

**Office of Inspector General**  
■  
**Railroad Retirement Board**



**Semiannual Report to the Congress**

■  
**April 1, 2021 – September 30, 2021**



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

October 29, 2021

The Honorable Erhard R. Chorlé  
Chairman  
Railroad Retirement Board  
844 North Rush Street  
Chicago, Illinois 60611-1275

Dear Mr. Chorlé:

I am pleased to submit our *Semiannual Report to the Congress*. This report provides a descriptive summary of our activities and accomplishments during the period of April 1, 2021 through September 30, 2021. This report is submitted in accordance with Section 5 of the Inspector General Act of 1978, as amended. Section 5(b) of the Act requires that you transmit this report to the appropriate Congressional committees or subcommittees within 30 days.

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

Sincerely,

Original Signed

Martin J. Dickman  
Inspector General

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## INTRODUCTION

### Railroad Retirement Board

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal Government. The RRB administers comprehensive disability, retirement-survivor, and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families. These programs are codified under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA), respectively. During fiscal year 2020, the RRB paid about \$13.6 billion in benefits (net of recoveries and offsetting collections) under these statutes to approximately 568,000 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, Palmetto Government Benefit Administrators, LLC (Palmetto), processed more than 7.7 million claims and paid almost \$856 million in Medicare Part B benefits for fiscal year 2020.

### Board Members

The RRB's Board consists of three members who are appointed, with the advice and consent of the Senate, by the President of the United States. One member is appointed upon the recommendation of railroad employers; another member is appointed upon the recommendation of representatives of railroad employees; and the third, who is the Chairman, 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. Board Members' terms are five years in length and expire in staggered years.

### Office of Inspector General

The Railroad Retirement Solvency Act of 1983 amended the RRA to provide for an Office of Inspector General (OIG) for the RRB. The 1988 amendments to the Inspector General Act of 1978 added the RRB to the list of covered agencies. The RRB's Inspector General is a Presidential Appointee, with Senate confirmation, who serves as an independent and objective voice to the Board Members and the Congress. It is the Inspector General's responsibility to promote economy, efficiency, and effectiveness in the RRB's programs and operations. To that end, the OIG conducts audits/evaluations, management reviews, and inspections of the RRB's programs and operations. As a product of its efforts, the OIG offers recommendations for agency improvement to RRB management. The OIG also identifies and investigates cases of fraud, waste, and

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abuse in the RRB's programs and operations. The OIG works closely with federal prosecutors and makes the appropriate referrals for criminal prosecution, civil prosecution, monetary recovery, or administrative action. During this semiannual reporting period, OIG operations (primarily investigative activities) remained restricted due to the continuation of the COVID-19 pandemic.

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

## EXECUTIVE SUMMARY

### Office of Audit

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

- completed its annual audit of the RRB's compliance with the Payment Integrity Information Act of 2019 (mandated);
- published performance audit results pertaining to the RRB's purchase card program;
- prepared and issued their audit of the RRB's disability briefing document program;
- published results of a performance audit examining the Bureau of Fiscal Operations; and
- issued limited distribution audit report abstracts regarding:
  - information technology initiatives legacy systems re-platform services,
  - information technology initiatives legacy systems modernization services: re-engineering mission essential programs, and
  - the RRB's designated change process.

OA's activities, during this reporting period, are discussed in further detail on pages 4 through 13 of this report. All inspections, evaluations, or audits conducted during this semiannual reporting period were disclosed to the public on OIG's website at <https://www.rrb.gov/index.php/OurAgency/InspectorGeneral> and on Oversight.gov.

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In general, reports that transmit non-releasable information have abstracts released publicly as noted above.

### **Office of Investigations**

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

- the fraudulent receipt of RRB benefit payments (disability, unemployment insurance (UI), sickness insurance (SI), or retirement-survivor benefits);
- Railroad Medicare fraud;
- false reporting by railroad employers; and
- criminal violations and misconduct by RRB personnel.

From April 1, 2021 through September 30, 2021, OI achieved:

- 15 criminal convictions;
- 8 civil judgments; and
- More than \$50 million in financial accomplishments.<sup>1</sup>

Defendants, in the aggregate, were sentenced to more than 11 years of prison and 40 years of probation. Additional details regarding OI activities are discussed on pages 14 through 21.

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<sup>1</sup> The total amount of financial accomplishments reflect fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other federal programs, such as Medicare, which were included in the disposition resulting from the investigation. Judicial sentences associated with joint casework are not necessarily delineated by agency.

## **APRIL 1, 2021 – SEPTEMBER 30, 2021 ACCOMPLISHMENTS**

### **Office of Audit**

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

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

### **The Railroad Retirement Board Was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2020 (Report No. 21-05)**

#### **What OA Did**

Section 3353 (a)(1)(A) of the Payment Integrity Information Act of 2019 (PIIA) requires each agency's Inspector General to assess annual compliance. OA's audit procedures included identification of criteria; and assessment of the accuracy and completeness of agency reporting, accompanying material, and related postings. OA conducted this audit in accordance with the performance audit standards established by Generally Accepted Government Auditing Standards (GAGAS).

The mandated objectives were to:

- determine whether the RRB is in compliance with PIIA;
- evaluate the accuracy of RRB risk assessments and improper payment estimates methodology;
- evaluate whether the RRB had correctly identified the causes of improper payments and whether the actions of the RRB to address those causes are adequate and effective;
- evaluate the adequacy of RRB action plans on how to address the causes of improper payments; and
- evaluate RRB efforts to prevent, reduce, and recover improper payments.

The scope of the audit was improper payment data reported in the RRB's fiscal year 2020 Performance and Accountability Report.



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### **What OA Found**

The RRB was not compliant with PIIA because it did not satisfy five of six payment integrity reporting requirements. This occurred because the RRB did not publish payment integrity information or improper payment data for Railroad Medicare. OA further determined that: (1) the agency's payment integrity data call reporting was incomplete, and therefore inaccurate; (2) some of RRB's additional reporting requirements pertaining to improper payment barriers and accountability, information systems and other infrastructure were missing; and (3) Railroad Medicare improper payment data was not transparent in the Department of Health and Human Services' fiscal year 2020 Agency Financial Report.

### **What OA Recommends**

To address the exceptions outlined in this audit report, OA made eight recommendations related to PIIA compliance, and annual data call and supplemental data call completeness.

RRB management did not concur with any of the recommendations. RRB's position was that CMS was responsible for the Medicare program as a whole, the RRB's Medicare responsibilities were limited overall, and if RRB published Railroad Medicare payment integrity information it would have resulted in duplicative reporting. OA disagreed with this position and continues to see the need for these recommendations, as explained throughout the body of Report No. 21-05 and on pages 23-25 of this report.

