

Semiannual Report to the Congress



Office of Inspector General for the Railroad Retirement Board

April 1, 2008 to September 30, 2008



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

October 31, 2008

The Honorable Michael S. Schwartz
Chairman
Railroad Retirement Board
844 North Rush Street
Chicago, Illinois 60611-2092

Dear Mr. Schwartz:

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, 2008 through September 30, 2008. 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, we completed audits/evaluations relating to the RRB's charge card program, RRB's financial interchange major application information security and information security for the RRB and the Medicare Part B contractor. We also began our audit of the agency's fiscal year 2008 financial statement.

Our criminal investigators achieved 23 criminal convictions, 26 indictments and informations, 16 civil judgments and more than \$1.8 million in monetary accomplishments.

The Office of Inspector General sincerely appreciates the ongoing assistance extended to our staff during the performance of their audits and investigations. We look forward to a continued cooperative relationship.

Sincerely,

Martin J. Dickman
Inspector General

TABLE OF CONTENTS

INTRODUCTION

Railroad Retirement Board	1
Office of Inspector General	2

EXECUTIVE SUMMARY

<i>Audit/Evaluation Activities</i>	3
Investigative Activities	5
Investigative Accomplishments	8

APRIL 1, 2008 – SEPTEMBER 30, 2008 ACCOMPLISHMENTS

Office of Audit	9
<i>Implementation of Selected Requirements for Government Charge Card Programs at the RRB</i>	9
<i>Evaluation of the Information Security for the RRB's Financial Interchange Major Application</i>	11
<i>Fiscal Year 2008 Evaluation of Information Security at the RRB</i>	12
<i>Evaluation of the RRB Medicare Contractor's Information Security</i>	16
Management Decisions and Implementation	18
Office of Investigations	19
Investigative Caseload Data	19
Investigative Tools	20
Current Caseload	21
Representative Investigations	
Disability Benefit Investigations	22
Unemployment & Sickness Insurance Investigations	25
Retirement/Survivor and Representative Payee Benefit Investigations	27
Railroad Retirement Board Medicare Investigations	30
Employee Misconduct and Threats Against Employees	31
Civil Enforcement Results	33
Hotline Calls	34
Legislative & Regulatory Review	35
Outreach	39

APPENDICES

(A) Office of Inspector General Reports Issued	43
(B) Inspector General Issued Reports with Questioned Costs	44
Inspector General Issued Reports with Recommendations that Funds Be Put to Better Use	45
(C) Report on Receivables, Waivers and Recoveries	
Office of Investigations.....	46
Office of Audit.....	47
(D) RRB Management Reports	48
(E) Reporting Requirements	54
(F) Acronyms	56
(G) Legal Citations	58



INTRODUCTION

Railroad Retirement Board

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the federal government. The Board consists of three members who are appointed by the President of the United States with the advice and consent of the Senate. One Board member is appointed upon the recommendation of railroad employers, another member is appointed upon the recommendation of railroad labor organizations and the third, who is the Chairman, is appointed to represent the public's interest. Board Members' terms are five years in length and expire in staggered years.

The agency 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, 45 U.S.C. § 231, et. seq. and the Railroad Unemployment Insurance Act, 45 U.S.C. § 351 et. seq., respectively. The RRB also has administrative responsibilities for certain benefit payments under the Social Security Act and administers Medicare Part B, the physician service aspect of the Medicare program, for qualified railroad beneficiaries.

The agency's central mission is to pay accurate and timely benefits. According to preliminary fiscal year (FY) 2008 statistics, RRB paid just over \$10 billion in retirement and survivor benefits to roughly 596,000 beneficiaries. RRB also paid more than \$78 million in net unemployment and sickness insurance benefits to approximately 28,594 claimants during the benefit year ending June 30, 2008. During FY 2008, the Railroad Medicare Part B carrier, Palmetto GBA, paid approximately \$844 million in medical insurance benefits for roughly 485,948 beneficiaries.

The RRB is an independent agency in the executive branch of the federal government.

According to preliminary fiscal year 2008 statistics, RRB paid just over \$10 billion in retirement and survivor benefits to roughly 596,000 beneficiaries.

During fiscal year 2008, the Railroad Medicare Part B carrier, Palmetto GBA, paid approximately \$844 million in medical insurance benefits.



