September 30, 2024. In this semiannual period, our audit activities identified a projected \$42,443 in questioned costs and \$59,493 in funds put to better use. Below are highlights of our work during this period.

- In compliance with the Federal Information Security Modernization Act of 2014, we evaluated the RRB's cybersecurity program and identified a number of areas where improvements can be made. Management agreed with our recommendations and is working to address these improvements.
- In compliance with the Payment Information Integrity Act of 2019, we evaluated RRB's payment processes to ensure payments are made accurately to the over 500,000 beneficiaries of the RRB retirement system. I am happy to report that we determined the RRB to be in compliance with these requirements. In addition, we identified certain areas in which management is taking action to improve their processes.
- We evaluated the RRB's methods for the use of medical opinions for the disability determination process, for which payments approached \$1 billion during fiscal year 2022. While medical opinions added value to the process, multiple internal control issues were identified along with potential questioned costs and funds put to better use.
- The Office of Investigations achieved results in 9 investigations resulting in restitution totaling almost \$9 million. These investigations were primarily focused on unemployment benefits, sickness benefits, and Railroad Medicare provider fraud; joint investigations for Medicare fraud to other agencies were included in this total.

Over the past 5 months, I have focused on getting to know the OIG staff, as well as the RRB Board Members and executive management. I am very impressed with the dedicated OIG staff of experienced professionals who are focused on helping the RRB be successful in carrying out their mission of serving the over 500,000 beneficiaries of the RRB retirement system. My meetings with the RRB Board Members have been very constructive, and I certainly appreciate their demonstrated support for the role of the OIG. I also met individually with most of the members of the Executive Committee; we discussed opportunities to have a more effective relationship, to ensure that the focus of our efforts is to improve the operations of the RRB.

I would like to thank Chairman Chorlé for suggesting and organizing a town hall meeting, where members of our staff met with the entire executive team of the RRB. This meeting allowed for open discussion about how to achieve the mission of the RRB in a more effective manner. As a result of these constructive meetings, we have engaged in a number of initiatives. While these efforts are ongoing, I am pleased with the progress to date. Our accomplishments have included the following:

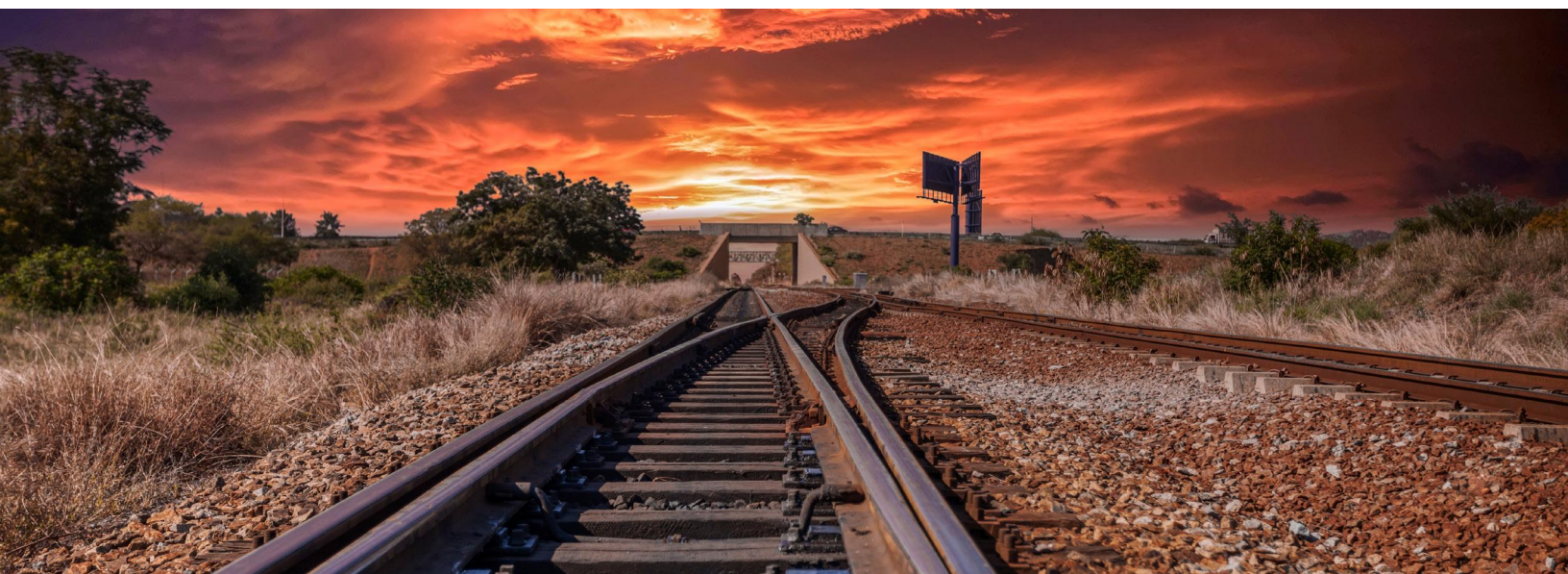
- Office of Audit worked in coordination with the Chief Financial Officer to identify over 200 open recommendations that were closed during this semiannual period. For about half of these recommendations, the RRB determined that action was no longer necessary. We are continuing to evaluate the almost 300 currently open recommendations to assess current status, risk to operations, and considerations of management's corrective actions.
- We are evaluating the issues related to the financial statement audit and the resulting disclaimer of opinion, which has been the outcome since 2012. The issues driving this opinion are complex and relate to factors that include the reporting of the National Railroad Retirement Investment Trust (NRRIT) assets on the RRB financial statements. We will continue to seek a resolution that provides for a more accurate depiction of the reliability of the RRB financial statements.
- The RRB and Office of Investigations have been working cooperatively to address the accuracy of disability payments. Much of this success can be attributed to working in concert with RRB management and relying on their referrals to our office. We will continue to work with RRB management to ensure the referral process complements the mission of the RRB.

The OIG is committed to providing independent oversight in carrying out its mission to promote economy, efficiency, and effectiveness of RRB operations and to prevent and detect fraud, waste, and abuse. Our office can achieve maximum effectiveness by maintaining a positive and constructive relationship with management and that is what we will strive to do. We are looking forward to continually improving how we conduct and deliver on this mission. We appreciate the support from the RRB Board Members and executive management.