## **Audit of the Purchase Card Program at the Railroad Retirement Board (Report No. 21-06)**

### **What OA Did**

The OIG engaged Harper, Rains, Knight & Company (HRK) to conduct a performance audit of the RRB's purchase card program. HRK is responsible for the audit report and the conclusions expressed therein. OIG does not express any assurance on the conclusions presented in HRK's audit report.

The audit objective was to identify and assess control weaknesses for the RRB's purchase card program.

The scope of the audit was purchase card transactions made during fiscal year 2019.

### **What the Contract Auditor Did**

HRK conducted this audit in accordance with the performance audit standards established by GAGAS. To complete this work, HRK identified criteria in laws, regulations, and best practices; identified applicable RRB policies, procedures; and

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gained an understanding of the monetary total and total purchase card transactions for fiscal year 2019. HRK also conducted walkthroughs and interviewed applicable agency staff to understand the internal controls, processes, systems, and procedures used to manage the agency's purchase card program.

### **What the Contract Auditor Found**

HRK concluded that the RRB purchase card program substantially complied with laws and regulations; however, they identified one instance of non-compliance with the Office of Management and Budget (OMB) Circular A-123, Appendix B, A Risk Management Framework for Government Charge Card Programs, Revised August 27, 2019, and one instance of non-compliance with the Government Charge Card Abuse Prevention Act of 2012.

HRK also concluded that RRB properly designed its internal controls over its purchase card program to detect and prevent fraud, waste, abuse, and misuse; however, oversight and monitoring of the cardholder account opening procedures controls could be improved.

### **What the Contract Auditor Recommends**

To address the weaknesses identified in this audit, HRK made four recommendations to the Office of the Director of Administration to: (1) update its policies and procedures to ensure compliance with the Government Charge Card Abuse Prevention Act of 2012 and OMB Circular A-123, Appendix B; (2) create a monitoring procedure to periodically review the higher-level federal policy for the purchase card program to address when changes or updates are made to federal law or OMB or General Services Administration guidance; (3) create a control where management reviews, on a sample basis, the purchase card account opening documentation to ensure that it adheres to RRB policy; and (4) maintain all documentation related to the opening of an account in an electronic environment.

RRB management concurred with all four recommendations.

## **The Railroad Retirement Board's Disability Briefing Document Process Was Not Fully Effective (Report No. 21-07)**

### **What OA Did**

Due to the high dollar value of annual disability annuities, and previous findings by the OIG, the Government Accountability Office (GAO), and our contracted auditors, OA conducted this performance audit because it is imperative that the disability decision process is as complete, accurate, and transparent as possible.

The scope of the audit was all initial disability decisions made in fiscal year 2019.

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The audit objectives were to determine if the Disability Briefing Document Program (D-BRIEF) process was fully effective to ensure that: (1) examiner rationales for their decisions were completely documented and (2) information recorded on the Disability Briefing Document was consistent with supporting documentation in the electronic case file.

OA conducted this audit in accordance with the performance audit standards established by GAGAS. To complete this work, OA considered applicable laws, regulations, guidance, and RRB policies and procedures related to the initial disability decision process in the D-BRIEF; conducted sample testing; and reviewed agency documentation, records, and system data. OA also conducted walkthroughs and interviewed applicable agency staff.

### **What OA Found**

The RRB's D-BRIEF process was not fully effective to ensure that examiner rationales for their decisions were completely documented. As a result, doubt exists regarding whether information recorded in the output of D-BRIEF (Disability Briefing Document) was consistent with supporting documentation in the electronic case file. Although OA did not identify any exceptions directly related to consistency, examiners did not always adhere to agency procedure to acknowledge and document discussions of conflicting medical evidence and how they were resolved. Instead, examiners resolved these issues prior to entering responses in the Disability Briefing Document and indicated that there was no conflicting medical evidence. In addition, D-BRIEF was not being fully utilized for its intended purpose and there was a lack of transparency in RRB annuitant disability records that increased the risk for potential fraud in the disability determination process.

### **What OA Recommends**

To address the weaknesses identified in this audit, OA made three recommendations related to: (1) updating policies and procedures in the Disability Claims Manual to require that all medical evidence considered in the determination of conflicting medical evidence is entered into D-BRIEF and discussed on the Disability Briefing Document; (2) updating policies and procedures to ensure that all relevant medical evidence and supporting documentation pertaining to the applicant's claim for disability is documented in D-BRIEF and the electronic case file, prior to the finalization of the initial disability decision; and (3) ensuring that the Disability Benefits Division works with Policy and Systems to implement system modifications to D-BRIEF to ensure that the Disability Briefing Documents do not contain an incorrect statement.

RRB management concurred with recommendations 1 and 2 but did not concur with recommendation 3. Although the RRB did not concur with recommendation 3, they stated that procedure will be revised to improve the accuracy of statements in D-BRIEF.

### **Railroad Retirement Board Bureau of Fiscal Operations Sections' Functions Need Improvement (Report No. 21-08)**

#### **What OA Did**

OIG engaged Wai & Associates, PLLC (WAI) to conduct a performance audit of the effectiveness and efficiency of the RRB's Bureau of Fiscal Operations' (BFO) Treasury, Debt Recovery, and Financial Systems Sections (TS, DRS, FSS, respectively). WAI is responsible for the audit report and the conclusions expressed therein. OIG does not express any assurance on the conclusions presented in WAI's audit report.

The audit objective was to assess the effectiveness and efficiency of TS, DRS, and FSS, the effectiveness of cross organizational communications within the RRB, and determine if the functions of TS, DRS, and/or FSS could be outsourced.

The scope of the audit was TS, DRS, and FSS operations during fiscal year 2019.

#### **What the Contract Auditor Did**

WAI conducted this audit in accordance with the performance audit standards established by GAGAS. To complete this work, WAI identified and reviewed laws, regulations, as well as internal policies and procedures that serve as authoritative bases for the sections' operations and underlying transactions. Additionally, WAI conducted walkthroughs and interviewed applicable agency staff to develop an understanding of key business processes and controls underlying the sections' operations. They also identified and evaluated the design and operating effectiveness of controls within key processes that ensure the effectiveness and efficiency of the sections' operations and the accuracy of related transactions and reports.

#### **What the Contract Auditor Found**

WAI concluded that five weaknesses significantly affect the effectiveness and efficiency of TS, DRS, and FSS operations, including inefficiencies that affect the optimum use of resources.

WAI also concluded that exceptions and errors in criminal restitution debt and employer contributions transactions of DRS and TS render them inaccurate, incomplete, and/or untimely recorded. Additionally, WAI concluded that cross-organizational communication between DRS and another RRB component (RRB's Office of Programs) is inadequate for their shared responsibility for the unapplied cash function.

Lastly, WAI determined that seven of eight key functions identified within DRS are outsourceable, and one of the four key functions identified within TS is outsourceable. For FSS, WAI determined that three of five functions are outsourceable, of which two are already outsourced.

