

Office of Inspector General

Railroad Retirement Board



**Semiannual Report
to the Congress**

April 1, 2018 to September 30, 2018



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

October 31, 2018

Office of the Chairman
Railroad Retirement Board
844 North Rush Street
Chicago, Illinois 60611-2092

Dear Office of the Chairman,

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, 2018 through September 30, 2018. This report is submitted in accordance with Section 5 of the Inspector General Act of 1978, as amended. The Act requires that you transmit this report, along with any comments you may wish to make, to the appropriate Congressional committees and subcommittees within 30 days.

During this reporting period, OA published audits regarding:

- RRB's compliance with the Improper Payments Elimination and Recovery Act of 2010;
- information security at the RRB; and
- the Enterprise Risk Management process at the RRB.

Our criminal investigators achieved 12 arrests, 33 indictments and informations, 15 criminal convictions, 10 civil judgments, and more than \$27 million in financial accomplishments resulting from OI's investigative work, including joint investigations.

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

Sincerely,

Original Signed

Martin J. Dickman
Inspector General

Table of Contents

INTRODUCTION..... 1

RAILROAD RETIREMENT BOARD 1

 Board Members 1

 Office of Inspector General..... 1

 Inspector General Act..... 2

EXECUTIVE SUMMARY..... 2

 Office of Audit 2

 Office of Investigations 3

APRIL 1, 2018 – SEPTEMBER 30, 2018 ACCOMPLISHMENTS..... 4

 Office of Audit 4

Audit of the Railroad Retirement Board’s Compliance with Improper Payments Elimination and Recovery Act of 2010 in Fiscal Year 2017 Performance and Accountability Report (Report No. 18-05)..... 4

Fiscal Year 2017 Audit of Information Security at the Railroad Retirement Board (Report No. 18-06)..... 5

Enterprise Risk Management Process at the Railroad Retirement Board Was Not Fully Effective (Report No. 18-07)..... 6

 Management Decisions and Implementation 8

 Office of Investigations 9

 Current Caseload..... 9

 Investigative Caseload by Case Type..... 10

 Investigative Accomplishments..... 11

 Investigative Case Summaries 12

 Disability Investigations 12

 Unemployment-Sickness Insurance Investigations..... 13

 Retirement-Survivor Investigations 14

 Railroad Medicare Investigations..... 15

 Hotline Contacts 17

OTHER OVERSIGHT ACTIVITIES 18

Table of Contents

Significant Management Decision with Which the Inspector General is in Disagreement	18
Inspections, Evaluations, Audits, and OIG Alerts Not Disclosed to the Public.....	18
OPERATIONAL ISSUES.....	18
Attempts to Interfere with the Independence of the Office of Inspector General.....	18
National Railroad Retirement Investment Trust	19
LEGISLATIVE & REGULATORY REVIEW	19
APPENDICES	20
Appendix A – Office of Inspector General Reports and Other Publicly Available Papers Issued.....	21
Appendix B – Audit Reports with Questioned Costs or with Recommendations That Funds be Put to Better Use	22
Appendix C – Report on Receivables, Waivers, and Recoveries	24
Appendix D – Significant Matters.....	26
Appendix E – Peer Reviews	32
Appendix F – Reports Prepared by Management.....	33
Appendix G – Reporting Requirements	42
Appendix H – Acronyms	44
Appendix I – Legal References.....	45

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 2017, railroad retirement and survivor benefit payments totaled \$12.6 billion, net of recoveries and offsetting collections. Railroad unemployment insurance (UI) and sickness insurance (SI) benefit payments totaled \$104.6 million, net of recoveries and offsetting collections.

Additionally, the RRB has administrative responsibilities for certain benefit payments under the Social Security Act, including the administration of Medicare benefits for qualifying 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 Medicare Contractor, Palmetto, processed more than 8.6 million claims and paid almost \$850 million in Medicare Part B benefits for fiscal year 2017.

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. The Chairman position has been vacant since September 2015.

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 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

Semiannual Report to the Congress

product of its efforts, the OIG offers recommendations for agency improvement to RRB management. The OIG also identifies and investigates cases of waste, fraud, and 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.

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, Florida, Pennsylvania, Texas, and Virginia. These field offices provide an increased investigative presence, which aids in the effective and efficient coordination of joint investigations with other Inspector General offices and law enforcement agencies.

Inspector General Act

This year marks the 40th anniversary of the Inspector General Act and the creation of the original 12 Offices of Inspector General. Our office initiated operations in 1986. Since that time we have been part of a community that has grown to include 73 statutory Inspectors General who collectively oversee the operations of nearly every aspect of the federal government. In the years to come, we look forward to continuing our efforts to provide independent and effective oversight of the RRB and working with the Council of Inspectors General on Integrity and Efficiency (CIGIE) on important issues that cut across our government.

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 published audits regarding:

- RRB's compliance with the Improper Payments Elimination and Recovery Act of 2010;
- information security at the RRB; and
- the Enterprise Risk Management process at the RRB.

OA's activities, during this reporting period, are discussed in further detail on pages 4 through 8 of this report. All inspections, evaluations, or audits conducted during this

Semiannual Report to the Congress

semiannual reporting period were disclosed to the public on our website at <https://www.rrb.gov/index.php/OurAgency/InspectorGeneral> and on Oversight.gov. In general, reports that transmit sensitive information are not released in full but abstracts are 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 relating to:

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

Additionally, during this semiannual reporting period, OI conducted an investigation relating to another OIG in support of CIGIE's Integrity Committee.

From April 1, 2018 through September 30, 2018, OI achieved:

- 12 arrests;
- 33 indictments and informations;
- 15 convictions;
- 10 civil judgments; and
- more than \$27 million in financial accomplishments.¹

Defendants, in the aggregate, were sentenced to more than 7.5 years of prison, 44 years of probation, and 280 hours of community service. Additional details regarding OI activities are discussed on pages 9 through 16.

¹ 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 or Social Security that were included in investigative dispositions.

APRIL 1, 2018 – SEPTEMBER 30, 2018 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.

Audit of the Railroad Retirement Board's Compliance with Improper Payments Elimination and Recovery Act of 2010 in Fiscal Year 2017 Performance and Accountability Report (Report No. 18-05)

What We Did

Office of Management and Budget (OMB) guidance requires each agency's Inspector General to assess Improper Payments Elimination and Recovery Act of 2010 (IPERA) compliance. Our audit procedures included identification of criteria; assessment of the accuracy and completeness of agency reporting, evaluation of the agency's performance in reducing and recapturing improper payments; testing statistically valid random samples to assess the accuracy of agency determinations of proper and improper receivables; and comparing agency methodology to OMB guidance and IPERA.

The mandated objectives of this audit were to:

- determine whether the RRB is in compliance with IPERA;
- evaluate the accuracy and completeness of improper payment reporting; and
- evaluate agency performance in reducing improper payments.

The scope of the audit was fiscal year 2016 improper payment data reported in the RRB's fiscal year 2017 Performance and Accountability Report.

What We Found

Our audit determined that the RRB was compliant with IPERA requirements, when applicable, for the RRA and the RUIA programs for its fiscal year 2017 reporting. The RRB did not report improper payment amounts for the Medicare Part B program. We found that improvements are needed to ensure that improper payment amounts are

accurate and complete for the RRA and RUIA programs. We determined that the reported improper payment amounts were understated by approximately \$20.8 million and \$1.6 million for the RRA and RUIA programs, respectively. We also found that the reported recaptured payments were understated by an estimated \$5.5 million for the RRA program.

What We Recommend

To address the weaknesses identified in this audit, we made two recommendations to improve the accuracy of reported improper payment data and individual outstanding receivable balances in RRB receivable systems. We also recommended that the agency identify the cause for errors in outstanding receivable balances. Additional recommendations for improvement remain open from our previous IPERA audits.

RRB management concurred with all three of our recommendations for corrective action.

Fiscal Year 2017 Audit of Information Security at the Railroad Retirement Board (Report No. 18-06)

What We Did

We conducted an audit of information security at RRB for fiscal year 2017. This audit was mandated by the Federal Information Security Modernization Act of 2014 (FISMA). Our objectives were to test the effectiveness of information security policies, procedures, and practices of a representative subset of the agency's information systems; conduct an assessment of the effectiveness of RRB's information security policies, procedures, and practices; and report on the selected elements of the agency's information security program prepared in compliance with the fiscal year 2017 FISMA reporting instructions.