Office of Inspector General

The Inspector General for the Railroad Retirement Board is a Presidential Appointee who serves as an independent and objective voice to both the Board and the Congress.

The Inspector General is a Presidential Appointee who serves as an independent and objective voice to both the Board and the Congress. It is the Inspector General's responsibility to promote economy, efficiency and effectiveness in the RRB's programs. To that end, the Office of Inspector General (OIG) conducts audits/evaluations, management reviews and inspections of RRB programs and operations. As a product of their efforts, OIG provides recommendations for agency improvement to management. The OIG also identifies and investigates cases of waste, fraud and abuse in RRB programs. The OIG works closely with federal prosecutors and makes the appropriate referrals for criminal prosecution, civil prosecution or monetary recovery.

The Office of Inspector General conducts audits/evaluations, management reviews and inspections of RRB programs and operations.

The OIG has three operational components: the immediate Office of the Inspector General; the Office of Audit; and the Office of Investigations. OIG conducts operations from several locations: the headquarters of the RRB in Chicago, Illinois; an investigative field office in Philadelphia, Pennsylvania; and domicile investigative offices in Arlington, Virginia and San Diego, California.

The Office of Inspector General has three operational components: the immediate Office of the Inspector General, the Office of Audit and the Office of Investigations.

The health and welfare of our nation's railroad workers and their families rely on the economy, efficiency and effectiveness in the RRB's programs.



EXECUTIVE SUMMARY

Audit/Evaluation Activities

The United States Railroad Retirement Board, Office of Inspector General – Office of Audit (OA) conducts financial, performance and compliance audits/evaluations. During this reporting period, OA completed audits/evaluations relating to the RRB’s charge card program, RRB’s financial interchange major application information security and information security for the RRB and their Medicare Part B contractor.

During this reporting period, OA also began their audit of the agency’s FY 2008 financial statement. Previous Congressional report language directed the OIG to perform their financial statement audit in-house using OIG staff. OA conducts the financial statement audit with technical assistance from contracted actuarial specialists.

On May 14, 2008, OA published the results for their audit of the RRB’s implementation of selected requirements for government charge card programs as established by Appendix B of the Office of Management and Budget’s Circular A-123, “Improving the Management of Government Charge Card Programs” (Appendix B). The goal of Appendix B is to maximize benefits to the federal government when using government charge cards to pay for goods and services in support of official federal missions. The scope of this audit consisted of RRB travel and purchase card activities as billed to the agency during October 2005 through April 2007. OA concluded that RRB has experienced some delays in implementing the requirements of Appendix B. Management accepted all five audit recommendations.

OA published their results entitled *Evaluation of the Information Security for the Railroad Retirement Board’s Financial Interchange Major Application* on September 26, 2008. OA concluded the agency still needs to strengthen application-level controls in the financial interchange major application system. It also disclosed weaknesses in access controls, contingency planning, systems development, systems documentation and asset inventory. Management concurred with all 11 recommendations. The full report included information protected from disclosure and has been designated for limited distribution pursuant to the Freedom of Information Act, 5 U.S.C. § 552.

The Office of Audits conducts financial, performance and compliance audits.

During this reporting period, the Office of Audit completed audits/evaluations relating to the RRB’s charge card program, RRB’s financial interchange major application information security and information security for the RRB and their Medicare Part B contractor.

The Office of Audit also began their audit of the agency’s fiscal year 2008 financial statement.



During this reporting period, the Office of Audit evaluated the RRB Medicare contractor's information security program as part of the fiscal year 2008 FISMA evaluation.

OA's evaluation of information security at the RRB was conducted pursuant to Title III of the E-Government Act of 2002 which is commonly known as the Federal Information Security Management Act (FISMA). The evaluation's objective was to assess the adequacy of the RRB's information security program. Previous evaluations reported weaknesses throughout RRB's information security program, significant deficiencies in mainframe and LAN/PC access controls, as well as delays in meeting FISMA requirements for risk assessments and periodic testing/evaluation. OA's current evaluation concluded that RRB has not yet achieved an effective FISMA compliant security program. OA noted that RRB is addressing its significant deficiencies in the previously reported areas of access controls, risk assessments and periodic testing/evaluation; however, much work remains to be completed. Management accepted seven of the eight audit recommendations and has taken one recommendation under advisement.