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### **What the Contract Auditor Recommends**

To address the weaknesses identified in this audit, WAI made 18 recommendations to BFO. Specifically, WAI made 13 recommendations to address the weaknesses that affect the effectiveness and efficiency of BFO Sections' operations, 3 recommendations to improve criminal restitution debt and employer contributions transactions, and 2 recommendations to improve the communication for unapplied cash functions that BFO shares with another RRB component.

RRB management concurred with six recommendations, partially concurred with five recommendations, and did not concur with seven recommendations.

### **Audit of the Updated Information Technology Initiatives Legacy Systems Re-platform Services - Abstract (Report No. 21-09)**

#### **What OA Did**

The OIG engaged RMA Associates, LLC (RMA) to conduct a performance audit of the updated technology initiatives, specifically, Legacy Systems Re-platform Services (LSRS). RMA is responsible for the audit report and the conclusions expressed therein. OIG does not express any assurance on the conclusions presented in RMA's audit report.

The objectives of this performance audit were to: (1) evaluate the project outcome of LSRS for the period of time through September 14, 2020 when the contract termination was issued; (2) evaluate if the goals of RRB for LSRS were attained in part or in whole for the period of time that the project was underway; and (3) determine if the stop work and eventual contract termination were handled in the best way for RRB to obtain the best value.

The scope of this audit was the LSRS project for work performed during the period June 1, 2019 through September 14, 2020.

#### **What the Contract Auditor Did**

This audit was conducted in accordance with the performance audit standards established by GAGAS. To complete this work RMA assessed contract award and execution documentation, as well as required deliverables for the specified contract. The RRB issued a stop work order on June 30, 2020, and subsequently terminated the contract on September 14, 2020.

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### **What the Contract Auditor Found**

RMA found that the conditions identified in the findings associated with contract management and Information Technology (IT) governance impeded completion of the contract. The goals of the contract were not attained because the contract was terminated and RRB sought an alternative solution. RRB was compliant with termination requirements. The tasks required in the stop work order were completed. The RRB managed the stop work order and eventual contract termination to obtain the best value.

RMA identified two findings. One concerned IT governance and information security requirements with a system security plan that was not approved. The other concerned contract management and that changes in contract requirements were not formally documented.

### **What the Contract Auditor Recommends**

To address the weaknesses identified in this audit, RMA made three recommendations. First, they recommended that the Bureau of Information Services (BIS) ensure that policies and procedures are developed for maintaining timelines for each project milestone, including responsibilities of the designated RRB senior management official. The second recommendation was that BIS ensure the System Security Plan is finalized and includes approval from a designated senior management official or executive with the authority to formally assume responsibility for operating an information system at an acceptable level of risk to agency operations, agency assets, or individuals before authorizing a system. The third recommendation was that BIS formally document changes in terms and conditions of its contracts through written agreement of the parties.

BIS concurred with all of the recommendations.

## **Audit of the Updated Information Technology Initiatives Legacy Systems Modernization Services: Re-engineering Mission Essential Programs - Abstract (Report No. 21-10)**

### **What OA Did**

OIG engaged RMA to conduct a performance audit of the updated technology initiatives, specifically, Legacy Systems Modernization Services (LSMS): Re-engineering Mission Essential Programs. RMA is responsible for the audit report and the conclusions expressed therein. OIG does not express any assurance on the conclusions presented in RMA's audit report.

The objectives of this performance audit were to: (1) evaluate if improvements anticipated at the beginning of the project have been realized to date, and (2) evaluate the outcome of the initiative.

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The scope of this audit was the LSMS – Re-engineering Mission Essential Programs Assessment phase during the period of April 1, 2019 through November 30, 2020.

### **What the Contract Auditor Did**

This audit was conducted in accordance with the performance audit standards established by GAGAS. To complete this work, RMA assessed the contract award and execution documentation, as well as required deliverables for the contract with Accenture Federal Services. RMA assessed contract management and IT governance within the RRB to address the audit objectives.

### **What the Contract Auditor Found**

RMA found that Accenture Federal Services addressed all requirements in the contract. The improvements anticipated at the beginning of the project have been realized to date. The RRB defined the desired outcome as the To-Be State outlined in the To-Be State Blueprint. The Transition Plan lays out how the RRB can migrate to the To-Be State. RRB did not move forward due to numerous reasons. Therefore, the RRB did not achieve the desired outcome during the period under audit.

RMA identified three findings. The first finding involved contract management and that RRB did not provide evidence of deliverable certification and acceptance. The second finding involved IT governance and that RRB did not review and update the Systems and Services Acquisition Policy. The third finding involved IT governance and that RRB did not validate that information security requirements were found in the contract.

### **What the Contract Auditor Recommends**

To address the weaknesses identified in this audit, RMA made three recommendations. First, they recommended that BIS fully implement and follow its Administrative Circular OA-14: Procurement of Goods and Services for the acceptance of deliverables under service contracts representing a major obligation of agency funds and/or affecting major agency systems and operations. The second recommendation was for BIS to implement the controls in its information security policies and procedures by reviewing and updating the current system and services acquisition policy and procedures on an annual basis as defined in the RRB Information Systems Security Policy, Systems and Services Acquisition Policy. The third recommendation was for BIS to validate all acquisition contracts to ensure that they include security requirements, either explicitly or by reference.

BIS concurred with all of the recommendations.



### **Improvements Needed for the Designated Change Process at the Railroad Retirement Board - Abstract (Report No. 21-11)**

#### **What OA Did**

OA conducted this audit as part of their annual workplan. If the RRB does not process designated changes accurately or effectively, annuitants and beneficiaries could be negatively impacted almost immediately. They could lose monthly benefits, identities could be stolen, medical information could be compromised, or they could be wrongly classified as incompetent.

The objectives of this audit were to determine the accuracy of designated changes and assess the effectiveness of the internal controls over the designated change process. The scope included designated change requests processed in fiscal year 2019 for RRA annuitants and beneficiaries and management control reviews of the designated change process conducted in fiscal years 2018 through 2020.

OA conducted this audit in accordance with the performance audit standards established by GAGAS. To complete this work, OA identified applicable laws and regulations, reviewed RRB policies and procedures, analyzed management internal control documentation, reviewed a statistically valid sample, and assessed control effectiveness.

#### **What OA Found**

A designated change is a change made to either an individual's name, home address, direct deposit, or representative payee.

The RRB did not always ensure changes to an individual's name, home address, direct deposit, or representative payee were accurate. Based on OA's statistical sample, the RRB's projected error rate was 27 percent, putting approximately \$1.3 million in benefit payments at risk for fiscal year 2019. Inaccuracies occurred because RRB management and employees did not follow established designated change policies, procedures, or GAO's Standards for Internal Control in the Federal Government.

The RRB designed and documented internal controls over designated changes, including policies and procedures. However, these controls, policies, and procedures were not fully effective or complete to ensure all changes were processed accurately, timely, or barred from possible fraudulent activities.