The scope of this evaluation was information security at the RRB during fiscal year 2017. We assessed the effectiveness of the information security program using the OIG FISMA metrics developed by OMB and the Department of Homeland Security.

What We Found

Our audit determined that RRB continues to make progress in implementing an information security program that meets the requirements of FISMA; yet RRB's efforts continue to be ineffective due to the numerous open audit recommendations related to strategy plans, policies and procedures, resource allocation, and performance metrics. Implementation of these audit recommendations would allow RRB to meet requirements to achieve higher levels of maturity established in the maturity model developed by OMB and the Department of Homeland Security. We found that each of the seven OIG

FISMA metric domains and the corresponding cybersecurity framework functions were assessed as “Not Effective” when evaluated using the maturity model.

The overall information security program has weaknesses that impact more than one area of the cybersecurity framework. These weaknesses include a growing number of aging weaknesses on RRB’s Plan of Action and Milestones, continued problems with maintaining current and comprehensive policy and procedures, and current gaps in RRB’s privacy program. Our review also identified deficiencies in the areas of risk management, configuration management, identity and access management, incident response, and contingency planning.

What We Recommend

To address the weaknesses identified in this audit, we made 21 detailed recommendations related to improving the information security program at RRB. These recommendations would improve policies, procedures, and plans; resource management; performance management; agency records; technologies to improve incident response; disaster recovery testing; and strengthen controls.

RRB management concurred with 20 recommendations and partially concurred with 1 recommendation.

Enterprise Risk Management Process at the Railroad Retirement Board Was Not Fully Effective (Report No. 18-07)

What We Did

OMB Circular A-123 was updated to ensure federal managers are effectively managing risks in achieving their strategic objectives from its activities and operations. This guidance was issued in July 2016 and became effective in fiscal year 2017. Our objective was to assess the effectiveness of the Enterprise Risk Management (ERM) process at the RRB. In order to complete this work, we considered laws and regulations, and compared criteria to RRB policies, procedures, and documentation to determine compliance, and reviewed agency documentation to assess effectiveness. We also interviewed applicable agency staff.

The scope of the audit was the ERM process during fiscal year 2017.

What We Found

Our audit determined that the RRB’s ERM process was not fully effective. RRB had not complied with all of the internal control requirements in OMB’s revision of OMB Circular A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*, and did not implement the ERM process agencywide. Agencies are required to develop and maintain a risk profile that identifies risks arising from mission and mission

Semiannual Report to the Congress

support operations. We identified weaknesses in the RRB's risk profile. We also found that RRB management had not implemented our recommendations in a timely manner. We identified 191 audit recommendations that management concurred with that have remained open for a calculated average of four and a half years as of September 30, 2017.

What We Recommend

To address the weaknesses identified in this audit, we made 10 recommendations related to improving the ERM process at the RRB that included: implementing an ERM process agencywide, assigning a Chief Risk Officer to manage enterprise risk activities, updating agency guidance for the ERM process, improving supporting documentation for the risk profile, including critical agency operations currently omitted from the risk profile, acknowledging OIG identified material weaknesses in the risk profile and revising assessments accordingly, establishing a timeframe for closing audit recommendations, and monitoring open audit recommendations to ensure timely closures. RRB management concurred with nine recommendations and did not concur with one recommendation.

Semiannual Report to the Congress

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 the OMB Circular No. A-50 (Revised) and the Inspector General Act.

Management Decisions	
Requiring Management Decision on April 1, 2018	0
Pending Management Decision for New Recommendations	0
Management Decision on Previous Recommendations	0
Recommendations Pending Management Decision on September 30, 2018	0

Corrective Action	
Recommendations Requiring Action on April 1, 2018	323
Recommendations Issued During Reporting Period	34
Corrective Actions Completed During Reporting Period	17
Recommendations Rejected During Reporting Period	0
Final Actions Pending on September 30, 2018	340

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 340 open audit recommendations is incorporated into this report by reference and may be accessed in the Semiannual Report section of our website.² This report is titled *Open or Unimplemented Audit Recommendations and Cost Savings as of September 30, 2018*.

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

Office of Investigations

Ol's primary objective is to identify, investigate, and refer for prosecution or monetary recovery action cases of waste, fraud, or abuse in the RRB's programs. Ol also seeks to prevent and deter program fraud by reporting systemic weaknesses identified through investigative work. In order to maximize the impact of its resources, Ol pursues cooperative investigative activities in coordination with other Inspectors General such as the Office of Inspector General for the 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, Ol opened 78 new investigative cases.

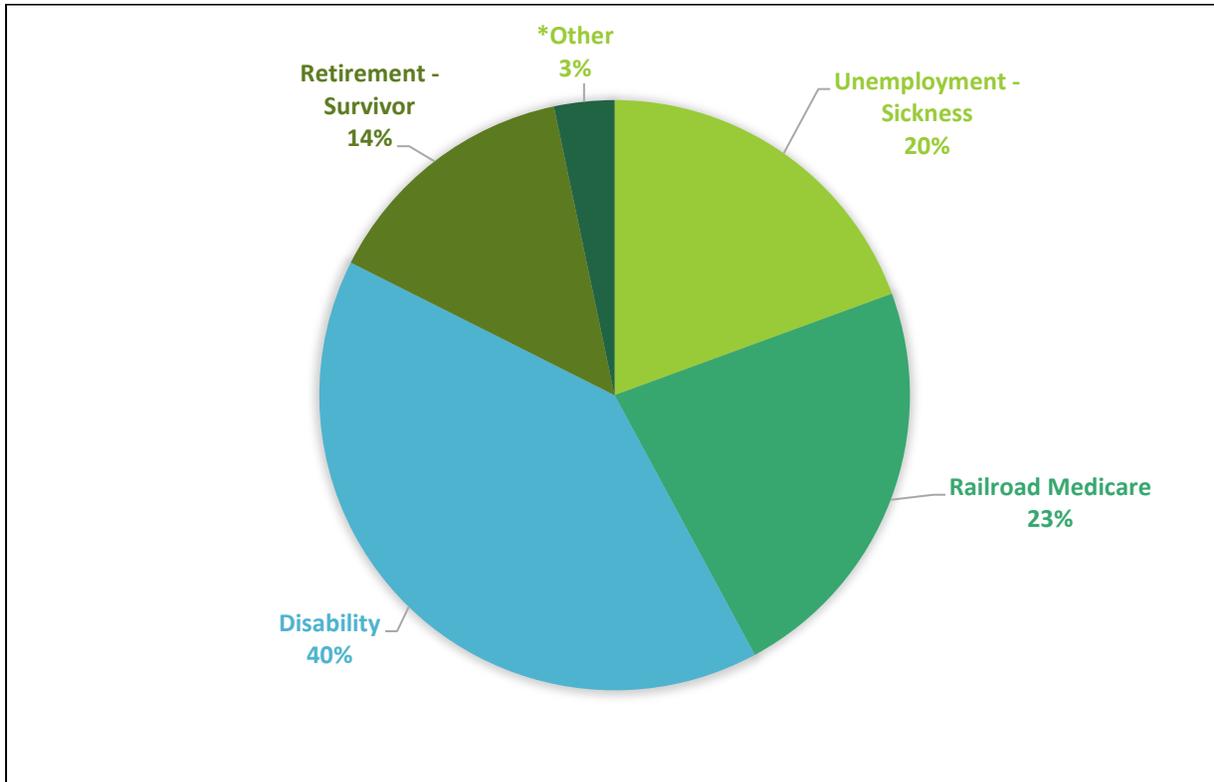
Investigative Caseload Data	
Investigative Cases Open as of April 1, 2018 ³	280
Investigative Cases Closed During Reporting Period	85
Investigative Cases Opened During Reporting Period	78
Investigative Cases Open as of September 30, 2018	273

As of September 30, 2018, Ol's investigative caseload totaled 273 matters which represents more than \$558 million in potential fraud losses.⁴ The chart on the following page reflects the distribution of Ol cases open at the end of the reporting period.

³ An investigative case may include multiple subjects.