As my Acting IG role ends on October 25, 2024, I appreciate continued dedication from the Office of Inspector General and cooperation from the Railroad Retirement Board. It has been my pleasure to serve you.



Ben R. Wagner
Acting Inspector General





AGENCY OVERVIEW

RRB OIG SEMIANNUAL REPORT



AGENCY OVERVIEW

RAILROAD RETIREMENT BOARD

The Railroad Retirement Board is an independent agency in the executive branch of the Federal Government. The RRB administers comprehensive disability, retirement, survivor, unemployment, and sickness insurance benefit programs for the nation's railroad workers and their families. These programs are codified under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA), respectively.



Legislation enacted in 1934, 1935, and 1937 established a railroad retirement system separate from the social security program legislated in 1935.

A three-member Board, appointed by the President of the United States (U.S.) with the advice and consent of the U.S. Senate, directs the work of the agency. The terms of the Board Members span five years, and Members may continue to serve beyond their term until their successor is appointed.

The Labor Member is appointed from recommendations of representatives of railroad employees, and represents the interests of railroad employees. The Management Member is appointed from recommendations of railroad employers, and represents the interests of the railroad employers. The Chairman is appointed without recommendation by either employers or employees and shall not be in the employment of or be pecuniarily or otherwise interested in any employer or organization of employees.

The RRB possesses a unique history. Congress created the RRB to assist in recovering from the Great Depression, a severe global economic collapse spanning ten years, beginning in 1929. Although the railroad industry was among the first to create and maintain pensions for their retired employees, the Depression left railroad companies unable to continue regular pension payments. A federal pension program specifically for railroad workers was conceived and enacted by Congress, who added unemployment benefits in 1938, and sickness benefits in 1946.

Today, the RRB serves U.S. railroad workers and their families, administering retirement, sickness, unemployment, disability, and survivor benefits. In fiscal year 2023, the RRB paid benefits of approximately \$14 billion to about 500,000 beneficiaries.

Additionally, the RRB has administrative responsibilities for certain benefit payments under the Social Security Act, including the administration of Medicare benefits for qualified railroad workers and their dependents. Pursuant to statutory authority, the RRB, in consultation with the Centers for Medicare and Medicaid Services (CMS), awards and monitors a single nationwide Railroad Medicare Part B services contract. The RRB's Specialty Medicare Administrative Contractor processed almost 7.9 million Railroad Medicare claims and paid approximately \$938 million in Railroad Medicare Part B benefits for fiscal year 2023.

Sources of funding for the RRB include railroad employer and railroad employee payroll taxes; reimbursement through the financial interchange from the Social Security Administration, for payment of Social Security benefits which are a component of railroad retirement benefits; and reimbursement from CMS for administering railroad Medicare.

Headquartered in Chicago, Illinois, the RRB has 53 field offices serving claimants and annuitants across the United States.

**THE OFFICE OF INSPECTOR GENERAL,
RAILROAD RETIREMENT BOARD**

A BRIEF HISTORY

The Inspector General Act of 1978 established Offices of Inspector General to promote economy, efficiency, and effectiveness; and to prevent, detect, and prosecute fraud, waste, and abuse in a variety of government programs and operations.

In January 1986, the first Inspector General was appointed at the Railroad Retirement Board. The RRB’s Inspector General is a Presidential Appointee, with Senate confirmation, who serves as an independent and objective voice to the Board Members and the Congress.

The OIG’s strategic goals are to (1) add value to the RRB’s programs and operations; (2) protect the integrity of the RRB’s programs, operations and trust funds; and (3) ensure quality and excellence in the OIG’s work and products. The OIG values objectivity, independence, respect, and excellence.

THE OFFICE OF AUDIT (OA)

Audit areas of focus include compliance with laws and regulations, adequacy of policy and procedure, effectiveness of agency operations, accuracy of benefit payments, financial accountability, and cybersecurity. OA places emphasis on long-term systemic problems and solutions, and addresses major issues that affect the RRB’s service to railroad annuitants and their families.

STATISTICAL HIGHLIGHTS <i>April 1, 2024 - September 30, 2024</i>	
Audit Reports Issued	3
Questioned Costs (projected)	\$42,443
Funds to be Put to Better Use	\$59,493
Investigations Opened	49
Investigations Closed	33
Restitution and Fines	> \$8.8 Million
Criminal Actions	5
Administrative Actions (Number of Subjects)	1



OA has identified seven broad areas of potential audit coverage:

- Financial Accountability;
- Railroad Retirement Act and Railroad Unemployment Insurance Act Benefit Program Operations;
- Information Technology;
- Railroad Medicare Program Operations;
- Disability Program Integrity;
- Compliance Audits; and
- Effectiveness and Efficiency of Agency Operations.

Audits are conducted pursuant to Generally Accepted Government Auditing Standards.

THE OFFICE OF INVESTIGATIONS (OI)

Fraud remains a high-level concern, especially in the post-Covid era. In order to maximize effectiveness, OI coordinates its investigative activities with other Offices of Inspector General, and other law enforcement entities, including the Federal Bureau of Investigation.

With the assistance and cooperation of these Federal entities, OI has increased the number of investigations and presentations of cases to U.S. Attorneys.

THE SEMIANNUAL REPORT TO THE CONGRESS

The Inspector General must submit semiannual reports to the Chairman of the Railroad Retirement Board, who is required to transmit the document along with a report to include comments and statistical tables to the appropriate committees of the U.S. Congress. The Inspector General Act of 1978, as amended, specifies required information to include in semiannual reports.



NOTEWORTHY ACCOMPLISHMENTS

RRB OIG SEMIANNUAL REPORT



NOTEWORTHY ACCOMPLISHMENTS

Willful fraud perpetrated against the RRB, its programs, and its community of railroad workers and annuitants remains a critical area of focus for both the RRB and the OIG. Increased collaboration between the RRB Field Service and the Office of Investigations has resulted in a streamlined method of fraud referral to the OIG for review, when the possibility of ongoing fraud is suspected. This new method captures pertinent data efficiently and succinctly, and enhances current automated workflow.