#### **What OA Recommends**

To address the exceptions identified, OA made 23 recommendations related to improving the RRB's policies, procedures, and internal controls for processing designated changes. OA also made recommendations directed at resolving the



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inaccurate changes. Of the 23 recommendations, RRB management concurred with 11, partially concurred with 2, deferred to concur or nonconcur with 3, and did not concur with 7. For the recommendations with which it did not concur, OA continues to see the need for these recommendations.

### Management Decisions and Implementation

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

Management Decisions	
Requiring Management Decision on April 1, 2021	0
Pending Management Decision for New Recommendations	0
Management Decision on Previous Recommendations	0
Recommendations Pending Management Decision on September 30, 2021	0

Corrective Actions	
Recommendations Requiring Action on April 1, 2021	416
Recommendations Issued During Reporting Period	62
Corrective Actions Completed During Reporting Period	12
Recommendations Rejected During Reporting Period	0
Final Actions Pending on September 30, 2021	466

The Inspector General Empowerment Act of 2016 requires additional details pertaining to outstanding and unimplemented recommendations. This information, including the associated potential cost savings, regarding the 466 open audit recommendations is incorporated into this report by reference and may be accessed in the library section of OIG's website.<sup>2</sup> This report is titled *Open or Unimplemented Audit Recommendations and Cost Savings as of September 30, 2021*.

<sup>2</sup> <https://www.rrb.gov/index.php/OurAgency/InspectorGeneral>

## Office of Investigations

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

## Current Caseload

During this reporting period, OI opened 77 new investigative cases.<sup>3</sup>

Current Caseload	
Investigative Cases Open as of April 1, 2021	271
Investigative Cases Closed During Reporting Period	55
Investigative Cases Opened During Reporting Period	77
Investigative Cases Open as of September 30, 2021	293

As of September 30, 2021, OI's investigative caseload totaled 293 matters which represents almost \$348 million in potential fraud losses.<sup>4</sup> The chart on the following page reflects the distribution of OI cases open at the end of the reporting period.

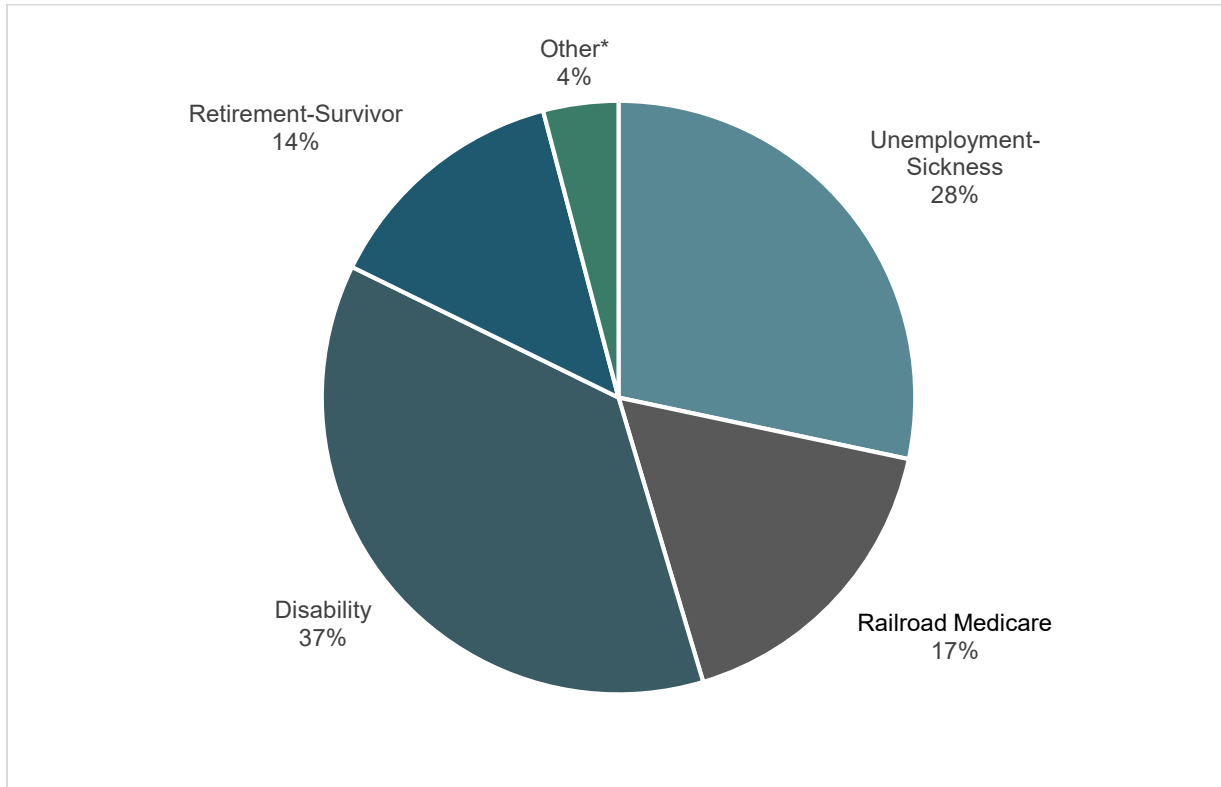
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<sup>3</sup> An investigative case may include multiple subjects.

<sup>4</sup> This reflects potential fraud amounts related to programs administered exclusively by the RRB and potential fraud amounts from other federal programs, such as Medicare, which have been identified during OI's joint investigative work. Potential fraud amounts associated with joint casework may not necessarily be delineated by agency.

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### Investigative Caseload by Case Type



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

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### Investigative Accomplishments

Action	April 1, 2021 – September 30, 2021
Total Number of Investigative Reports Issued	13
Total Number of Persons Referred to the Department of Justice for Criminal Prosecution	13
Total Number of Persons Referred to State or Local Prosecuting Authorities for Criminal Prosecution	1
Indictments/Informations During Reporting Period (Original Prosecutive Referral Made Prior to April 1, 2021)	12
Subpoenas Issued	72
Criminal Convictions	15
Civil Judgments	8
Restitution and Fines <sup>5</sup>	More Than \$49.5 Million
Civil Damages and Penalties <sup>6</sup>	More Than \$0.5 Million

<sup>5</sup> The totals in this table reflect fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other federal programs, such as Medicare, which were included in the disposition resulting from the investigation. Judicial sentences associated with joint casework are not necessarily delineated by agency.

<sup>6</sup> See above footnote.

### **Investigative Case Summaries**

Brief descriptions of representative matters referred to prosecutorial authorities and the resulting convictions are summarized on pages 17 through 21. OI does not have any substantiated senior government employee misconduct cases or incidents of whistleblower retaliation to report.

### **Disability Investigations**

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

During this reporting period, OI obtained three criminal convictions for disability fraud cases. Defendants in these cases received, in the aggregate, sentences totaling nine years of probation and were ordered to pay almost \$585,000 in restitution.