⁴ This reflects potential fraud amounts related to programs administered exclusively by the RRB and potential fraud amounts from other federal programs such as Medicare or Social Security which have been identified during Ol's joint investigative work.

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.

Semiannual Report to the Congress

Investigative Accomplishments

Action	April 1, 2018 – September 30, 2018
Total Number of Investigative Reports Issued	23
Total Number of Persons Referred to the Department of Justice for Criminal Prosecution	9
Total Number of Persons Referred to State and Local Prosecuting Authorities for Criminal Prosecution	4
Indictments/Informations Issued During Reporting Period (Original Prosecutive Referral Made Prior to April 1, 2018)	23
Indictments/Informations Issued During Reporting Period (Original Prosecutive Referral Made After April 1, 2018)	10
Subpoenas Issued	90
Arrests	12
Convictions	15
Civil Complaints	6
Civil Judgments	10
Restitution and Fines ⁵	Almost \$7.2 Million
Civil Damages and Penalties ⁶	\$19 Million
Prison	7.5 Years
Probation	44 Years
Community Service	280 Hours

OI Special Agents refer potential cases to federal, state, or local prosecutors through the use of specialized prosecution reports (investigative reports). These reports are utilized to explain the alleged offenses and present the evidence developed to substantiate these allegations. During this semiannual reporting period, OI issued a total of 23 investigative reports. Prosecution referrals may result in criminal convictions, civil judgments and penalties, and/or a recommendation for administrative recovery.

⁵ The dollar amounts in this table reflect fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other federal programs such as Medicare or Social Security which were included in the disposition resulting from the investigation.

⁶ See above footnote.

Investigative Case Summaries

Brief descriptions of representative matters referred to prosecutorial authorities and the resulting convictions are summarized on pages 12 through 16. Ongoing investigations are not included. 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 convictions and one civil judgment for disability fraud cases. Defendants in these cases received, in the aggregate, sentences totaling 11 years of probation and were ordered to pay more than \$1.5 million in restitution, fines, and civil damages/penalties.

Descriptions of representative disability fraud cases completed during this reporting period follow.

Disability Annuitant Criminally Convicted

OI investigated a self-employed disability annuitant who concealed his earnings from the RRB.

This case was referred to the United States Attorney's Office for the Eastern District of Missouri which filed an indictment against the annuitant. The annuitant subsequently pled guilty to Making a False Statement and was sentenced to three years of probation and ordered to repay almost \$150,000 in restitution and fines. The annuitant rendered full restitution at the time of his sentencing.

Disability Annuitant Prosecuted in a Parallel Proceeding

OI investigated a disability annuitant who failed to report income and excess earnings to the RRB.

This case was referred to the United States Attorney's Office for the Southern District of Georgia which filed an information against the annuitant. The annuitant subsequently pled guilty to Failure to Report and was sentenced to three years of probation and ordered to repay more than \$249,000 in restitution and fines. The annuitant also entered into a settlement agreement with the United States Attorney's Office for more than \$282,000 to settle charges under the False Claims Act.

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 six convictions and five civil judgment for UI-SI fraud cases. Defendants in these cases received, in the aggregate, sentences totaling 23.5 years of probation, 80 hours of community service, and were ordered to pay more than \$178,000 in restitution, fines, and civil damages/penalties.

Descriptions of representative UI-SI cases completed during 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 January 2015 through September 2015, 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 20 false claims and received more than \$11,000 in fraudulent UI benefits.

This case was referred to the United States Attorney's Office for the District of Nebraska. The United States Attorney's Office filed an information against the annuitant for Theft of Government Funds. The claimant subsequently pled guilty and was sentenced to time served, one year of probation, and ordered to pay full restitution plus a special assessment. The annuitant has rendered full payment.

Judgment Entered Against UI Claimant

OI initiated an investigation of a UI claimant based upon an agency referral. OI's subsequent investigation determined that during the period of August 2016 through February 2017, the claimant applied for UI benefits on many of 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 \$8,500 in fraudulent UI benefits.

This case was referred to the United States Attorney's Office for the Northern District of Illinois. The United States Attorney's Office filed a civil complaint for violations of the False Claims Act. OI Special Agents served the claimant with a copy of the complaint and a summons; however, he failed to respond. Subsequently, the District Court entered a default judgment against him for over \$25,500.

SI Claimant Fails to Report Work and Earnings to the RRB

OI investigated a SI claimant based upon a referral from the RRB. OI's investigation determined that during the period of July 2015 through January 2016, the claimant applied for SI benefits on the same days he was working and being paid by private employers. The claimant submitted a total of 14 false claims and received more than \$7,500 in fraudulent SI benefits.

This case was referred to the United States Attorney's Office for the Middle District of Florida. The United States Attorney's Office indicted the claimant for Theft of Government Property. The claimant subsequently pled guilty and was sentenced to three years of probation and ordered to pay full restitution plus a special assessment.

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 conviction for Retirement-Survivor benefit fraud. This defendant received a sentence of one year and one day of prison, two years of probation, and was ordered to pay more than \$50,000 in restitution and fines.

A description of this case follows.

Roommate Convicted of Theft of Government Funds

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

This case was referred to the United States Attorney's Office for the Middle District of Florida which filed an indictment against the roommate. The roommate subsequently pled guilty to Theft of Government Funds and was sentenced to one year and one day of prison, two years of probation, and ordered to repay more than \$50,000 in restitution and fines.

Railroad Medicare Investigations

All of OI's active Railroad Medicare cases 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 five convictions and four civil judgments in Railroad Medicare related fraud cases. Defendants in these cases received, in the aggregate, sentences totaling more than 6.5 years of prison, 7.5 years of probation, 200 hours of community service, and were ordered to pay more than \$25.2 million in restitution, fines, and civil damages/penalties.⁷

Descriptions of representative Railroad Medicare cases completed during this reporting period follows.

Qui Tam Lawsuit Leads to a Criminal Obstruction Charge

OI Special Agents worked cooperatively as members of a multi-agency team investigating allegations contained in a Qui Tam lawsuit filed in the Southern District of Florida. Agents were able to prove that the subject medical provider knowingly submitted false claims to a variety of federal health care programs, including Railroad Medicare. The United States Attorney's Office for the Southern District of Florida subsequently intervened in this case and entered into an \$18 million settlement agreement with the provider.

In addition to the above multimillion dollar civil settlement, the medical provider was criminally charged with obstructing a federal health care fraud investigation. This obstruction charge was brought against the medical provider for submitting altered medical records in response to a federal subpoena. The medical provider pled guilty and was sentenced to three years of prison, one year of probation, and ordered to pay more than \$200,000 in fines and special assessments. The medical provider was also required to permanently surrender his medical license as an osteopathic physician.

⁷ This total reflects the full amount of restitution, fines, and civil damages/penalties ordered. Since OI's Railroad Medicare fraud cases are joint investigations, the total dollar amount includes losses to other health care programs.

Family Doctor Prosecuted for Medicare Fraud

An OI Special Agent participated as member of a multi-agency team investigating allegations regarding the medical billing practices of a family practice doctor. The investigation revealed that the doctor fraudulently billed for services while he was out of the country.

This case was handled by the United States Attorney's Office for the District of New Mexico which entered into a settlement agreement with the doctor for \$300,000.