PHOTO: Associate Director of Operations Support (Field Service), Chuck Trucco; Director of Field Service, Mark Blythe; and Acting Assistant Inspector General of Investigations, Douglas Williams

As Director of Field Service Mark Blythe states, “This initiative, based on conversations and in partnership with RRB OIG, enhances the ability for RRB bureaus to provide actionable fraud leads, and supports the Inspector General’s investigative efforts by ensuring consistent and comprehensive transmission of critical lead information. By deploying this tool, the RRB continues to reaffirm and demonstrate its commitment to proactively mitigate fraud and safeguard the integrity of the benefits we administer.”

Acting Inspector General Ben Wagner participated in a Town Hall meeting with RRB management, providing information about the Inspector General Act, and emphasizing his mission to help the RRB succeed. This meeting allowed collegial discussions among the Acting Inspector General, OIG senior staff members, and RRB management, regarding OIG audits, recommendations, and resolution of open audit recommendations.

The Office of Audit (OA) reports the successful completion of a project begun in August 2023 by the Assistant Inspector General for Audit (AIGA), in collaboration with the Chief Financial Officer (CFO) of the RRB, addressing open audit recommendations. The RRB provided an initial response to this project in November 2023. During this reporting period, the CFO coordinated responses by other RRB executives which resulted in the closure of 229 of 420 open audit recommendations. Additional information about the closed audit recommendations may be found in the

Appendices of this report. During this reporting period, OA also successfully continued to develop its foundational staff through hiring four new auditors while retaining existing audit staff.

The Office of Investigations (OI) was proud to present at the National Rail Employee Training Seminar. The RRB's Director of Policy and Systems requested participation from OI for this nationwide group. OI presented information about detecting and prosecuting fraud, waste, and abuse, and how this work protects RRB trust funds.

OI is pleased to announce that the Civil Division of the U.S. Attorney’s Office for the Eastern District of Pennsylvania awarded to one of our Special Agents a Certificate of Appreciation. This award is based on an investigation of a series of claims for sickness insurance benefits, when the claimant was employed and otherwise unqualified to receive these benefits. After rounds of discussion and negotiation, an agreement was reached in which the claimant would make payments over time to reimburse the government. Costly enforcement litigation was avoided, while resulting in an efficient resolution. The consistency, hard work, and determination of the Special Agent brought this successful result to fruition.



REPRESENTATIVE AUDITS

RRB OIG SEMIANNUAL REPORT



Summary of

REPRESENTATIVE AUDITS

Congress established the OIG to provide independent oversight of the RRB. Within the OIG, the Office of Audit's (OA) mission is to promote economy, efficiency, and effectiveness in the administration of the RRB's programs and operations; and to detect and prevent fraud, waste, and abuse.



OA conducts financial, performance, and compliance audits of the RRB's programs and operations. In addition to focusing on mandated audit requirements, OA's audit planning process considers programmatic risk, and resource availability. Below are summaries of audits performed this reporting period.

AUDIT OF THE RAILROAD RETIREMENT BOARD'S COMPLIANCE WITH THE FISMA OF 2014 FOR FISCAL YEAR 2023

RRB's OIG contracted with an independent public accounting firm to conduct a performance audit of the RRB's Information Security Program (ISP) for fiscal year 2023. This audit was conducted in accordance with generally accepted government auditing standards and was mandated by the Federal Information Security Modernization Act of 2014 (FISMA).

The scope of the audit was the RRB's ISP for fiscal year 2023. The auditor evaluated one of the five major information systems of the RRB. The audit team performed this audit from July 2023 through January 2024.

The objectives of this performance audit were to evaluate the effectiveness of the RRB's ISP and policies, procedures, practices, standards, and guidelines, including RRB's compliance with FISMA. The auditor also prepared responses to the annual Inspector General (IG) FISMA reporting metrics, which the RRB's OIG submitted via the Department of Homeland Security's (DHS) CyberScope application.

Findings

The independent public accounting firm determined that the RRB has sustained or continued to improve the Core FISMA IG metrics reviewed in this audit. Although the RRB continued to improve its ISP, the majority of cybersecurity framework functions were rated below Managed and Measurable (Level 4), which is how the Office of Management and Budget, the DHS, and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) define an effective information security program. As a result, the auditor concluded the RRB's ISP was not effective.

Recommendations

To address the issues identified in this audit, the auditor made 13 recommendations to which RRB management concurred. Implementing the auditor's recommended corrective actions will help minimize the risk of unauthorized access, disclosure, and use of RRB's sensitive non-public information, improve compliance with FISMA requirements, and assist the RRB's ISP to reach the next maturity level. RRB's planned actions were included in its response.

THE RAILROAD RETIREMENT BOARD SHOULD STRENGTHEN CONTROLS AND CONTRACTOR OVERSIGHT OF THE MEDICAL OPINION AND DISABILITY DETERMINATION PROCESS

RRB OIG contracted with an independent public accounting firm to audit the RRB's use of medical opinions and the disability determination process. RRB-administered disability benefits were approaching \$1 billion in fiscal year 2022.

The auditors conducted this audit in accordance with generally accepted government auditing standards. The overall audit objectives were to evaluate RRB's actions taken to address prior recommendations, the effectiveness of internal controls, the value of medical opinions, and the RRB's contract oversight for the medical services contractor. The scope of the audit was all paid medical opinions and the applicable disability determination process related to medical opinions for fiscal years 2019 through 2022.

Findings

The auditors determined the Railroad Retirement Act provided disability benefits for qualified individuals of the railroad community and that medical opinions added value to the Railroad Retirement Board's (RRB) disability determination process.

However, the auditors identified multiple internal control issues during the audit. The auditors identified that some of the RRB's actions taken in response to a 2016 disability audit report were no longer effective because the RRB's Office of Programs did not exercise sufficient supervisory actions over its claims examiners and allowed its examiners to approve payments for medical opinions without approval from the appropriate contracting officer's representative. The auditors reviewed 235 accepted medical opinions. Of those

opinions, RRB employees accepted 11 incomplete medical opinions, which may have impacted disability determinations of 11 claimants. If projected to the population, as many as 299 disability claims could have been processed incorrectly. The RRB paid a contractor for these incomplete opinions, resulting in potential questioned costs of \$42,443 when projected to the population.