The Consolidated Appropriations Act, 2008, P.L. 110-161, restored OIG's ability to conduct RRB Medicare oversight including audits/evaluations. During this semiannual reporting period, OA evaluated the RRB Medicare contractor's information security program as part of the FY 2008 FISMA evaluation. OA concluded that RRB has received a level of information from their Medicare contractor that would facilitate oversight of the RRB Medicare program, including FISMA compliance. However, some improvement is needed in ensuring risk-based assessments for the RRB's information security and privacy program. Management accepted both audit recommendations.

As a basis for audit planning, the Office of Audit performed a high-level analysis of RRB's Medicare program background.

During this reporting period, as a basis for audit planning, OA performed a high-level analysis of RRB's Medicare program background.

All audits/evaluations completed during this reporting period are discussed in further detail on pages 9 through 17.



Investigative Activities

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 sickness, unemployment, disability, retirement or RRB Medicare benefits. OI investigates railroad employers and unions when there is an indication that they have submitted false reports to the RRB. OI also investigates allegations regarding agency employee misconduct and threats against RRB employees. Investigative efforts can result in criminal convictions, civil penalties, recovery of program benefit funds and/or administrative sanctions.

From April 1, 2008 through September 30, 2008, OI achieved 23 convictions, 26 indictments and/or informations, 16 civil judgments and over \$1.8 million in monetary accomplishments. OI had four arrests and 56 referrals to the Department of Justice. RRB defendants, in the aggregate, were sentenced to almost three years in jail, more than 61 years of probation and 350 hours of community service. OI also had \$278,159 in investigative recoveries from completed cases. Investigative recoveries are settled fraud amounts that can be recouped through administrative recovery action by the RRB.

During FY 2008, OI had over \$4.3 million in monetary accomplishments and the agency collected almost \$1.4 million, as a result of criminal and civil judgments related to OI investigations.

Disability benefit investigations often involve sophisticated schemes to hide disqualifying work activities from the RRB. During this reporting period RRB Special Agents investigated a variety of disability fraud schemes, such as: (1) an annuitant failing to report wages from a private employer; (2) self-employed annuitant failing to report disqualifying income; (3) an annuitant performing disqualifying work for a government contractor while getting paid under his wife's social security number; (4) an annuitant concealing his corporate ownership and self-employment; and (5) an annuitant failing to report his wages in excess of the allowable amount.

Unemployment Insurance (UI) and Sickness Insurance (SI) benefit fraud typically involves claimants applying for and receiving benefits while failing to report their wages. A majority of these cases are

The Office of Investigations focuses its efforts on identifying, investigating and presenting RRB benefit fraud cases for prosecution.

During this reporting period, the Office of Investigations achieved 23 convictions, 26 indictments and/or informations, 16 civil judgments and over \$1.8 million in monetary accomplishments.

From April 1, 2008 through September 30, 2008 Railroad Retirement Board defendants, in the aggregate, were sentenced to almost three years in jail, more than 61 years of probation and 350 hours of community service.



During this reporting period, the Office of Investigations completed its first RRB Medicare case and has obtained an indictment on a second case.

referred to the OIG from the RRB's Disability, Sickness and Unemployment Benefits Division.

Retirement/Survivor benefit fraud investigations typically involve either: (1) the failure to report disqualifying information, such as continued employment; (2) the failure to report the death of an annuitant; or (3) the failure to report a surviving spouse's remarriage. During this reporting period, Special Agents have investigated diverse fraud schemes such as: (1) an annuitant using his brother's name for corporate ownership to avoid detection by RRB; (2) an annuitant's representative payee stealing RRB annuity checks for his own personal use; (3) an annuitant's son failing to report his mother's death to the RRB while still collecting and spending her RRB annuity; (4) a referral from a bank notifying RRB regarding the death of an annuitant; and (5) an annuitant failing to report a disqualifying marriage.

With the passage and enactment of the Consolidated Appropriations Act, 2008, P.L. 110-16, the OIG has again been authorized to use appropriated funds to conduct oversight for the RRB Medicare program. This very significant program administered by the RRB, provided approximately \$844 million in healthcare benefits to roughly 485,948 qualifying RRB beneficiaries in FY 2008. Medicare fraud involves a diversity of schemes including billing for services not rendered, submitting charges for a greater level of service than was actually performed, billing for an entirely different service than was actually performed, billing for medically unnecessary services and various other types of fraud activities.