Doctor Criminally Convicted After an Eight Week Jury Trial

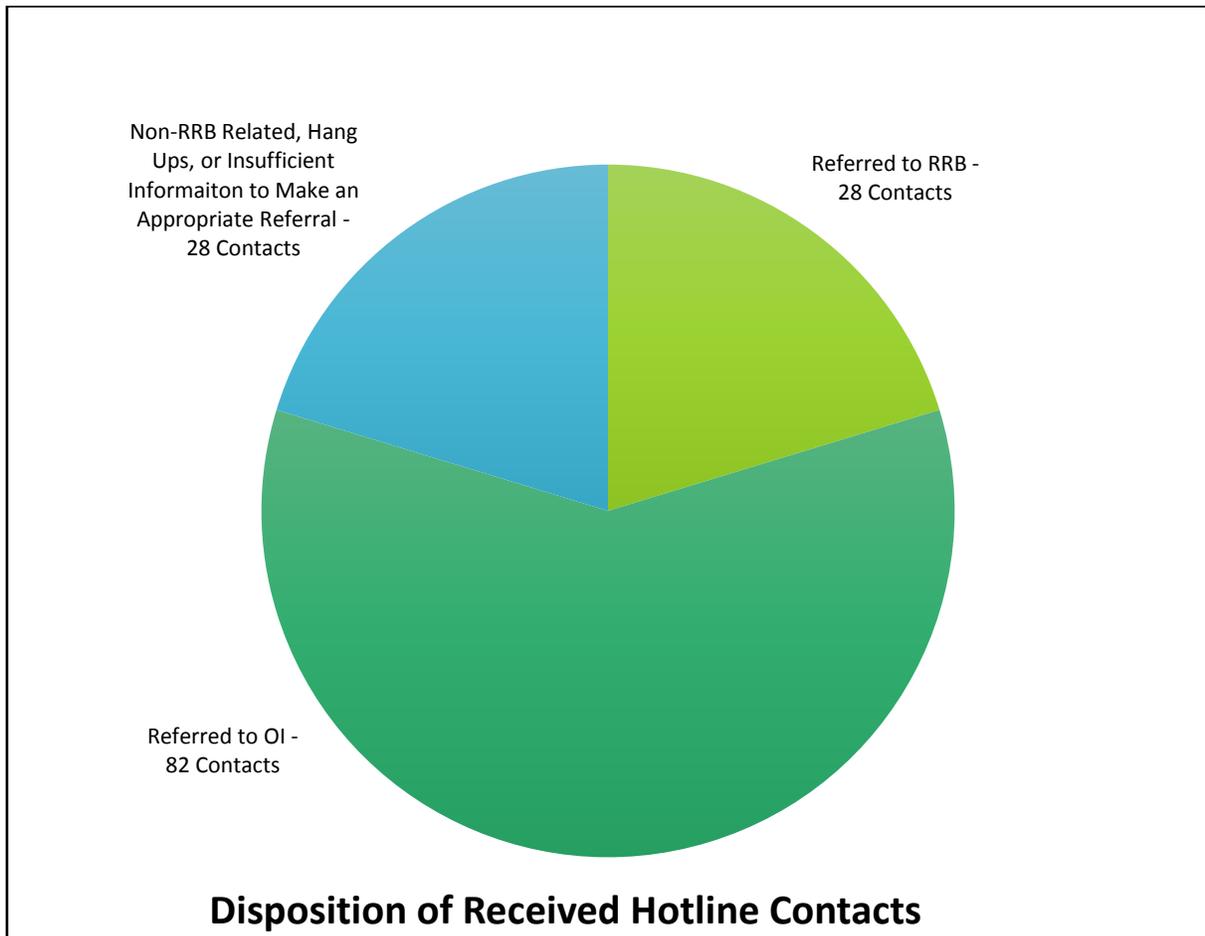
An OI Special Agent worked cooperatively as a member of a multi-agency team investigating allegations that an ophthalmologist falsely diagnosed patients with macular degeneration in order to fraudulently bill for medically unnecessary tests and procedures.

This multi-year investigation culminated in an eight week jury trial which was prosecuted by the United States Attorney's Office for the Southern District of Florida. The doctor was ultimately convicted of 67 health care fraud related counts and was sentenced to 17 years of prison, 3 years of probation, and more than \$42 million in restitution and fines.⁸

⁸ Case related statistics were previously reported in our October 1, 2017 – March 31, 2018 Semiannual Report to the Congress; however, the case was not officially closed until this semiannual reporting period.

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, our hotline received 138 contacts in the following manner: 67 percent by telephone, 24 percent by email, and 9 percent by mail. The following chart summarizes the disposition of these received hotline contacts.



OTHER OVERSIGHT ACTIVITIES

Significant Management Decision with Which the Inspector General is in Disagreement

In addition to significant issue disagreements discussed elsewhere in this report, the Inspector General's ongoing communications with the RRB regarding their debt collections activities continues to cause concerns regarding the RRB's willingness to hold perpetrators accountable for committing fraud or abusing federal programs. Further development of this issue continues.

Inspections, Evaluations, Audits, and OIG Alerts Not Disclosed to the Public

No inspections, evaluations, or audits were conducted and not disclosed to the public during this reporting period. Audit reports that transmit sensitive information are not released in full but an abstract of the findings is released publicly and available on our website.

OIG Alerts supplement our current audit and investigative processes by providing the Inspector General with a quick and efficient mechanism to suggest program integrity improvements. During this semiannual reporting period, the Inspector General issued one OIG Alert relating to the RRB's disability program. OIG Alerts are restricted from public distribution because of their sensitive nature.

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

In conducting the fiscal year 2018 mandated consolidated agency financial statement audit, RRB management continued its refusal to provide OIG access to the National Railroad Retirement Investment Trust's (NRRIT) auditor or associated audit work papers, as required by American Institute of Certified Public Accountants (AICPA) auditing standards. As a result, our office issues a disclaimer of opinion on the RRB's financial statements, which directly impacts the governmentwide financial statements. This issue is not resolved and the OIG intends to continue reporting on this matter as the refusal leaves approximately \$26.6 billion in federal funds without independent oversight.

National Railroad Retirement Investment Trust

The NRRIT is a tax-exempt entity independent of the federal government which was established by the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) to manage and invest railroad retirement assets. RRSIA requires that the NRRIT report to the RRB but does not provide the OIG with oversight authority to conduct audits and investigations of the NRRIT. We have, however, monitored the NRRIT since 2001 and have continually expressed concerns regarding lack of meaningful oversight. Despite these concerns, the RRB continues to maintain a passive relationship with the NRRIT. A lack of NRRIT investment fund management accountability, transparency, and stringent financial oversight can be precursors to fraud, waste, or abuse. Yet, the NRRIT fund, which supports the railroad retirement program, continues to remain outside the purview of those appointed to protect the interests of the program's beneficiaries and tax-paying public. To ensure the integrity, economy, and long-term viability of the NRRIT, RRB management must establish and implement independent performance audit requirements that will strengthen administrative and financial oversight and ensure fund transparency.

Additionally, as discussed elsewhere in this report, the OIG is not able to comply with the AICPA auditing standards (section 600) and disclaimed on the RRB's financial statements this year and will do so in future years until legislative changes are made regarding the relationship between the OIG, the NRRIT, and its auditors.

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>
A	Office of Inspector General Reports and Other Publicly Available Papers Issued	21
B	Audit Reports with Questioned Costs or with Recommendations that Funds be Put to Better Use	22
C	Report on Receivables, Waivers, and Recoveries	24
D	Significant Matters	26
E	Peer Reviews	32
F	Reports Prepared by Management	33
G	Reporting Requirements	42
H	Acronyms	44
I	Legal References	45

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

- *Audit of the Railroad Retirement Board's Compliance with Improper Payments Elimination and Recovery Act of 2010 in Fiscal Year 2017 Performance and Accountability Report* (Report No. 18-05)
- *Fiscal Year 2017 Audit of Information Security at the Railroad Retirement Board* (Report No. 18-06)
- *Enterprise Risk Management Process at the Railroad Retirement Board Was Not Fully Effective* (Report No. 18-07)

All publicly available audit reports and papers are available on our 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, 2018	0	\$0	\$0
B. Which were issued from April 1, 2018 through September 30, 2018	1	\$5,500,895	\$5,500,895
Subtotal (A + B)	1	\$5,500,895	\$5,500,895
C. For which a management decision was made between April 1, 2018 through September 30, 2018	1	\$5,500,895	\$5,500,895
(i) dollar value of disallowed costs (agreed to by management)		\$5,500,895	\$5,500,895
(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, 2018	0	\$0	\$0

	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, 2018	0	\$0
B. Which were issued from April 1, 2018 through September 30, 2018	0	\$0
Subtotal (A + B)	0	\$0
C. For which a management decision was made between April 1, 2018 through September 30, 2018	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, 2018	0	\$0

Appendix C – Report on Receivables, Waivers, and Recoveries

The fiscal year 1999 House Report for the OIG directs the reporting of additional information concerning actual collections, offsets, and funds put to better use as a result of the OIG’s actions and investigations.