Descriptions of these disability fraud cases follow.

#### **Disability Annuitant Ordered to Pay Almost \$455,000 in Restitution**

OI investigated a disability annuitant who failed to report his self-employment to the RRB.

This case was referred to the United States Attorney's Office for the Northern District of Indiana which filed an indictment against the annuitant. The annuitant subsequently pleaded guilty and was sentenced to two years of probation and ordered to pay almost \$455,000 in restitution.

#### **Disability Annuitant Criminally Convicted**

OI investigated a disability annuitant who failed to report his self-employment to the RRB.

This case was referred to the United States Attorney's Office for the Middle District of Florida which filed an information against the annuitant. The annuitant subsequently pleaded guilty and was sentenced to five years of probation and ordered to pay more than \$60,000 in restitution.

## **Semiannual Report to the Congress**

### **Disability Annuitant Failed to Report Self-Employment to the RRB**

OI investigated a disability annuitant who failed to report his self-employment to the RRB.

This case was referred to the United States Attorney's Office for the Eastern District of Tennessee which filed an information against the annuitant. The annuitant subsequently pleaded guilty and was sentenced to two years of probation and ordered to pay almost \$70,000 in restitution.

### **Unemployment-Sickness Insurance Investigations**

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

During this reporting period, OI obtained four criminal convictions and six civil judgments for UI-SI fraud cases. Defendants in these cases received, in the aggregate, sentences totaling 13 years of probation and were ordered to pay more than \$360,000 in restitution, civil damages, and penalties.

Descriptions of representative UI-SI fraud cases from this reporting period follow.

#### **UI Claimant Fails to Report Work and Earnings to the RRB**

OI investigated a UI claimant based upon a referral from the RRB. OI's investigation determined that during the period of February 2018 through December 2018, the claimant applied for UI benefits on the same days he was working and being paid by a private employer. The claimant submitted a total of 23 false claims and received more than \$12,000 in fraudulent UI benefits.

This case was referred to the United States Attorney's Office for the Middle District of North Carolina which filed an information against the claimant. He subsequently pleaded guilty and was sentenced to three years of probation and ordered to pay full restitution plus a penalty.

#### **UI Claimant Ordered to Pay Full Restitution Within Fourteen Days**

OI investigated a UI claimant based upon a referral from the RRB. OI's investigation determined that during the period of January 2016 through July 2016, the claimant applied for UI benefits on the same days he was working and being paid by a private employer. The claimant submitted a total of 15 false claims and received more than \$8,000 in fraudulent UI benefits.

## **Semiannual Report to the Congress**

This case was referred to the United States Attorney's Office for the Central District of Illinois which filed an information against the claimant. He subsequently pleaded guilty and was ordered to pay full restitution within 14 days of sentencing.

### **Fraud Charges Settled Through Consent Judgment**

OI investigated a UI claimant based upon a referral from the RRB. OI's investigation determined that during the period of April 2016 through October 2016, the claimant applied for UI benefits on the same days he was working and being paid by a private employer. The claimant submitted a total of 15 false claims and received almost \$10,000 in fraudulent UI benefits.

This case was referred to the United States Attorney's Office for the Northern District of Ohio which filed a civil complaint against the claimant. The case was settled through a consent judgment with the claimant agreeing to pay double the fraud amount.

### **Retirement-Survivor Investigations**

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

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

During this reporting period, OI obtained one civil judgment for a retirement-survivor benefit fraud case. The defendant in this case agreed to repay almost \$55,000.

This retirement-survivor fraud case is summarized below.

### **Deceased Payee Case Settled Through Consent Judgment**

OI investigated a deceased payee case against an annuitant's daughter.

This case was referred to the United States Attorney's Office for the District of Kansas which filed a civil complaint against the daughter. The case was settled through a consent judgment with the daughter agreeing to repay almost \$55,000.

### **Railroad Medicare Investigations**

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

During this reporting period, OI obtained eight criminal convictions and one civil judgment for Railroad Medicare related fraud cases. Defendants in these cases received, in the aggregate, sentences totaling more than 11 years of prison, 18 years of probation, and were ordered to pay more than \$49 million in restitution, civil damages, and fines.<sup>7</sup>

Descriptions of representative Railroad Medicare related fraud cases from this reporting period follow.

#### **Doctor Sentenced to 20 Months of Prison**

An OI Special Agent participated as a member of a multi-agency team investigating allegations into the medical billing practices of a doctor. The investigation revealed that the doctor billed multiple health care programs for services not-rendered.

This case was prosecuted by the United States Attorney's Office for the Northern District of Illinois which filed an indictment against the doctor. The doctor subsequently pleaded guilty and was sentenced to 20 months of prison, 1 year of probation, and ordered to pay almost \$530,000 in restitution and fines.

#### **Doctor Sentenced to One and a Half Years of Prison**

An OI Special Agent participated as a member of a multi-agency team investigating allegations into the medical billing practices of a home health clinic. The investigation revealed that the clinic falsely certified beneficiaries for home health services.

This case is being handled by the United States Attorney's Office for the Northern District of Illinois which prosecuted multiple individuals in this case. During this reporting period, a doctor pleaded guilty and was sentenced to one and a half years of prison and ordered to pay more than \$1.3 million in restitution.

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<sup>7</sup> Since OI's Railroad Medicare fraud cases are joint investigations, the amount of restitution, fines, damages, or penalties ordered include losses to other health care programs. Sentences associated with joint casework are not necessarily delineated by agency.



## **Semiannual Report to the Congress**

### **Qui Tam Lawsuit Settled**

An OI Special Agent worked cooperatively as a member of a multi-agency team investigating allegations contained in a consolidated qui tam lawsuit prosecuted by the U.S. Attorney's Office for the Middle District of Tennessee. Agents were able to prove that the subject medical provider submitted false claims for medically unnecessary services and/or non-reimbursable services. The U.S. Attorney's Office entered into a settlement agreement with the provider to resolve the lawsuit.

### **Hotline Contacts**

The OIG's hotline provides an open line of communication for individuals to report suspected criminal activity and mismanagement/waste of RRB funds. During this reporting period, the hotline received 723 contacts in the following manner: 35 percent by telephone and 65 percent by email. These hotline contacts resulted in 109 referrals to OI.

### **OTHER OVERSIGHT ACTIVITIES**

#### **Coronavirus Aid, Relief, and Economic Security Act**

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law on March 27, 2020, boosted UI and 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 awarded an additional \$5 million to prevent, prepare for, and respond to 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, the Consolidated Appropriations Act, 2021 which included Subchapter III – Continued Assistance to Rail Workers. This subchapter extended the UI and 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 (ARP) Act of 2021 was signed on March 11, 2021. ARP extended, once again, enhanced UI and SI benefits for railroad workers impacted by the COVID-19 pandemic. ARP 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. ARP 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. As part of our oversight of the agency's implementation of COVID-19 legislation, to date, we have issued a monitoring plan and two Management Information Reports. During this semiannual period, our oversight efforts remained in progress and we plan to issue additional reports in the coming months.