The Office of Investigations is actively investigating 24 Railroad Retirement Board Medicare fraud cases and has an additional 24 referrals under review.

During this semiannual reporting period, OI completed its first RRB Medicare case and has obtained an indictment on a second. Additionally, OI is actively investigating 24 RRB Medicare fraud cases and has an additional 24 referrals under review. All of OI's active RRB Medicare cases are being worked jointly with the Department of Health and Human Services, the Office of Personnel Management or other agencies responsible for investigating healthcare fraud. Interagency cooperation is imperative to effective law enforcement. To that end, the Assistant Inspector General for Investigations contacted representatives from the Department of Health and Human Services – Office of Inspector General (HHS-OIG) and requested an analysis between RRB's Part B Medicare Contractor's provider database and HHS-OIG's fraud database. This analysis will provide OI with an important source of potential cases. It will also ensure that fraud losses related to claims processed by the RRB's contractor, Palmetto, GBA,



will be included in criminal and civil judgments. Based upon an OIG recommendation submitted to the Centers for Medicare and Medicaid Services (CMS), CMS is now providing the RRB Medicare claims processor with national fraud alerts. This will allow the claims processor to more effectively screen claims.

OI also investigates allegations regarding agency employee misconduct and threats against RRB employees. During this reporting period Special Agents investigated: (1) a RRB employee who was arrested for illegal conduct while off-duty; (2) the agency's improper disclosure of personally identifiable information; and (3) threatening telephone calls to RRB employees. Special Agents also assist in the adjudication of employee background security checks.

OI continues to make referrals to the Department of Justice's Affirmative Civil Enforcement (ACE) program. The ACE program provides an efficient means to address fraud against RRB programs, particularly where the fraud losses are below the financial guidelines for criminal prosecution. It is an effective way to return fraud losses to the RRB's trust funds and it also creates a deterrent against future fraud.

A sample of OI fraud cases closed during this reporting period are discussed in more detail on pages 22 to 33.

The Office of Investigations continues to make referrals to the Department of Justice's Affirmative Civil Enforcement program.

Special Agents also assist in the adjudication of employee background security checks.



Investigative Accomplishments

Action	April 1, 2008 – September 30, 2008	Fiscal Year 2008
Convictions	23	47
Civil Judgments	16	29
Indictments/Informations	26	52
Investigative Recoveries*	\$278,159	\$1,034,119
Restitution and Fines	\$926,414	\$1,875,616
Community Service Hours	350	370
Civil Damages and Penalties	\$568,711	\$1,228,361
Potential Economic Loss Prevented (PELP)	\$0	\$131,353
Disciplinary/Administrative Actions	1	2
Civil Complaints	10	17
Criminal Complaints	1	4
Arrests	4	10
Department of Justice Referrals	56	117

*Investigative recoveries are fraud amounts that can be recouped through administrative recovery action by the RRB.



APRIL 1, 2008 THROUGH SEPTEMBER 30, 2008 ACCOMPLISHMENTS

Office of Audit

Congress established the OIG to provide independent oversight of the RRB. Within the OIG, the mission of OA is: (1) to promote economy, efficiency, and effectiveness in the administration of RRB programs; and (2) to detect and prevent fraud and abuse in such programs. Through the Inspector General, OA keeps Board Members and the Congress informed of current and potential problems and deficiencies in RRB operations. OA also tracks the status of progress towards corrective action.

Audit and evaluations completed during this semiannual reporting period follow.

Implementation of Selected Requirements for Government Charge Card Programs at the Railroad Retirement Board – May 14, 2008

OA completed their audit of the agency's implementation of selected requirements for government charge card programs as established by Appendix B of the Office of Management and Budget's Circular A-123, "Improving the Management of Government Charge Card Programs" (Appendix B). The goal of Appendix B is to maximize benefits to the federal government when using government charge cards to pay for goods and services in support of official federal missions.

The General Services Administration (GSA) initiated a government-wide charge card program, GSA SmartPay, to provide agencies with easy solutions for making smaller purchases. In addition to GSA SmartPay cards, RRB issues travel charge cards to employees who travel frequently. The objective of OA's audit was to assess RRB's compliance with selected requirements of Appendix B. The scope consisted of GSA SmartPay and RRB travel card activities billed to the agency during October 2005 through April 2007.