Office of Investigations

Recoveries Realized by the Railroad Retirement Board Resulting from Court-Ordered Restitution and Civil Damages (As Reported by the RRB)			
Fiscal Year	Amount Recovered	Fiscal Year	Amount Recovered
1999	\$ 855,655	2014	\$1,021,544
2000	\$1,038,134	2015	\$ 904,400
2001	\$ 990,356	2016	\$1,121,313
2002	\$ 785,843	2017	\$1,118,172
2003	\$ 947,876	2018	\$1,584,055
2004	\$ 646,273		
2005	\$ 844,183		
2006	\$1,281,680		
2007	\$1,347,049		
2008	\$1,389,489		
2009	\$1,097,227		
2010	\$1,118,256		
2011	\$2,293,530		
2012	\$1,417,125		
2013	\$1,922,166		

Office of Audit

Report	Funds to Be Put to Better Use	Funds Agreed by Management	Receivables Established	Waivers	Recoveries to Date ⁹
99-03	\$50,850	\$50,850	\$50,850	\$50,490	\$360
99-14	\$83,000	\$83,000	\$34,423	\$0	\$30,584
99-16	\$48,000,000	\$48,000,000	\$0	\$0	\$28,300,000
99-17	\$11,000,000	\$11,000,000	\$0	\$0	\$1,604,545
00-16	\$235,000	\$235,000	\$0	\$0	\$253,846
03-06	\$306,129	N/A	\$0	\$0	\$306,129
04-06	\$821,000	\$821,000	\$604,429	\$5,564	\$629,688
04-10	\$400,000	\$400,000	\$0	\$0	\$761,151
05-03	\$1,800,000	\$1,800,000	\$4,455,247	\$339,244	\$3,400,981
05-06	\$10,000	\$10,000	\$0	\$0	\$42,915
05-07	\$1,070,000	\$1,070,000	\$49,943	\$0	\$95,376
05-10	\$2,600,000	\$2,600,000	\$311,000		
06-04	\$257,000	\$257,000			
06-05	\$2,100	\$2,100	\$0	\$0	\$0
06-06	\$200,000	\$200,000	\$31,455	\$0	\$39,535
09-02	\$600,000	\$600,000	\$320	\$0	\$2,110,301
10-09	\$3,355,408	\$3,355,408	\$0	\$0	\$3,355,408
10-13	\$212,038	\$92,412	\$0	\$0	\$18,614
12-03	\$3,483	\$3,483	\$0	\$0	\$3,483
13-03	\$112,600	\$112,600	\$0	\$0	\$0
13-08	\$2,440	\$2,440	\$0	\$2,440	\$0
13-09	\$9,927	\$9,927	\$4,330	\$0	\$10,004
14-04	\$866,000	\$866,000	\$51,490	\$51,490	\$0
14-08	\$11,900,000	\$0	\$0	\$0	\$0
15-03	\$11,148	\$11,148	\$0	\$0	\$0
16-02	\$6,914	\$6,914	\$0	\$0	\$210
16-10	\$19,500	\$0	\$0	\$0	\$0

⁹ Both overpayments and underpayments are included in this column.

Appendix D – 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

Ineffective Controls

This material weakness was initially reported in fiscal year 2014 as part of the overall material weakness for financial reporting and we made recommendations for improvement. During our current audit, we continue to see the need for internal control improvements. In addition, some corrective actions related to this material weakness remain open.

Communication with the NRRIT’s Auditor

This portion of the overall material weakness in financial reporting continues to exist. Communication between OIG and NRRIT auditors is required to achieve compliance with AICPA standards. RRB management continues to cite statutory limitations as the basis for not permitting OIG auditors to communicate with NRRIT auditors, and therefore, did not concur with the recommendation for corrective action. We continue to look for resolution of this issue.

Ineffective Control Environment

In fiscal year 2017 and in connection with our financial statement audit, we continued to cite a material weakness for the RRB’s control environment. We determined that RRB management had not taken corrective actions to address high level, monetarily significant matters that were not in accordance with authoritative guidance, previous agreements, and laws and regulations regarding matters that could have a detrimental effect on the reliability of financial reporting at the RRB and at governmentwide levels. During this semiannual reporting period, RRB management provided evidence of notification to Executive Committee members to ensure that RRB OIG auditors are provided with timely notification of significant matters that could impact the RRB’s financial statement.

We continued to cite more examples of the ineffective control environment as related to the NRRIT, ERM internal control framework, federal records management, and improper payment reporting.

- NRRIT Net Assets

We previously reported disagreement with RRB management and the General Counsel’s legal opinion in regard to Federal Accounting Standards Advisory Board’s Statement of

Office of Inspector General - Railroad Retirement Board
April 1, 2018 ▪ September 30, 2018

Federal Financial Accounting Standards 47 (SFFAS 47), Reporting Entity, which became effective in fiscal year 2018. RRB management and RRB General Counsel determined that the NRRIT met the requirements for a disclosure entity, which would result in removal of its net assets from RRB and governmentwide financial statements. RRB OIG auditor's determined that the NRRIT met the requirements of a consolidating entity, which would allow NRRIT net assets to remain in RRB and governmentwide financial statements. The U. S. Department of the Treasury issued guidance in 2018 pertaining to SFFAS 47, and categorized the NRRIT as a consolidated entity and, therefore, its net assets will remain in RRB and governmentwide financial statements.

- Internal controls – ERM Process

During this period, we assessed the effectiveness of the ERM process at the RRB. We determined that this process at the RRB was not fully effective, had not been implemented agencywide as required, and that the RRB had not complied with all of the revised internal control requirements issued by OMB. OMB revised its internal control requirements as provided in OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and did not implement the ERM process agencywide. Agencies are required to develop and maintain a risk profile that identifies risks arising from mission and mission support operations. RRB management concurred with eight of our nine recommendations for improvement. We also found that RRB management had not implemented our recommendations in a timely manner, with recommendations remaining open for an average of four and a half years.

- Federal Records Management

We previously determined that RRB's senior agency officials used personal email accounts, unsecured modems, and portable USB flash drive devices to avoid agency information technology systems while conducting official business and storing agency records. We determined that the RRB was not fully compliant with OMB and National Archives and Records Administration records management guidance.

- Improper Payment Reporting

During this period, we determined that the RRB was compliant with improper payment reporting. RRB management had not taken the corrective action required for third year of noncompliance. Noncompliance was cited because RRB risk assessments had not been prepared in accordance with OMB guidance for all the programs that the RRB administers.¹⁰ RRB management did not concur with our recommendation to take

¹⁰ RRB OIG, *Audit of the Railroad Retirement Board's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2016 Performance and Accountability Report*, Audit Report No. 17-05 (Chicago, IL: May 12, 2017).

corrective actions as required by OMB for third year noncompliance, thus the agency was in further violation of OMB guidance.¹¹

See other details regarding financial statement concerns as reported in Audit Report No. 18-02, *Report on the Railroad Retirement Board’s Financial Statements* and Audit Report No. 18-04, *Fiscal Year 2017 Financial Statement Audit Letter to Management*.

Financial Controls and Reporting Issue Area	Date of Report	Audit Report and Recommendations
Ineffective Controls	August 1, 2014 March 31, 2015 August 14, 2015 November 30, 2015	OIG Report 14-10, 1-2 OIG Report 15-05, 2 OIG Report 15-08, 1-4, 6, 9-12, 16 OIG Report 16-02, 8-11
Communication with the NRRIT’s Auditor	March 31, 2015	OIG Report 15-05, 8
Ineffective Control Environment	February 16, 2017 April 11, 2017 September 28, 2017 July 9, 2018	OIG Report 17-03, 2, 3 OIG Report 17-04, 1-19 OIG Report 17-08, 1-13 OIG Report 18-07, 1-3, 5, 9, 10

Program Integrity Activities

Occupational Disability Program

In 2007, the OIG initiated a joint investigation with the Federal Bureau of Investigation that unraveled a complex occupational disability fraud scheme perpetrated by a number of Long Island Rail Road (LIRR) retirees, doctors, and disability facilitators. Foundational flaws that leave the RRB’s occupational disability program susceptible to fraud and abuse remain, including an agency culture that focuses on paying benefits quickly; thereby increasing the likelihood of erroneous payments.