During this semiannual reporting period, OI opened 47 UI investigative cases involving enhanced COVID-19 pandemic related benefits.

### **Inspections, Evaluations, and Audits Not Disclosed to the Public**

No inspections, evaluations, or audits were conducted and not disclosed to the public during the reporting period. Reports that transmit non-releasable information have abstracts released publicly on OIG's website and Oversight.gov.

### **OPERATIONAL ISSUES**

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

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

During this semiannual period, there were no attempts to interfere with the independence of the OIG; however, RRB management's denial of its ownership of the Railroad Medicare program impacts our oversight responsibilities as explained below.

### **Railroad Medicare**

Although Railroad Medicare is one of the programs that the agency administers, RRB management continues to deny some of its responsibilities for this program. RRB management stated that they, in conjunction with CMS, agree that Medicare should be treated as one program for improper payment reporting purposes and that separate reporting duplicates actions taken by CMS. OIG continues to disagree.

As a result of their position, RRB did not report Railroad Medicare improper payments in their fiscal year 2020 Performance and Accountability Report, as required for programs that an agency administers. OA's most recent mandated improper payment audit report, issued in May 2021, addressed the RRB's noncompliance with improper payment legislation because the RRB did not report improper payment data for the Railroad Medicare program.<sup>8</sup> RRB management did not concur with OA's eight recommendations, citing that CMS is responsible for the Medicare program as a whole and that RRB reporting would be duplicative. OA's prior year mandated improper payment audit report, issued in May 2020, also addressed the RRB's lack of reporting for the Railroad Medicare program.<sup>9</sup> RRB management did not concur with four of OA's

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<sup>8</sup> RRB OIG, *The Railroad Retirement Board Was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2020*, Report No. 21-05 (Chicago, IL; May 17, 2021).

<sup>9</sup> RRB OIG, *Audit of the Railroad Retirement Board's Compliance with Improper Payments Reporting in the Fiscal Year 2019 Performance and Accountability Report*, Report No. 20-06 (Chicago, IL; May 12, 2020).

## Semiannual Report to the Congress

five recommendations, citing the reasons explained above as the basis for nonconcurrence. OA's mandated improper payments audit report issued in May 2019 identified many recommendations for Railroad Medicare improper payment reporting.<sup>10</sup> In response to that report, RRB management did not concur with 14 of OA's recommendations, citing that their reporting duplicated overall Medicare reporting made by CMS.

Although we have been advised that the RRB and CMS plan to revise the existing memorandum of understanding to more clearly delineate the responsibilities that each agency has regarding Railroad Medicare, such revision has yet to occur. RRB management informed OA that delays have occurred with CMS due to administrative changes and the need to address coronavirus activities. OA was informed by RRB management that meetings with CMS are expected to resume at a later date to address this matter. It should be noted that we have made recommendations related to updating RRB and CMS documents since fiscal year 2016.<sup>11</sup>

The RRB's position on this matter impacts our office due to our oversight responsibilities regarding the Railroad Medicare program. Legislation requires Inspector General offices to conduct annual improper payment audits of programs that the agency administers. In addition, we conduct other audits of the Railroad Medicare program. As we continue our oversight responsibilities for Railroad Medicare, RRB management's position that it has very limited responsibility for this program, which they use as a basis for not taking recommended corrective actions, leaves the Railroad Medicare program at an elevated risk for fraud and abuse. In addition to the RRB's continued noncompliance for Railroad Medicare improper payment reporting, some Railroad Medicare improper payment recoveries are not being made. As a result of these actions, the Inspector General sent a letter to CMS to explain our concerns and seek CMS' input for this matter. Our concerns continue to mount as this matter remains unresolved.

Due to the RRB's stance towards the Railroad Medicare program, they have nonconcurred with 26 of our recommendations regarding their mandated responsibilities for improper payment reporting. In addition, RRB management did not concur with 32 additional recommendations that we made regarding the need for the agency to detect and prevent payments for improper evaluation and management services for Railroad Medicare.<sup>12</sup>

While RRB receives significant funding to administer the Railroad Medicare program, including funding for separate claims processing, RRB management has declined to

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<sup>10</sup> RRB OIG, *Audit of the Railroad Retirement Board's Compliance with Improper Payments Elimination and Recovery Act in Fiscal Year 2018 Performance and Accountability Report*, Report No. 19-09 (Chicago, IL; May 30, 2019).

<sup>11</sup> RRB OIG, *Railroad Retirement Board Did Not Calculate Reimbursed Medicare Costs In Accordance With Federal Requirements*, Report No. 16-10 (Chicago, IL; August 22, 2016).

<sup>12</sup> RRB OIG, *Railroad Medicare Controls Over Evaluations and Management Services Were Not Fully Adequate*, Report No. 19-10 (Chicago, IL; August 5, 2019).

## **Semiannual Report to the Congress**

accept responsibility for oversight and improper payment recovery. As a result, it is inefficient and not cost effective to have a separate Medicare Part B contractor.

Although benefits received under Railroad Medicare are solely for retired railroad workers, the quality of healthcare, monthly premium cost, and customer service are not distinct from traditional Medicare. Consequently, if RRB management denies ownership of its Railroad Medicare program responsibilities and does not accept responsibility for minimizing improper payments, there is no practical reason for the program's existence.

### **LEGISLATIVE & REGULATORY REVIEW**

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

## Semiannual Report to the Congress

### APPENDICES

<i>Appendix</i>	<i>Title</i>	<i>Page No.</i>
<b>A</b>	<b>Office of Inspector General Reports and Other Publicly Available Papers Issued</b>	<b>27</b>
<b>B</b>	<b>Audit Reports with Questioned Costs or with Recommendations that Funds be Put to Better Use</b>	<b>28</b>
<b>C</b>	<b>Significant Matters</b>	<b>30</b>
<b>D</b>	<b>Peer Reviews</b>	<b>35</b>
<b>E</b>	<b>Reporting Requirements</b>	<b>36</b>
<b>F</b>	<b>Acronyms</b>	<b>38</b>
<b>G</b>	<b>Legal References</b>	<b>39</b>

## **Appendix A – Office of Inspector General Reports and Other Publicly Available Papers Issued**

- *The Railroad Retirement Board Was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2020* (Report No. 21-05)
- *Audit of the Purchase Card Program at the Railroad Retirement Board* (Report No. 21-06)
- *The Railroad Retirement Board’s Disability Briefing Document Process Was Not Fully Effective* (Report No. 21-07)
- *Railroad Retirement Board Bureau of Fiscal Operations Sections’ Functions Need Improvement* (Report No. 21-08)
- *Audit of the Updated Information Technology Initiatives Legacy Systems Re-platform Services – Abstract* (Report No. 21-09)
- *Audit of the Updated Information Technology Initiatives Legacy Systems Modernization Services: Re-engineering Mission Essential Programs – Abstract* (Report No. 21-10)
- *Improvements Needed for the Designated Change Process at the Railroad Retirement Board – Abstract* (Report No. 21-11)