The auditors determined that the RRB did not exercise appropriate contractor oversight by failing to ensure the contractor's physicians maintained the appropriate medical licenses, insurance, or training. The auditors also determined that \$59,493 could have been put to better use if the RRB had effectively used the 4-hour online consultation sessions provided by the contractor.

Recommendations

The auditors made 13 recommendations concerning the RRB's inadequate internal controls and contractor oversight of the medical opinion and disability determination process. RRB management concurred with 2 recommendations and did not concur with 11 recommendations.

THE RAILROAD RETIREMENT BOARD COMPLIED WITH THE PAYMENT INTEGRITY INFORMATION ACT OF 2019 FOR FISCAL YEAR 2023

RRB OIG contracted with an independent public accounting firm to conduct a performance audit of RRB's compliance with the Payment Integrity Information Act of 2019 (PIIA). During fiscal year 2023, the RRB paid almost \$14 billion in benefits to the railroad community and through its Specialty Medicare Administrative Contractor paid approximately \$938 million for about 7.9 million Railroad Medicare Part B claims.

This audit was conducted in accordance with generally accepted government auditing standards. The overall mandated objectives were to evaluate the RRB’s compliance with PIIA. The scope of the audit was payment integrity reporting in RRB’s fiscal year 2023 Performance and Accountability Report and accompanying materials.

Findings

For fiscal year 2023, the auditors determined that RRB complied with PIIA because it satisfied all of the 10 payment integrity reporting requirements. They further determined the agency's payment integrity reporting was complete and accurate. Risk assessments were required for the Railroad Retirement Act benefit payment program, vendor pay program, and employee pay program and were reviewed during this audit.

As reported in our previous audit report number 23-04, RRB was no longer responsible for reporting payment integrity information for Railroad Medicare because of a written

agreement between the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) and the RRB. As per the agreement, CMS will calculate and report Railroad Medicare program payment integrity data. However, the auditors identified continued transparency issues with the Railroad Medicare program, continued concerns about CMS’ deficient sampling and estimation plans for Railroad Medicare improper payment data, and noncompliance with audit follow-up responsibilities, which were previously reported in our audit reports.

Recommendations

The auditors did not make any new recommendations in this report. RRB continues to non-concur with the RRB OIG previous findings related to Railroad Medicare and did not implement corrective actions during fiscal year 2023. As of March 2024, there were over 50 open audit recommendations regarding Railroad Medicare payment integrity reporting.

Management and Performance Challenges Facing Railroad Retirement Board as Identified by the Office of Inspector General
Improve Agency Disability Program Integrity
Information Technology Security
Complete Information Technology Systems Modernization
Improve Transparency and Management of Railroad Medicare
Ensure Reliable Financial Statements and Internal Controls over Financial Reporting
Improve Human Capital Management

Management Decisions and Final Actions

As part of its oversight activities, the OIG tracks the agency’s implementation of audit recommendations. The reporting of management decisions and corrective actions for all audit recommendations is required by OMB Circular No. A 50 (Revised) and the Inspector General Act of 1978, as amended.

The Inspector General Act requires a description and explanation of the reasons for any significant revised management decisions made during the reporting period. During the previous semiannual reporting period, the RRB OIG reported 486 recommendations pending final action on March 31, 2024. Since then, the OIG and RRB worked together to obtain revised final action determinations from the current (1) Board, (2) applicable RRB Senior Executive Service Member, or (3) RRB’s Executive Committee on those recommendations. As a result, as of September 2024, the RRB made revised final action determinations on 209 previous recommendations. The characteristics of the significant revised management decisions and final action determinations are provided in the table titled "Significant Revised Management Decisions".

"Management Decision" is defined by the IG Act as the evaluation by the management of an establishment of the findings and

recommendations included in an audit report, and the issuance of a final decision by management concerning its response to the findings and recommendations, including actions concluded as necessary.

"Final Action" is defined by the IG Act as the completion of all actions that the management of an establishment has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report; in the event that the management of an establishment concludes no action is necessary, final action occurs when a management decision has been made.

Due to the significant number and timing of the revised management decisions, the RRB OIG marked the applicable audit reports and recommendations to be subjected to audit retesting or as part of a follow-up audit conducted under performance audit standards. The extent of the follow-up audit work will be based on risk and resources. At this time, we cannot provide information concerning any significant revised management decision with which the Inspector General is in disagreement.

The Inspector General Act requires additional details pertaining to outstanding unimplemented recommendations and reports for which no management decision has been made by the end of the semiannual reporting

MANAGEMENT DECISIONS	
Requiring Management Decision on April 1, 2024	0
Pending Management Decision for New Recommendations	0
Closed Previous Recommendations without Implementation	209
Recommendations to Remain Open (Needs Resolution)	10
Recommendations to Remain Open (Pending Management Decision on September 30, 2024)	15

period, including the aggregate potential cost savings of those recommendations. The additional details are incorporated into this report by reference and may be accessed in the library section of OIG’s website. This report is titled Unimplemented Audit Recommendations and Potential Cost Savings as of September 30, 2024. <https://www.rrb.gov/index.php/OurAgency/InspectorGeneral>

As indicated in this report, the RRB has made significant progress with respect to open audit recommendations during this reporting period. The OIG continues to meet and engage RRB staff at all levels to coordinate addressing open recommendations; we encourage RRB to continue to place additional emphasis on addressing open recommendations.



SIGNIFICANT REVISED MANAGEMENT DECISIONS	
Closed without Implementation - Recommendations are No Longer Viable	26
Closed without Implementation - Criteria Used is No Longer in Effect	76
Closed without Implementation - Evaluation by the Board, the RRB Executive Committee, or the Applicable SES Resulted in a Decision that No Action is Necessary	107
Total Significant Revised Management Decisions	209

FINAL ACTIONS	
Recommendations Requiring Final Action on April 1, 2024	486
Recommendations Issued During Reporting Period	26
Recommendations Closed without Corrective Action	209
Corrective Actions Completed During Reporting Period	20
Final Actions Pending on September 30, 2024	283



REPRESENTATIVE INVESTIGATIONS

RRB OIG SEMIANNUAL REPORT



Summary of

REPRESENTATIVE INVESTIGATIONS

Brief descriptions of representative matters referred to prosecutorial authorities and the results are summarized on pages 19 and 20.