While the number of occupational disability applicants have decreased since the LIRR prosecution, it is important to note that the RRB’s approval rate remains fairly consistent at 98 percent. According to the Government Accountability Office (GAO), “a nearly 100-percent approval rate in a federal disability program is troubling, and could indicate lax internal controls in RRB’s decision-making process, weaknesses in program design, or both.”¹²

¹¹ RRB OIG, *Audit of the Railroad Retirement Board’s Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2017 Performance and Accountability Report*, Audit Report No. 18-05 (Chicago, IL: May 9, 2018).

¹²GAO, *Railroad Retirement Board: Review of Commuter Railroad Occupational Disability Claims Reveals Potential Program Vulnerabilities*, GAO-09-821R (Washington, D.C.: September 2009).

Despite the decrease in applications, RRB disability payments continue to carry a hefty price tag. According to the RRB's *2018 Annual Report*, the RRB paid more than \$1 billion in disability annuity payments during fiscal year 2017.¹³

In fiscal year 2016, we reported that medical opinions used in the decision to award disability annuities added limited value to the disability determination process. Medical opinions used by the RRB were found to be inaccurate and incorrectly presumed to have been based on all medical evidence in the file when the opinion did not support that assumption. Controls were also ineffective in ensuring that contract requirements were met, and that medical licenses, insurance requirements, and timeliness was effectively monitored by the RRB.

In fiscal year 2014, we reported that a provision of the RRA allows railroad employees to purchase their service eligibility for an occupational disability annuity through injury settlements with their railroad employer, and without the RRB as a party to the settlement. The RRB is then obligated to pay the annuity from the RRA trust fund, which could potentially impact the trust fund by as much as \$2.2 billion if all annuitants who barely qualified for an occupational disability had purchased some of the qualifying service months through an injury settlement. Additionally, under the law, such settlements are not always taxable as railroad compensation.

In fiscal year 2013, we reported that the RRB did not always verify job duty information before granting occupational disability annuities, and RRB policies and procedures were inadequate to ensure such verifications were obtained. Job duty information is used to determine the applicant's job duties normally performed and to consider impairment-related restrictions. Such information is used to support whether the applicant is unable to perform his or her railroad occupation, a requirement for the awarding of occupational disability benefits.

Program Integrity Issue Area	Date of Report	Audit Report and Recommendations
Medical Opinions	March 9, 2016	OIG Report 16-05, 1, 3, 5, 7, 8, 12-18
Injury Settlements	July 18, 2014	OIG Report 14-08, 1-2
Job Duty Verifications	January 15, 2013	OIG Report 13-02, 1, 3-5

¹³ RRB, *2018 Annual Report* (Chicago, IL).

Oversight of Railroad Medicare

In fiscal year 2016, we determined that controls were not adequate to ensure the RRB's cost allocation plans and Medicare reimbursement calculations were accurate and supported in accordance with federal requirements. Further, the RRB's Medicare cost allocation policies and procedures were not effective in preventing errors. Labor costs were reimbursed based on management's professional judgment and indirect costs had not been formally approved by CMS.

RRB management concurred with 10 recommendations and did not concur with 16 recommendations. Management's response raises concerns and increases the risk of inaccurate future reimbursements from CMS. Generally, RRB and RRB OIG disagree on the applicability of and the RRB's compliance with the OMB Circular A-87 (A-87) which provides the federal requirements for preparation of the cost allocation plan. The RRB nonconcurred with recommendations that would require retroactive assessment of the accuracy of reimbursements received from CMS in compliance with the applicable interagency agreement or address the examples of noncompliance with OMB Circular A-87.

The weaknesses resulted in unsupported Medicare direct costs totaling approximately \$30.4 million and unsupported indirect costs ranging from \$9.5 million to \$33.8 million for fiscal years 2010 through 2014. Final determination of the accurate reimbursable Medicare costs may result in violations of the Purpose Statute and Antideficiency Act.

On December 2, 2016, the RRB requested that the RRB OIG rescind its audit report that disclosed the control inadequacies within its cost allocation plans and offered recommendations for improving the accuracy of Medicare reimbursement calculations. The agency believes the OMB Circular A-87 guidance does not adequately address the reimbursement relationship between two federal agencies and was superseded during the review.

OMB Circular A-87 establishes specific requirements and expectations with respect to the reimbursement of the RRB's Medicare costs and was adopted by the RRB within the terms of its interagency agreement with CMS. Rejection by RRB management of the OMB Circular A-87 requirements would leave no criteria in place for the RRB to be held accountable in requesting cost reimbursement from CMS. OMB Circular A-87 was determined to be effective and was in effect during the entirety of the timeframe covered by the audit. On this basis, the RRB OIG denied the RRB's request on January 18, 2017. Corrective action addressing 18 significant recommendations remains in progress. RRB management did not concur with 16 of the 18 open recommendations.

In fiscal year 2015, we determined that controls were not sufficient to ensure that payments for Railroad Medicare chiropractic services complied with Medicare requirements. Inadequate contract oversight resulted in vulnerabilities exposing approximately \$14 million in payments for unnecessary and improper chiropractic

services from 2009 through 2013. In addition, the reviews performed by the RRB’s Medicare contractor did not validate the medical necessity for billed chiropractic services, nor did the contractor’s procedures adequately identify ongoing risks associated with chiropractic service claim payments. Such risks include the frequency of chiropractic visits, the use of dual modifiers, commonly up coded chiropractic services, and high risk chiropractic services. Corrective action addressing four significant recommendations remains in progress. RRB management did not concur with two of the four open recommendations.

Oversight of Railroad Medicare Issue Area	Date of Report	Audit Report and Recommendations
Reimbursed Medicare Costs	August 22, 2016	OIG Report 16-10, 1-16, 23-24
Chiropractic Services	June 4, 2015	OIG Report 15-07, 7, 9-11

Information Technology

As with all federal agencies, the RRB faces the challenge of how to modernize its information technology and safeguard sensitive data, while accomplishing the agency’s mission. On October 31, 2017, we released our fiscal year 2017 online CyberScope report on the information security at the RRB as mandated by FISMA. Our audit determined that the RRB continues to make progress in implementing an information security program that meets the requirements of FISMA, yet a fully effective security program has not been achieved. Each of the five cybersecurity framework functions and seven corresponding OIG FISMA metric domains were assessed as not effective when evaluated using the five level maturity model. The overall information security program has weaknesses that impact more than one area of the cybersecurity framework. These weaknesses involve a growing number of aging weaknesses on RRB’s Plan of Action and Milestones, continued problems with maintaining current and comprehensive policy and procedures, and current gaps in RRB’s privacy program.

Prior information technology reports included recommendations for improvement, many of which continue to be open or unimplemented. Our last performance audit report was issued for fiscal year 2017.

Information Technology Issue Area	Date of Report	Audit Report
Information Security	June 5, 2018	OIG Report 18-06

For more information on major management challenges identified by our office, see *Management and Performance Challenges Facing the Railroad Retirement Board*, OIG Management Information Report No. 18-03, December 11, 2017.

Appendix E – 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, 2018, was transmitted on August 28, 2018. OA received a peer review rating of pass. This peer review did not contain any recommendations.

The OA did not finalize any peer reviews of other audit organizations during this reporting period.

Office of Investigations

A rating of compliant conveys that the reviewed Office of Inspector General has adequate internal safeguards and management procedures to ensure that CIGIE standards are followed and that law enforcement powers conferred by the Inspector General Act, 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 F – Reports Prepared by Management

Final Action on Audits with Disallowed Costs

Pages 33 through 41 were prepared exclusively by the RRB.

For the 6-Month Period Ending September 30, 2018	<u>Number of Audit Reports</u>	<u>Disallowed¹⁴ Costs</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	0	\$ 0
B. Audit reports on which management decisions were made during the period.	0	\$ 0
C. Total audit reports pending final action during the period. (A + B)	0	\$ 0
D. Audit reports on which final action was taken during the period.		
1. Recoveries		
(a) Collections and offsets	0	\$ 0
(b) Property	0	\$ 0
(c) Other	0	\$ 0
2. Recovery Waived	0	\$ 0
3. Total of 1 and 2	0	\$ 0
E. Audit reports needing final action at the end of the period (C - D.3).	0	\$ 0

¹⁴ The Inspector General Act of 1978, as amended, defines a disallowed cost as “a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.” The RRB’s OIG has not identified disallowed cost during the current, or prior, reporting periods.