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

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

	Audit Reports With Questioned Costs	Amount of Questioned Costs	Amount of Unsupported Costs
A. For which no management decision had been made by April 1, 2021	0	\$0	\$0
B. Which were issued from April 1, 2021 through September 30, 2021	1	\$1,173,660	\$1,173,660
Subtotal (A + B)	1	\$1,173,660	\$1,173,660
C. For which a management decision was made between April 1, 2021 through September 30, 2021	1	\$1,173,660	\$1,173,660
(i) dollar value of disallowed costs (agreed to by management)		\$1,173,660	\$1,173,660
(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, 2021	0	\$0	\$0



	<b>Audit Reports With Recommendations That Funds Be Put to Better Use</b>	<b>Dollar Value</b>
A. For which no management decision had been made by April 1, 2021	0	\$0
B. Which were issued from April 1, 2021 through September 30, 2021	0	\$0
Subtotal (A + B)	0	\$0
C. For which a management decision was made between April 1, 2021 through September 30, 2021	0	\$0
(i) dollar value of recommendations agreed to by management		\$0
(ii) dollar value of recommendations not agreed to by management		\$0
D. For which no management decision had been made by September 30, 2021	0	\$0

## **Appendix C – Significant Matters**

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

### ***Financial Controls and Reporting***

#### Financial Reporting

This material weakness encompasses ineffective controls, communication with the National Railroad Retirement Investment Trust's (NRRIT) auditor, and social insurance valuation. OA's fiscal year 2020 financial statement audit identified concerns for each of these areas.

- Communication with the NRRIT's Auditor

American Institute of Certified Public Accountants standards require communication between OIG and NRRIT's auditor. This communication has not occurred. RRB management stated that they do not have authority to grant communication between OIG and NRRIT's auditor. Historically the NRRIT has been unresponsive to our requests pertaining to its auditor. Due to the significance of this matter, OA continues to look for resolution of this issue despite the RRB's nonconcurrence with our prior recommendation for corrective action.

NRRIT's investment authority is not subject to direct oversight or approval by the RRB. OA previously reported that the NRRIT's investments were being questioned based on a letter that the RRB received from the White House National Security Advisor and the Director of the National Economic Council. The letter, dated July 7, 2020, stated that the NRRIT was believed to have been investing hundreds of millions in railroad worker's retirement assets in investments directly supporting the People's Republic of China. These investments appeared to support increased Chinese militarization, human rights violations, religious oppression, and violate existing U.S. sanctions. The Chinese government has prevented compliance with U.S. security laws and impeded Public Company Accounting Oversight Board and U.S. Security Exchange Commission oversight and inspections leaving these railroad retiree assets vulnerable and exposed to significant and unnecessary financial risks and fiduciary concerns. On July 30, 2020, NRRIT stated that it had not invested in the two Chinese companies cited in the letter. OIG has no audit authority to validate the accuracy of the NRRIT's statements regarding its investments.

During this semiannual reporting period, OA continued to review more recent developments pertaining to this situation. OA's financial statement audit remains in progress and this matter will be addressed in OA's audit opinion.

- Social Insurance Valuation

OA's actuarial contractor identified a material difference for the RRB's Statement of Social Insurance (SOSI) dated October 1, 2019. This material difference resulted in a \$0.7 billion understatement in the open group surplus amount as shown on the SOSI statement. Due to the change in social insurance valuation period, amounts were adjusted by the actual return on assets held by the NRRIT during the fourth quarter of 2019. Our actuarial contractor reported that this adjustment was inappropriate. A similar adjustment for the prior fiscal year resulted in a \$2.3 billion understatement in the open group surplus. RRB management disagreed and therefore did not concur with our recommendation for corrective action to strengthen the accuracy of social insurance program valuation and reporting.

During this semiannual reporting period, OA continued to review and discuss this matter with our actuarial contractor and RRB management. Numerous discussions were held. OA's financial statement audit remains in progress and this matter will be addressed in OA's audit opinion.

#### Deficient Internal Controls at the Agencywide Level

During this semiannual reporting period, OA continued to evaluate the matters previously reported and discussed below. OA's financial statement audit remains in progress and these issues will be addressed in OA's audit opinion.

- Ineffective Standards for Internal Controls

OA determined that the RRB's overall system of internal control was not operating effectively in accordance with GAO and OMB guidance because the following internal control components were not designed, implemented, and operating effectively: control environment, risk assessment, control activities, information and communication, and monitoring.

- IT Security and Financial Reporting Controls

OA determined that information system control risk must be assessed as high in accordance with GAO's Financial Audit Manual guidance. This determination resulted from the eight Federal Information Security Modernization Act of 2014 (FISMA) metric domain assessments of "not effective" as provided by our contractor for the fiscal year 2020, 2019, and 2018 FISMA audits. We did not make any recommendations due to the 62 recommendations provided in the

FISMA audit reports. RRB management agreed with 61 of the recommendations and 50 remain open.

- Compliance with Indirect Laws, Regulations, Contracts, Treaties, and International Agreements

OA determined that the RRB has not established effective policies and procedures for: (1) preventing agency noncompliance with indirect laws, regulations, and contracts, and (2) identifying treaties and international agreements impacting the RRB or the NRRIT. These policies and procedures are required per Financial Audit Manual guidance. RRB management did not concur with our recommendations for corrective action.

- Compliance with RRA Benefit Payment Provisions

The RRB could not ensure compliance with RRA benefit payment provisions for fiscal year 2020 and 2019 because its quality assurance reviews were not completed within the required audit timeframes. This occurred because the RRB's compliance assessments, made through its quality assurance reviews, were not completed within allowable timeframes for our audit. For fiscal year 2019, the quality assurance review process consisted of approximately 26,500 adjudicated cases totaling approximately \$662.1 million in benefit payments. For fiscal year 2020, the quality assurance review process included approximately 24,500 adjudicated cases totaling approximately \$630.4 million in benefit payments. In addition, RUIA third quarter quality assurance testing had not been completed including the processing of CARES Act stimulus payments. The total dollar amount associated with CARES Act noncompliance is \$154.8 million for fiscal year 2020. As a result, OA could not complete their compliance assessments for RRA for fiscal years 2020 and 2019 or the CARES Act for fiscal year 2020. RRB management cited significant staffing shortages and other mission critical priorities as challenges, and they concurred with OA's recommendation for additional staffing and resources. This recommendation for corrective action remains open.