Unemployment and Sickness Insurance benefit fraud typically involves individuals claiming and receiving benefits while working or collecting state-administered unemployment benefits. The Office of Investigations receives the majority of this type of fraud referral from the RRB's Sickness and Unemployment Benefits Division. Descriptions of representative investigations during this reporting period follow.

UNEMPLOYMENT INVESTIGATIONS

An annuitant received unemployment benefits from the RRB from July 2018 through October 2019, while employed. The U.S. Attorney's Office in the Southern District of Georgia filed a criminal case against the annuitant, charging false statements; the parties agreed to resolve the Federal criminal case through the pretrial diversion program. The agreement included an initial payment of \$5,000 followed by monthly payments, until the entire restitution of just over \$11,000 is repaid.

UNEMPLOYMENT-CARES ACT INVESTIGATIONS

An annuitant received unemployment benefits from the RRB in the amount of just over \$24,000 during October 2020 through April 2021, and August 2021 through September 2021. The U.S. Attorney's Office for the District of Kansas filed a civil action and a consent judgment for over \$36,000 was entered.

After his furlough from a railroad, an annuitant submitted almost 40 claims for and received unemployment insurance benefits from the RRB in an amount of over \$45,000, from February 2020 through October 2021. The U.S. Attorney's Office for the Western District of Virginia filed a criminal charge of theft of government funds. The annuitant pled guilty to theft of government funds, was ordered to pay over \$45,000 in restitution, and received two years of probation.

An annuitant received unemployment benefits from the RRB from February 2020 to September 2021, in an amount of over \$49,000, while receiving wages from other employment. During the course of the investigation, the annuitant repaid the amount in full.

While working non-railroad employment, an annuitant received unemployment and CARES Act benefits from the RRB. A criminal judgment resulted in restitution exceeding \$63,000.

An annuitant claimed and received unemployment benefits while working from August 2020 through April 2021. Within this period, CARES Act benefits were also received. A settlement agreement exceeding \$16,000 under the False Claims Act was reached.

SICKNESS INVESTIGATIONS

An annuitant who claimed injury and inability to work received sickness benefits from the RRB from January 2022 through April 2022, while working another full-time job. The annuitant also received short-term disability benefits from another entity, and COVID-19 related funds to which the annuitant was not entitled. The U.S. Attorney's Office in the Eastern District of Louisiana filed a criminal complaint of false statements to the RRB. The defendant pled guilty, was ordered to pay restitution in an amount of over \$70,000, and received four years of probation. The restitution portion attributable to RRB totaled over \$7,000, with the remainder paid to the Small Business Administration and an insurance carrier.

RAILROAD MEDICARE INVESTIGATIONS

Office of Investigations Railroad Medicare cases are investigated jointly with the Federal Bureau of Investigation and/or other Offices of Inspector General. Interagency cooperation enhances law enforcement, especially among agencies responsible for investigating complex health care fraud against multiple federal agencies. Summaries of representative investigations follow.

A rehabilitation center owner and co-defendants conspired to obtain patient referrals by paying kickbacks to marketers. From 2007-2016, fraudulent claims for partial hospitalization program (PHP) services were submitted to Medicare that were either not provided or not medically necessary. Patients at the center, including individuals with intellectual disabilities, did not require PHP services, which are intensive outpatient treatments for severe mental illness. The owner admitted to falsifying medical records to exaggerate the illnesses of the patients. This criminal prosecution, jointly investigated with the Federal Bureau of Investigation, led to restitution of over \$8.6 million.

A settlement agreement was reached by a health care provider who submitted self-disclosures through protocols of HHS-OIG and CMS. A settlement in the amount of over \$10.8 million was reached, in which over \$7,400 was attributable to Railroad Medicare.

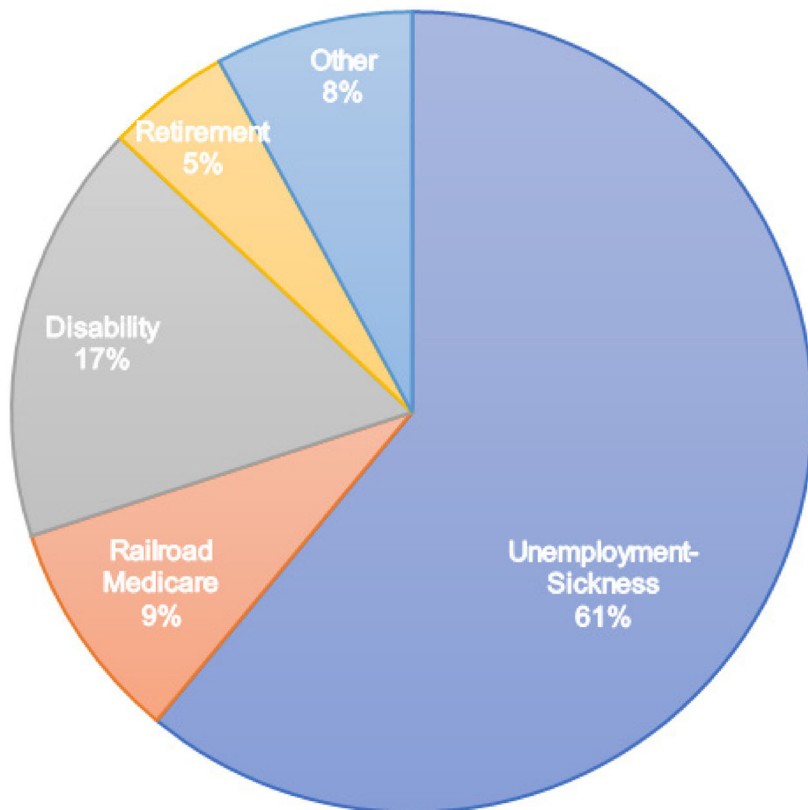
HOTLINE CONTACTS

The Office of Investigations (OI) focuses on RRB benefit program fraud. OI's primary objective is to identify, investigate, and refer for prosecution and monetary recovery actions meriting prosecution. Through its investigations, OI also seeks to prevent and deter institutional program fraud. OI has strengthened its fraud awareness efforts through presentations to RRB personnel, working with Board management to provide informational mailings of Hotline information to annuitants, and distribution of OIG Hotline resources digitally across the country.