The mission of the Office of Audit is: (1) to promote economy, efficiency, and effectiveness in the administration of RRB programs; and (2) to detect and prevent fraud and abuse in such programs.

The Office of Audit completed their audit of the agency's implementation of selected requirements for government charge card programs as established by the Office of Management and Budget.



The Office of Audit concluded that RRB has experienced some delays in implementing the requirements of Appendix B.

OA concluded that RRB has experienced some delays in implementing the requirements of Appendix B. Namely, RRB has not yet complied with Appendix B requirements for the preparation and submission of a charge card management plan and has not ensured that charge card management training is provided to program participants prior to appointment. Additionally, risk management controls do not include procedures to identify misuse of government travel cards and increased controls are needed over confidential information. Management accepted all five audit recommendations.

Management accepted all five audit recommendations.



Evaluation of the Information Security for the Railroad Retirement Board's Financial Interchange Major Application – September 26, 2008

OA's report entitled *Evaluation of the Information Security for the Railroad Retirement Board's Financial Interchange Major Application* was completed pursuant to Title III of the E-Government Act of 2002 which is commonly known as the Federal Information Security Management Act (FISMA). FISMA mandates that agencies develop, document and implement an agency wide information security program. FISMA also established minimum information security requirements. These requirements are listed in the National Institute of Standards and Technology (NIST) Special Publication 800-53, "Recommended Security Controls for Federal Information Systems."

The financial interchange is a collective term that describes a series of legally mandated periodic fund transfers between Social Security Administration (SSA), the RRB, the Centers for Medicare and Medicaid Services and the Treasury. The amounts transferred are the result of complex statistical projection. The RRB's Bureau of Actuary is responsible for determining the amount to be transferred each year. The RRB's Bureau of Information Services maintains the general support system in which the financial interchange major application operates. In June 2008, the RRB received a net transfer for fiscal year 2007 of over \$3.5 billion, representing 39% of RRB financing sources for that year.

OA's evaluation concluded that the Bureau of Actuary needs to strengthen application-level controls in the financial interchange major application system. The evaluation of NIST security requirements disclosed weaknesses in access controls, contingency planning, systems development, systems documentation and asset inventory. Management concurred with all 11 recommendations.

The full report included information protected from disclosure and has been designated for limited distribution pursuant to the Freedom of Information Act, 5 U.S.C. § 552.

The Office of Audit's report entitled *Evaluation of the Information Security for the Railroad Retirement Board's Financial Interchange Major Application* was completed pursuant to Title III of the E-Government Act of 2002.

Management concurred with all eleven recommendations.



Fiscal Year 2008 Evaluation of Information Security at the Railroad Retirement Board – September 30, 2008

The Office of Audit's evaluation entitled *Fiscal Year 2008 Evaluation of Information Security at the Railroad Retirement Board* concluded that the Railroad Retirement Board has not yet achieved an effective Federal Information Security Management Act compliant security program.

The Office of Audit noted that the Railroad Retirement Board is addressing its significant deficiencies but that much work remains to be completed.

OA's evaluation entitled *Fiscal Year 2008 Evaluation of Information Security at the Railroad Retirement Board* was pursuant to the Federal Information Security Management Act (FISMA). FISMA requires an annual OIG evaluation of the agency's information security program and practices that includes all agency general support and major applications.

OA's current evaluation concluded that RRB has not yet achieved an effective FISMA compliant security program. The agency is addressing its significant deficiencies in the previously reported areas of access control, risk assessments, and periodic testing and evaluations; however, much work remains to be completed.

Previously identified weaknesses in the areas of risk based policies and procedures, a NIST compliant certification and accreditation program, the identification of contractors, an effective remedial action process, the continuity of operations and the inventory of systems continue to exist. During OA's FY 2008 evaluation, they also observed weaknesses in the agency's implementation of timely, National Institute of Standards and Technology (NIST) compliant system security plans and in the identification of temporary employees and provision of security awareness training to those temporary employees.

The evaluation's objective was to assess the adequacy of the RRB's information security program. This objective was achieved by: (1) testing the effectiveness of information security policies, procedures and practices of a representative subset of the agency's information systems; and (2) assessing RRB's compliance with FISMA requirements and related information security policies, procedures, standards and guidelines.