- Controls Over Railroad Service and Compensation

OA determined that RRB controls over creditable and taxable compensation were inadequate due to insufficient audit coverage for railroad employer reporting. The RRB's Audit and Compliance Section (ACS) conducts audits of railroad employers to determine whether creditable compensation and financial reporting requirements provided in the RRA and RUIA are being met. These audits help ensure the accuracy of railroad service and compensation which is the basis for the payroll taxes that the RRB receives. The RRB received approximately \$6.2 billion in payroll taxes during fiscal year 2019. Railroad employer audits are not an effective control for ensuring the accuracy of payroll taxes because an

insufficient number of these audits are being conducted. RRB management explained that the limited number of ACS audits is due to staffing and funding constraints. RRB management agreed that additional resources are needed, but only partially concurred with our recommendation due to uncertainty regarding funding.

Financial Controls and Reporting Issue Area	Date of Report	Audit Report and Recommendations
Communication with the NRRIT's Auditor	March 31, 2015	OIG Report 15-05, 8
Social Insurance Valuation	November 19, 2019	OIG Report 20-02, 1
Ineffective Standards for Internal Control	February 16, 2017 April 11, 2017 September 28, 2017 July 9, 2018	OIG Report 17-03, 2, 3 OIG Report 17-04, 5, 6, 9-14, 19 OIG Report 17-08, 1-13 OIG Report 18-07, 1-3, 6-8, 10
Information Security and Financial Reporting Controls	December 19, 2018  December 18, 2019 January 14, 2021	OIG Report 19-03, 1, 3, 9-12, 14, 17, 18, 20, 21, 23-27, 29-31 OIG Report 20-04, 1-19 OIG Report 21-03, 1-12
Compliance with Indirect Laws, Regulations, Contracts, Treaties, and International Agreements	November 19, 2019	OIG Report 20-02, 2, 3
Controls Over Railroad Service and Compensation	November 19, 2019	OIG Report 20-02, 4
Compliance with RRA Benefit Payment Provisions	November 16, 2020	OIG Report 21-01, 2

## ***Information Technology***

The RRB continues its modernization efforts for IT and safeguarding sensitive data, while accomplishing its mission.

Prior IT reports included recommendations for improvement, many of which continue to be open or unimplemented. OA's most recent FISMA compliance report was issued for fiscal year 2020.

Information Technology Issue Area	Date of Report	Audit Report and Recommendations
Information Security	January 14, 2021	OIG Report 21-03, 1-12

## ***Major Management Challenges***

OIG identified six major management and performance challenges facing the RRB. For more information regarding the major management challenges identified, see *Management and Performance Challenges Facing the Railroad Retirement Board for Fiscal Year 2020*, OIG Management Information Report No. 21-02, December 3, 2020.

## **Appendix D – Peer Reviews**

### ***Office of Audit***

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

The results of OA's most recently completed peer review for the period ending March 31, 2021, was transmitted on September 20, 2021. OA received a peer review rating of pass. The system review report did not contain any recommendations. The U.S. Department of Commerce's OIG determined that the system of quality control for the audit organization of RRB OIG in effect for the period ended March 31, 2021 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***

A rating of compliant conveys that the reviewed OIG has adequate internal safeguards and management procedures to ensure that Council of 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 August 25, 2017, was transmitted on November 6, 2017. OI received a rating of compliant.

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

## Appendix E – Reporting Requirements

Act Section	Inspector General Reporting Requirements	Page(s)
4(a)(2)	Review of Legislation and Regulations	22, 25
5(a)(1)	Significant Problems, Abuses, and Deficiencies	30 – 34
5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	30 – 34
5(a)(3)	Prior Significant Recommendations Not Yet Implemented	30 – 34
5(a)(4)	Matters Referred to Prosecutive Authorities	16
5(a)(5)	Summary of Reports to the Chairman	None
5(a)(6)	Open or Unimplemented Audit Recommendations and the Associated Cost Savings	13
5(a)(7)	Summary of Each Significant Report	4 – 13
5(a)(8)	Statistical Table on Management Decisions on Questioned Costs	28
5(a)(9)	Statistical Table on Management Decisions on Recommendations That Funds Be Put to Better Use	29
5(a)(10)	Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	13
5(a)(11)	Description and Explanation for Any Significant Revised Management Decision	None
5(a)(12)	Information on Any Significant Management Decision With Which the Inspector General Disagrees	23 – 25, 30 – 34
5(a)(13)	Chairman Statement of Compliance	None
5(a)(14)	Peer Reviews	35
5(a)(15), (16)	Peer Reviews – Outstanding Recommendations	None
5(a)(17), (18)	Investigative Reports Issued to the Department of Justice and State and Local Prosecutors	16



<b>Act Section</b>	<b>Inspector General Reporting Requirements</b>	<b>Page(s)</b>
5(a)(19)	Substantiated Investigations Involving Senior Government Employees	None
5(a)(20)	Instances of Whistleblower Retaliation	None
5(a)(21)	Attempts to Interfere with OIG Independence	23
5(a)(22)(a)	Inspections, Evaluations, and Audits Closed and Not Disclosed to the Public	23
5(a)(22)(b)	Investigations Involving Senior Government Employees Closed and Not Disclosed to the Public	None

## Appendix F – Acronyms

Acronym	Explanation
ACS	Audit and Compliance Section
ARP	American Rescue Plan Act of 2021
BFO	Bureau of Fiscal Operations
BIS	Bureau of Information Services
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CMS	Centers for Medicare and Medicaid Services
D-BRIEF	Disability Briefing Document Program
DRS	Debt Recovery Section
FISMA	Federal Information Security Modernization Act of 2014
FSS	Financial Systems Section
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
HRK	Harper, Rains, Knight & Company
IT	Information Technology
LSMS	Legacy Systems Modernization Services
LSRS	Legacy Systems Re-platform Services
NRRIT	National Railroad Retirement Investment Trust
OA	Office of Inspector General for the Railroad Retirement Board – Office of Audit
OI	Office of Inspector General for the Railroad Retirement Board – Office of Investigations
OIG	Office of Inspector General for the Railroad Retirement Board
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019
RMA	RMA Associates LLC
RRA	Railroad Retirement Act
RRB	Railroad Retirement Board
RUIA	Railroad Unemployment Insurance Act
SI	Sickness Insurance
SOSI	Statement of Social Insurance
TS	Treasury Section
UI	Unemployment Insurance
WAI	Wai & Associates, PLLC

## **Appendix G – Legal References**

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

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

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

Government Charge Card Abuse Prevention Act of 2012 – P.L. 112-194

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

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

Payment Integrity Information Act of 2019 – P.L. 116-117

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

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

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

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

Worker, Homeownership, and Business Assistance Act of 2009 – P.L. 111-92

# REPORT FRAUD, WASTE, AND ABUSE



**Call: 1-800-772-4258**

**Write:** RRB, OIG Hotline Officer  
844 N. Rush Street, 4<sup>th</sup> Floor  
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*NOTE: The OIG cannot ensure confidentiality to persons who provide information via email. Do not send information by email that you do not want a third party to read.*