During this reporting period, the hotline received 1,180 contacts by telephone and by email. These hotline contacts resulted in five referrals.

The adjacent chart reflects the distribution of OI cases open at the end of the reporting period. "Other" includes non-annuitant cases.

Open OI Cases





LEGISLATION & REGULATIONS

RRB OIG SEMIANNUAL REPORT



LEGISLATION & REGULATIONS

The Inspector General Act of 1978, as amended, requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the agency.



During this reporting period, we are not making any recommendations to Congress regarding current or pending legislation.





APPENDICES

RRB OIG SEMIANNUAL REPORT



INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT

REPORTING	REQUIREMENT	PAGE OR APPENDIX
Section 405(b)(1), (2)	Significant Problems, Abuses, and Deficiencies and Recommendations	Appx. 5, 6
Section 405(b)(3)	Previously Identified Significant Recommendations - Corrective Actions Not Completed	Appx. 5, 6
Section 405(b)(4)	Matters Referred to Prosecutive Authorities and the Resulting Prosecutions/Convictions	PP. 19-20
Section 405(b)(5)	Summary of Refusals by the RRB to Provide the OIG with Requested Information	None
Section 405(b)(6)	Unimplemented Audit Recommendations and the Potential Cost Savings	P. 17
Section 405(b)(7)	Summary of Each Significant Report	PP. 13-15
Section 405(b)(8)	Statistical Table on Management Decisions on Questioned Costs	Appx. 3
Section 405(b)(9)	Statistical Table on Management Decisions on Recommendations that Funds be Put to Better Use	Appx. 4
Section 405(b)(10)	Prior Audit Reports With No Management Decision Made, No Establishment Comments, and Outstanding Unimplemented Recommendations	PP. 16-17
Section 405(b)(11)	Description and Explanation for Any Significant Revised Management Decision	PP. 16-17
Section 405(b)(12)	Information on Any Significant Management Decision with Which the Inspector General Disagrees	P. 16
Section 405(b)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996	None
Section 405(b)(14)	Peer Reviews	Appx. 10
Section 405(b)(15), (16)	Peer Reviews - Outstanding Recommendations	None
Section 405(b)(17), (18)	Investigative Statistical Tables	P. 8; Appx. 7, 8
Section 405(b)(19)	Substantiated OIG Investigations Involving Senior Government Employees	None
Section 405(b)(20)	Instances of Whistleblower Retaliation	None

APPENDIX 1

INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT (CONTINUED)

REPORTING	REQUIREMENT	PAGE OR APPENDIX
Section 405(b)(21)	Attempts to Interfere with OIG Independence	None
Section 405(b)(22)(A)	Audits Closed and Not Disclosed to the Public	None
Section 405(b)(22)(B)	OIG Investigations Involving Senior Government Employees Closed and Not Disclosed to the Public	None
Section 405(c)(1)	Comments by the Head of the Establishment	Required of RRB
Section 405(c)(2), (3)	Management Statistical Tables	Required of RRB
Section 405(c)(4)	Whistleblowers Settlement Agreements	Required of RRB
Section 405(c)(5)	Agency Statement on Decided Unimplemented Recommendations	Required of RRB

OIG AUDIT REPORTS • ISSUED DURING THE SIX-MONTH PERIOD ENDING 9/30/2024

Report Number and Date	Title	Questioned Costs	Unsupported Costs	Funds Put To Better Use
AUDITS				
Report No. 24-05 04/10/2024	Audit of the Railroad Retirement Board's Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2023	0	0	0
Report No. 24-06 05/15/2024	The Railroad Retirement Board Should Strengthen Controls and Contractor Oversight of the Medical Opinion and Disability Determination Process	\$42,443	0	\$59,493
Report No. 24-07 05/20/2024	The Railroad Retirement Board Complied with the Payment Integrity Information Act of 2019 for Fiscal Year 2023	0	0	0

APPENDIX 3

AUDIT REPORTS WITH QUESTIONED AND UNSUPPORTED COSTS

	Audit Reports With Questioned Costs	Amount of Questioned Costs	Amount of Unsupported Costs
A. For which no management decision had been made by April 1, 2024	0	\$0	\$0
B. Which were issued from April 1, 2024 through September 30, 2024	1	\$42,443	\$42,443
Subtotal (A + B)	1	\$42,443	\$42,443
C. For which a management decision was made between April 1, 2024 through September 30, 2024	1	\$42,443	\$42,443
(i) dollar value of disallowed costs (agreed to by management)	0	\$0	\$0
(ii) dollar value of costs not disallowed (not agreed to by management)	0	\$0	\$0
D. For which no management decision had been made by September 30, 2024	0	\$0	\$0

AUDIT REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Audit Reports With Recommendations that Funds Be Put to Better Use	Dollar Value
A. For which no management decision had been made by April 1, 2024	0	\$0
B. Which were issued from April 1, 2024 through September 30, 2024	1	\$59,492
Subtotal (A + B)	1	\$59,492
C. For which a management decision was made between April 1, 2024 through September 30, 2024	1	\$59,492
(i) dollar value of disallowed costs (agreed to by management)	0	\$0
(ii) dollar value of costs not disallowed (not agreed to by management)	0	\$0
D. For which no management decision had been made by September 30, 2024	0	\$0

APPENDIX 5

SIGNIFICANT MATTERS

The OIG identified deficiencies in RRB management controls as a significant matter for financial management, IT, and major management challenges. A summary of the issues and related recommendations for corrective action follows.

Financial Management

Since 2012, RRB has not received an unmodified (clean) opinion on its annual agency-wide financial statements because auditors have not been permitted to communicate with the RRB's component auditor, [the National Railroad Retirement Investment Trust's (NRRIT) auditor], as required by financial statement audit guidance. As reported in the RRB's fiscal year 2022 financial statements, the NRRIT held approximately \$24 billion of the RRB's \$33 billion (73 percent) in assets.