***Management Report on Final Action on Audits with
Recommendations to Put Funds to Better Use for the
6-Month Period Ending September 30, 2018***

Pages 33 through 41 were prepared exclusively by the RRB.

	<u>Number of Audit Reports</u>	<u>Funds to be Put¹⁵ to Better Use</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	1	\$600,000 ¹⁶
B. Audit reports on which management decisions were made during the period.	0	\$0
C. Total audit reports pending final action during the period. (A - B)	1	\$600,000
D. Audit reports on which final action was taken during the period.		
1. Value of recommendations implemented (completed)	0	\$0
2. Value of recommendations that management concluded should not or could not be implemented (completed)	0	\$0
3. Total of 1 and 2	0	\$0
E. Audit reports needing final action at the end of the period	1	\$600,000

¹⁵ Numbers reported represent amounts associated with open recommendations for which corrective action is not yet complete.

¹⁶ Comprised of \$600,000 from Audit Report 09-02, Fiscal Year 2008 Financial Statement Audit Letter to Management. Resolution is pending OIG review.

**Management Statement on Resolved Audit Reports Over
12 Months Old with Final Action Pending as of
September 30, 2018**

Pages 33 through 41 were prepared exclusively by the RRB.

Report	Date	Disallowed Cost	Funds put to Better Use	Status
Review of Information Security at the Railroad Retirement Board (02-04)	2/5/2002	NONE	NONE	The Bureau of Information Services closed 27 of 28 recommendations. Corrective action for final recommendation on-going.
Review of Internal Control Over the Actuarial Projection Process (05-04)	5/5/2005	NONE	NONE	Corrective action complete for remaining open rec. The Bureau of Actuary and Research will submit closure request.
Review of Incident Handling and Reporting at the Railroad Retirement Board (06-09)	8/24/2006	NONE	NONE	Audit POC closed 10 of 11 recommendations. Corrective actions complete for remaining rec, POC will submit closure request.
Audit of Federal Income Taxes Withheld from Railroad Retirement Annuities (07-07)	7/30/2007	NONE	NONE	Closed 5 of 6 recommendations. Last recommendation on hold due to higher priorities.
Fiscal Year 2007 Evaluation of Information Security at the Railroad Retirement Board (07-08)	9/27/2007	NONE	NONE	Closed 5 of 7 recs. Work in progress to close remaining two.
Audit of Controls to Safeguard Sensitive Personally Identifiable Information (07-09)	9/27/2007	NONE	NONE	Corrective action either complete or in progress for five open recs.
Evaluation of Information Security for the RRB's Financial Interchange Major Application (08-03)	9/26/2008	NONE	NONE	Seven recs remain open. Corrective action complete or the recs are obsolete for five. BAR will submit closure requests. Corrective action for two recs is a work in progress.
Fiscal Year 2008 Evaluation of Information Security at the RRB (08-05)	9/30/2008	NONE	NONE	Audit POC completed corrective action for remaining open rec. POC will submit closure request.

Fiscal Year 2008 Financial Statement Audit Letter to Management (09-02)	3/24/2009	NONE	YES	Closed 9 of 13 recs. Requested closure for 1 of 4, corrective action on-going for remaining 3.
Audit of the Railroad Medicare Integrity Program at Palmetto Government Benefits Administrators (09-04)	9/25/2009	NONE	NONE	Closed 12 of 15 recs. Audit POC submitted closure requests for remaining three.
Fiscal Year 2009 Evaluation of Information Security (10-01)	11/12/2009	NONE	NONE	Documentation is currently being reviewed prior to submission to OIG for the last open recommendation.
Review of Statistical Methods Employed in the Financial Interchange Determination (10-06m)	5/4/2010	NONE	NONE	The Bureau of Actuary and Research will review documentation and take necessary action(s).
Review of the Technical Approach and Methodology Used to Determine the Annual Financial Interchange Amount for the Year Ended September 30, 2008 (10-07m)	5/19/2010	NONE	NONE	Corrective action a work in progress for one remaining open recommendation.
Review of the Accuracy of the Financial Interchange as Executed for the Year Ended September 30, 2008 (10-10m)	5/25/2010	NONE	NONE	Corrective action a work in progress for one remaining open recommendation.
Audit of Unilateral Disability Freeze Determinations (10-11)	8/12/2010	NONE	NONE	1 of 3 recommendations was closed. Work continues on remaining 2.
Audit of the Account Benefits Ratio (10-12)	9/29/2010	NONE	NONE	Closed 4 of 5 recs. Corrective action a WIP for remaining rec.
Audit of Controls Over Railroad Medicare Contract Costs (11-06)	4/20/2011	NONE	NONE	Audit POC closed 11 of 15 recommendations. The audit POC submitted documentation supporting recommendation closure for the last 4 recommendations on multiple occasions; However, the OIG determined corrective actions were not sufficient to justify closure. Corrective action a work in progress.

Audit of Railroad Retirement Act Benefits Overpayments and Internal Controls (11-07)	6/29/2011	NONE	NONE	The audit POC closed 13 of 14 recs. For the remaining rec, the chart of controls for RBD and SBD will be updated and tested prior to submission to OIG for closeout.
Review of the Railroad Retirement Board's Security Patch Management Process (11-08)	7/7/2011	NONE	NONE	The audit POC closed 10 of 13 recommendations. Work continues on the 3 remaining recs.
Inspection of the Railroad Retirement Board's Agency Enterprise General Information Support System Certification and Accreditation (11-10)	9/28/2011	NONE	NONE	Audit POC closed 2 of 3 recommendations. Corrective action complete for third. POC will submit closure request.
Fiscal Year 2011 Evaluation of Information Security at the Railroad Retirement Board (12-02)	1/5/2012	NONE	NONE	11 of 13 recommendations were closed. Work continues on the 2 remaining recs.
Fiscal Year 2011 Financial Statement Audit Letter to Management (12-04)	1/31/2012	NONE	NONE	3 of 6 recommendations were closed. Corrective action complete for three open recs. POC will submit closure request.
Inspection of the Railroad Retirement Board's Representative Payee Monitoring (12-07)	7/27/2012	NONE	NONE	Report contained 20 recommendations, work continues on the 2 remaining recs.
Inspection of the Railroad Retirement Board's Financial Interchange System Continuous Monitoring (12-08)	9/21/2012	NONE	NONE	Corrective actions complete for remaining 10 recs. Bureau of Actuary and Research will submit closure requests.
Audit of Job Duty Verification Procedures for Long Island Rail Road Occupational Disability Applicants (13-02)	1/15/2013	NONE	NONE	1 of 5 recommendations was closed. Corrective action complete for remaining 4 recs. Audit POC will submit a closure request.
Fiscal Year 2012 Audit of Information Security at the Railroad Retirement Board (13-04)	2/12/2013	NONE	NONE	11 of 19 recommendations were closed. Corrective action for remaining eight recommendations is either complete or a work in progress.

Audit of the Railroad Retirement Board's Compliance with the Government Charge Card Abuse Prevention Act of 2012 (13-10)	9/19/2013	NONE	NONE	1 of 3 recommendations closed. Corrective action for remaining two was rejected by the OIG. Additional work required.
Audit of the Railroad Retirement Board's Privacy Program (13-11)	9/20/2013	NONE	NONE	3 of 11 recommendations were closed. Corrective action complete or in progress for remaining 8.
Fiscal Year 2013 Financial Statement Audit Letter to Management (14-02)	2/20/2014	NONE	NONE	1 of 2 recommendations was closed. Corrective action in progress for remaining rec.
Fiscal Year 2013 Audit of Information Security at the Railroad Retirement Board (14-03)	3/4/2014	NONE	NONE	4 of 7 recommendations were implemented. Corrective action complete or underway for the remaining 3.
Audit of the General and Application Controls in the Railroad Retirement Board's Financial Management Information System (14-06)	5/6/2014	NONE	NONE	10 of 25 recommendations were closed. Office of Administration and the Bureau of Information Services are working to implement corrective actions for remaining recs.
Management Information Report - Railroad Medicare Progress and Challenges (14-09)	7/25/2014	NONE	NONE	11 of 13 recommendations closed. Corrective action in progress for remaining recs.
Audit of Business Process Controls in the Financial Management Integrated System (14-10)	8/1/2014	NONE	NONE	7 of 9 recommendations Closed. Closure rejected by OIG for remaining 2 recs, additional work required.
Audit of the Data Management Application Controls and Selected General Controls in the Financial Management Integrated System (14-12)	9/30/2014	NONE	NONE	5 of 8 recommendations closed. Corrective action a work in progress for remaining 3 recs.
Fiscal Year 2014 Audit of Information Security at the Railroad Retirement Board (15-04)	3/16/2015	NONE	NONE	4 of 9 recommendations were closed. Corrective action for 4 of 5 open recs. Audit POC will submit closure request. Corrective action in progress for last recommendation.