For its fiscal year 2023 financial statements, in a report issued on November 15, 2023, an independent financial statement auditor opined that the RRB receive a disclaimer of opinion and separately received an additional disclaimer of opinion on its internal controls over financial reporting, for the second time. Disclaimers are issued when the independent financial statement auditor cannot express an opinion. Besides the lack of access to the NRRIT, the other primary reasons for the fiscal year 2023 disclaimers were due to the RRB's inability to provide sufficient appropriate evidential matter to the auditors, and unresolved accounting issues. Overall, the RRB's fiscal year 2023 financial statement audit included 12 material weaknesses and 3 instances of noncompliance. The independent auditor provided the RRB with 16 recommendations to correct the identified issues.

The material weaknesses encompass the inability to communicate with the NRRIT's auditor and deficient internal controls at the agency-wide level. During the fiscal year 2023 financial statement audit, OIG's contracted IPA firm identified four overarching areas that need improvement: (1) scope limitations; (2) internal control environment; (3) financial reporting; and (4) compliance with laws and regulations. The underlying findings included:

Scope Limitations

- Lack of Access to NRRIT Audit Results (Repeat Finding)
- Insufficient and Untimely Evidential Matter (Repeat Finding)
- Unsupported Railroad Retirement Act Annuity Payments (New Finding)

Internal Control Environment

- Ineffective Internal Control Program (Modified Repeat Finding)
- Ineffective IT Control Over Financial Reporting (Repeat Finding)
- Outdated Accounting Procedure Guides (New Finding)

SIGNIFICANT MATTERS (CONTINUED)

Financial Reporting

- Preparing and Reviewing Financial Reports (Modified Repeat Finding)
- Open Obligations Not Timely Reviewed (Repeat Finding)
- Unsupported Undelivered Orders (New Finding)
- Unsupported Journal Entries (Repeat Finding)
- Financial Statement Analysis (Repeat Finding)
- Non-Compliance with Treasury United States Standard General Ledger (USSGL) (New Finding)

Compliance with Laws and Regulations

- Inadequate Controls Over Railroad Service and Compensation (Modified Repeat Finding)
- Antideficiency Act (New Finding)
- Contract Closeout Process (New Finding)

Details of each finding are located under Exhibit I and II of the independent auditor's report starting on page 121 of the RRB's Fiscal Year 2023 Performance and Accountability report (<https://rrb.gov/sites/default/files/2023-11/Audit%20Report%2024-01.pdf>).

APPENDIX 6

SIGNIFICANT RECOMMENDATIONS

Financial Controls and Reporting Issue Area	Date of Report	Audit Report and Recommendations
Communication with the NRRIT's Auditor / Lack of Access to NRRIT Audit Results	March 31, 2015 through November 15, 2023	OIG Report 15-05, 8 Closed without Implementation
Ineffective Standards for Internal Control	April 11, 2017 September 28, 2017 July 9, 2018 November 15, 2023 February 8, 2024	OIG Report 17-04, 5, 11, 19 OIG Report 17-08, 2-7, 9-13 OIG Report 18-07, 2, 6, 10 OIG Report 24-01, 4 OIG Report 24-03, 1, 2, 11, 13-17
Information Security and Financial Reporting Controls	December 19, 2018 December 18, 2019 January 14, 2021 January 4, 2022 June 29, 2022 November 15, 2022 January 18, 2023 March 6, 2024 April 10, 2024	OIG Report 19-03, 9, 12, 18, 21, 24, 27, 30-31 OIG Report 20-04, 3, 4, 7, 10-17 OIG Report 21-03, 5, 7-9 OIG Report 22-04, 2, 5, 6, 8-10 OIG Report 22-10, 1 OIG Report 23-01, 6 OIG Report 23-02, 1-4, 6, 8-11 OIG Report 24-04, 1-7 OIG Report 24-05, 1-13
Compliance with Indirect Laws, Regulations, Contracts, Treaties, and International Agreements	November 15, 2023	OIG Report 24-01, 15-16
Controls Over Railroad Service and Compensation	February 15, 2022	OIG Report 22-05, 2-4

SIGNIFICANT RECOMMENDATIONS (CONTINUED)

Financial Controls and Reporting Issue Area	Date of Report	Audit Report and Recommendations
Statement of Assurance Reporting	November 15, 2022	OIG Report 23-01, 5
Lack of Corrective Action Plans	November 15, 2022	OIG Report 23-01, 10
Unsupported Journal Entries	November 15, 2022 through November 15, 2023	OIG Report 23-01, 12
Financial Statement Analysis	November 15, 2022 November 15, 2023	OIG Report 24-01, 12
Outdated Accounting Procedure Guides	November 15, 2023	OIG Report 24-01, 5-8
Unsupported Undelivered Orders	November 15, 2023	OIG Report 24-01, 9-11
Non-Compliance with Treasury USSGL	November 15, 2023	OIG Report 24-01, 13-14

APPENDIX 7

INVESTIGATIVE REFERRALS AND PROSECUTIVE RESULTS

Referrals	
Investigative Reports Issued	30
Subjects Referred to U.S. Attorneys for Criminal Prosecution	34
Subjects Referred to State/Local Authorities	0
Results	
Subjects Indicted/Informations Filed	5
Criminal Convictions	5
Civil Judgments/Settlement Agreements	3
Other (Administrative Recovery)	1

Metrics-Methods:

Investigative Reports include civil and prosecution reports and case summary letters conveying the findings of a completed investigation.

The number of indictments does not include sealed indictments or superseding indictments of the same individual already reported in this or a prior semiannual report, unless charges or charging mechanism differs substantially.

Subjects Referred includes individuals.

Subjects Indicted/Informations Filed data resulted from any prior referral to prosecuting authorities.

Other (Administrative Recovery) is recovery paid without court action.

INVESTIGATIVE STATISTICS

INVESTIGATIONS	
INVESTIGATION CASELOAD	
Opened	49
Closed	33
In Progress at End of Reporting Period	350
SUBPOENAS	
Grand Jury and IG Subpoenas issued	47
INVESTIGATIVE RESULTS	
Restitution	\$8,804,899
Damages	\$10,041,154
Fines	\$9,445
Penalties	\$855,230
Recovery from Voluntary Repayment	\$49,146
Probation	8 years
Incarceration	84 months
Human Trafficking Investigations	0
EXECUTIVE ORDER ON ADVANCING EFFECTIVE ACCOUNTABLE POLICIES AND CRIMINAL JUSTICE PRACTICES TO ENHANCE PUBLIC SAFETY	
Use of Force Incidents Involving OIG Personnel	0
No-Knock Entries Conducted by OIG Personnel	0

Metrics-Methods:

Data in Investigative Results section in the above chart may reflect amounts that include losses to other programs, such as Medicare. If specified in the settlement agreement or court order, the Railroad Medicare amount and not the aggregate amount will be reflected in OIG's statistics.

Damages may also include restitution deemed damages in a civil settlement.

Numbers are rounded to the nearest dollar.

APPENDIX 9

GOVERNMENT CONTRACTOR AUDIT FINDINGS

The National Defense Authorization Act for Fiscal Year 2008, P.L. 110-181, requires each Inspector General appointed under the Inspector General Act of 1978 to submit an appendix on final, completed contract audit reports issued to the contracting activity that contain significant audit findings—unsupported, questioned, or disallowed costs in an amount in excess of \$10 million, or other significant findings—as part of the Semiannual Report to Congress. During this reporting period, the Office of the Inspector General issued no contract review reports under this requirement.



PEER REVIEWS OF THE RRB OIG

Office of Audit Peer Review

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

The results of OA's most recently completed peer review for the period ending March 31, 2024 were transmitted on September 30, 2024. OA received a peer review rating of pass. The system review report did not contain any recommendations. The Federal Communications Commission OIG determined that the system of quality control for the audit organization of RRB OIG in effect for the period ended March 31, 2024 has been suitably designed and complied with to provide RRB OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

During this semiannual reporting period, OA did not complete any peer reviews of other audit organizations.

Office of Investigations Peer Review

A rating of compliant conveys that the reviewed OIG has adequate internal safeguards and management procedures to ensure that Council of the Inspectors General on Integrity and Efficiency standards are followed and that law enforcement powers conferred by the Inspector General Act of 1978, as amended, are properly exercised.

The results of OI's most recent peer review, for the period ending December 31, 2023, was conducted by the Office of Personnel Management OIG and transmitted on March 28, 2024. OI received a rating of compliant.

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

APPENDIX 11

RRB CARES ACT BENEFITS

Coronavirus Aid, Relief, and Economic Security Act, 2020

The CARES Act, signed into law on March 27, 2020, boosted UI-SI benefits for railroad workers impacted by the COVID-19 pandemic. To fund these enhanced benefits, RRB received appropriations of \$475 million plus access to remaining funds previously appropriated under the American Recovery and Reinvestment Act of 2009; and the Worker, Homeownership, and Business Assistance Act of 2009. The RRB was also appropriated an additional \$5 million to prevent, prepare for, and respond to the coronavirus, including the purchase of IT equipment to improve the mobility of the workforce, and provide for additional hiring or overtime hours as needed to administer the RUIA.

Consolidated Appropriations Act, 2021

On December 27, 2020, the President signed into law H.R. 133 (Consolidated Appropriations Act, 2021), which included Subchapter III – Continued Assistance to Rail Workers Act of 2020. This subchapter extended the UI-SI benefits, although at a lower rate, that were payable under the CARES Act. The RRB also received a nominal amount for rebates and COVID-related tax administration issues.

American Rescue Plan Act of 2021

The American Rescue Plan Act of 2021 (ARPA) was signed on March 11, 2021. ARPA again extended enhanced UI-SI benefits for railroad workers impacted by the COVID-19 pandemic. ARPA appropriated the RRB an additional \$2 million to pay for the enhanced benefits and an additional \$27.975 million to prevent, prepare for, and respond to coronavirus. ARPA designated \$21.175 million to supplement the RRB's IT investment initiative, and \$6.8 million for additional hiring and overtime bonuses. The OIG received \$500,000 for audit, investigatory, and review activities. The OIG provides oversight to all aspects of the agency's responsibilities, which includes monitoring the implementation of significant provisions of laws, regulations, and major projects to identify at-risk situations.





ABBREVIATIONS AND ACRONYMS

RRB OIG SEMIANNUAL REPORT



THE FOLLOWING ARE ABBREVIATIONS AND ACRONYMS WIDELY
USED IN THIS REPORT.

ARPA.....	American Rescue Plan Act of 2021
CARES Act.....	Coronavirus Aid, Relief, and Economic Security Act
CMS.....	Centers for Medicare and Medicaid Services
GAGAS.....	Generally Accepted Government Auditing Standards
IPA.....	Independent Public Accounting Firm
ISP.....	Information Security Program
IT.....	Information Technology
NRRIT.....	National Railroad Retirement Investment Trust
OA.....	Office of Inspector General for the Railroad Retirement Board Office of Audit
OI.....	Office of Inspector General for the Railroad Retirement Board Office of Investigations
OIG.....	Office of Inspector General for the Railroad Retirement Board
RRA.....	Railroad Retirement Act
RRB.....	Railroad Retirement Board
RUIA.....	Railroad Unemployment Insurance Act
SI.....	Sickness Insurance
UI.....	Unemployment Insurance
U.S.....	United States



LEGAL REFERENCES

RRB OIG SEMIANNUAL REPORT



LEGAL REFERENCES USED IN THIS REPORT

American Recovery and Reinvestment Act of 2009 - P.L. 111-5

American Rescue Plan Act of 2021 - P.L. 117-2

Consolidated Appropriations Act, 2021 - P.L. 116-260

Continued Assistance to Rail Workers Act of 2020 - P.L. 116-260

Coronavirus Aid, Relief, and Economic Security Act - P.L. 116-136

Federal Financial Management Improvement Act of 1996 - P.L. 104-208

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

Inspector General Act of 1978, as amended - 5 U.S.C.§401, et. seq.

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

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

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



FRAUD, WASTE, AND ABUSE HOTLINE

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Railroad Retirement Board
OIG Hotline Officer
844 N. Rush Street, 4th Floor
Chicago, IL 60611-1275

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hotline@oig.rrb.gov

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Office of Inspector General
U.S. RAILROAD RETIREMENT BOARD
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