Fiscal Year 2014 Financial Statement Audit Letter to Management (15-05)	3/31/2015	NONE	NONE	Closed 17 of 19 recommendations. Concurred with 1 of 2 open recommendations. Corrective action in progress for remaining rec.
Railroad Retirement Board's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2014 Performance and Accountability Report (15-06)	5/15/2015	NONE	NONE	Closed 5 of 10 recommendations. Non- concurred with 2 of remaining 5 recs. Corrective action rejected by OIG for remaining recs. Management determined corrective action complete.
Railroad Retirement Board Medicare Contract Oversight Did Not Effectively Mitigate Chiropractic Service Risks (15-07)	6/4/2015	NONE	NONE	Closed 7 of 11 recs. The RRB non-concurred with 2 of the remaining 4. Corrective action in progress for 2 recs.
Audit of the Internal Controls Over Obligations at the Railroad Retirement Board (15-08)	08/14/15	None	None	RRB concurred with 7 of 10 open recommendations. Corrective action a work in progress.
Select Financial Management Integrated System Business Process Controls Need Improvement (16-02)	11/30/2015	NONE	NONE	7 of 11 recommendations were closed. Submitted multiple close-out requests for remaining open recommendations but the OIG determined corrective actions were not sufficient. Responsible officials will continue to work corrective actions and re-submit close out requests to the OIG.
Fiscal Year 2015 Financial Statement Audit Letter to Management (16-04)	2/2/2016	NONE	NONE	Closed 4 of 5 recommendations. Bureau took corrective action that the OIG did not deem sufficient. Bureau will continue to work corrective action and will re-submit close out requests.

Control Weaknesses Diminish the Value of Medical Opinions in the Railroad Retirement Board Disability Determination Process (16-05)	3/9/2016	NONE	NONE	Closed 6 of 18 recs and non-concurred with 6 others. Of the remaining 6 recs, corrective action is underway for five and management determined corrective action is complete for one.
Fiscal Year 2015 Audit of Information Security at the Railroad Retirement Board - Abstract (16-06)	4/26/2016	NONE	NONE	7 of 23 recommendations were closed. Corrective action underway or complete for remaining 16 recs.
Audit of the RRB's Compliance with the Improper Payments Elimination and Recovery Act in the FY 2015 PAR (16-07)	5/13/2016	NONE	NONE	Closed 3 of the 6 recommendations. Concurred with 1 of 3 open recommendations. Corrective action in progress for the last rec.
Management Information Report - The RRB's Method for Recording and Reporting Overpayments Identified by Death Matches (16-08)	8/4/2016	NONE	NONE	Closed 4 of the 7 recommendations. Corrective actions in progress for remaining recs.
Railroad Retirement Board Did Not Calculate Reimbursed Medicare Costs In Accordance With Federal Requirements (16-10)	8/22/2016	NONE	NONE	Agency concurred with 10 of the 26 recommendations. 4 of the 10 were closed. Submitted close-out requests for 3 others that the OIG rejected. Corrective action is on-going.
Fiscal Year 2016 Financial Statement Audit Letter to Management (17-03)	02/16/2017	NONE	NONE	Agency concurred with 6 of 8 recommendations. 4 of 6 recommendations have been implemented and work is on-going for remaining 2.
Railroad Retirement Board Did Not Always Comply with the Federal Travel Regulation (17-04)	04/11/2017	NONE	NONE	Agency concurred with 13 of 19 recommendations. Corrective action underway for open recommendations.
Fiscal Year 2016 Audit of Information Security at the Railroad Retirement Board - Abstract (17-06)	06/20/2017	NONE	NONE	Agency concurred with 33 of 35 recommendations and implemented corrective action for 4. Corrective action for remaining 29 recs is either complete, a work in progress or management determined that the recommendation is obsolete but has not yet submitted a closure request.

Improvements Needed for the Program Evaluation Process at the Railroad Retirement Board (17-07)	08/01/2017	NONE	NONE	Agency concurred with 9 of 21 recs, implemented corrective action for 6 and corrective action is a work in progress for 3.
Railroad Retirement Board Must Take Further Action to be Compliant with Federal Records Management Directives.pdf (17-08)	09/28/2017	NONE	NONE	Agency concurred with 15 recommendations and implemented corrective for 2. Corrective action is in progress for remaining 13.

Appendix G – Reporting Requirements

Act Section	Inspector General Reporting Requirements	Page(s)
4(a)(2)	Review of Legislation and Regulations	19
5(a)(1)	Significant Problems, Abuses, and Deficiencies	26 – 31
5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	26 – 31
5(a)(3)	Prior Significant Recommendations Not Yet Implemented	26 – 31
5(a)(4)	Matters Referred to Prosecutive Authorities	11
5(a)(5)	Summary of Reports to the Chairman	None
5(a)(6)	Open or Unimplemented Audit Recommendations and the Associated Cost Savings	8
5(a)(7)	Summary of Each Significant Report	4 – 7
5(a)(8)	Statistical Table on Management Decisions on Questioned Costs	22
5(a)(9)	Statistical Table on Management Decisions on Recommendations That Funds be Put to Better Use	23
5(a)(10)	Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made	8
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	4-7, 18, 19, 26 – 31
5(a)(13)	Chairman Statement of Compliance	None
5(a)(14)	Peer Reviews	32
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	11

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	18
5(a)(22)(a)	Inspections, Evaluations, and Audits Closed and Not Disclosed to the Public	18
5(a)(22)(b)	Investigations Involving Senior Government Employees Closed and Not Disclosed to the Public	None

Act Section	Management Reporting Requirements Pages 33 through 41 were prepared exclusively by the RRB.	Page(s)
5(b)(1)	Management Comments	Management's Transmittal
5(b)(2)	Statistical Table on Final Action on Disallowed Costs	33
5(b)(3)	Statistical Table on Final Action to Put Funds to Better Use	34
5(b)(4)	Statement on Audit Reports With Final Action Pending	35 – 41

Appendix H – Acronyms

Acronym	Explanation
AICPA	American Institute of Certified Public Accountants
CIGIE	Council of Inspectors General on Integrity and Efficiency
CMS	Centers for Medicare and Medicaid Services
ERM	Enterprise Risk Management
FISMA	Federal Information Security Modernization Act of 2014
GAO	Government Accountability Office
IPERA	Improper Payments Elimination and Recovery Act of 2010
LIRR	Long Island Rail Road
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
RRA	Railroad Retirement Act
RRB	Railroad Retirement Board
RRSIA	Railroad Retirement and Survivors' Improvement Act of 2001
RUIA	Railroad Unemployment Insurance Act
SFFAS	Statement of Federal Financial Accounting Standards
SI	Sickness Insurance
UI	Unemployment Insurance

Appendix I – Legal References

Antideficiency Act - 31 U.S.C. § 1341(a), 1342, 1349-1351, 1511(a), and 1512-1519

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

Improper Payments Elimination and Recovery Act of 2010 – P.L. 111-204

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

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

Purpose Statute – 31 U.S.C. § 1301(a)

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

Railroad Retirement and Survivors' Improvement Act of 2001 – P.L. 107–90

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.

REPORT FRAUD, WASTE, AND ABUSE



Call: 1-800-772-4258

Write: RRB, OIG Hotline Officer
844 N. Rush Street, 4th Floor
Chicago, Illinois 60611-2092

Email: hotline@oig.rrb.gov

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.