Access Control

Agency access control has been cited as a significant deficiency since FY 2001. During both the FY 2001 evaluation and subsequent evaluations, OA has made several recommendations for improvement. As of September 4, 2008, the agency had 14 remaining audit recommendations relating to access control.



The design and implementation of access controls in the RRB's general support and application systems is not adequate to meet minimum standards of least privilege established by OMB Circular A-130, Appendix III. Least privilege is the practice of restricting a user's access or type of access to the minimum necessary to perform his or her job. Excessive rights and privileges weaken the overall information security program.

OA's FY 2008 assessment of information security in the financial interchange major application identified access and sharing permissions that do not restrict the financial interchange files and folders in a manner consistent with the principle of least privilege. Based on this evaluation, OA made three additional recommendations in the area of access control in their report entitled *Evaluation of the Information Security for the Railroad Retirement Board's Financial Interchange Major Application*.

Ongoing reviews of the agency's significant deficiency in access control through penetration tests of agency servers also disclosed poor security configurations that allowed access to unauthorized users. Agency officials have taken actions to address these weaknesses.

Agency action to implement prior recommendations regarding the significant deficient area of access control is pending.

Risk Assessment

RRB has not implemented an effective risk assessment process. FISMA requires federal agencies to periodically assess the risk and magnitude of harm that could result from unauthorized access, use, disclosure, disruption, modification or destruction of information or information systems. Organizations use risk assessments to determine the potential threats to information and information systems and to ensure that the greatest risks have been identified and addressed.

Starting in FY 2005 OA cited RRB with a significant deficiency in the area of risk assessment because the agency had made little progress in implementing a formal NIST compliant risk assessment process. OA recommended that RRB complete a formal NIST compliant risk assessment of the RRB's six major applications and two general support systems. As of this semiannual reporting period, this recommendation is still pending corrective action causing risk assessment to remain a significant deficiency.

The Office of Audit's objective was to assess the adequacy of the Railroad Retirement Board's information security program.



During FYs 2007 and 2008, the agency contracted with technical specialists to assist in the certification and accreditation of the RRB's major applications and general support systems. This contract included the preparation of formally documented, NIST compliant risk assessments. As of August 2008, only the risk assessment for RRB's LAN/PC general support system had been finalized.

OA's review of the LAN/PC risk assessment showed that the contractor had completed the risk assessment in accordance with NIST guidance. However, some weaknesses in the description of the system environment and in the control analysis for system backups remain. OA attributes these weaknesses to an ineffective review process of contractor deliverables performed by the Bureau of Information Services (BIS). As a result, the effectiveness of the certification and accreditation process and the information security program as a whole is undermined.

In addition to previous recommendations relating to risk assessment, OA recommended that BIS review and update the LAN/PC general support system's risk assessment to accurately reflect the current RRB system environment and control analysis.

Periodic Testing/Evaluation

FISMA requires periodic testing and evaluation of the effectiveness of information security policies, procedures and practices performed with a frequency depending on risk, but no less than annually. The periodic tests and evaluations must include testing of management, operational and technical controls for every system identified in the agency's inventory of systems, including contractor operations. NIST provides procedures for assessing the effectiveness of security controls employed in federal information systems and directly supports the security certification and accreditation process.

OA's FY 2005 FISMA evaluation cited RRB with a significant deficiency in its testing and evaluation program because the agency had made little progress in implementing a compliant periodic testing and evaluation process. OA recommended that RRB ensure periodic independent evaluations of system security. As of this semiannual reporting period, this recommendation is still pending corrective action causing periodic testing/evaluation to remain a significant deficiency.



Certification and Accreditation Process

During FY 2007, RRB completed the certification and accreditation process for its LAN/PC general support system and is in the process of certifying and accrediting the mainframe general support system and five of six major applications. OA recommended that the RRB ensure certification and accreditation of the remaining major applications.

Contractor Operations

Additionally, RRB's tests and evaluations are not comprehensive for corrective action with respect to contractor operations. Although the agency has implemented a policy to perform and document information security site assessments, they have not developed a comprehensive plan to accomplish testing and evaluation of all of their contract operations. OA observed that not all program managers have taken action to perform site assessments. Inadequate testing and evaluation of contractor operations weakens the security program as a whole and remains part of the significant deficiency for periodic testing.

OA recommends implementation of previous recommendations and the development of a comprehensive plan for the testing and evaluation of the agency's contractor operations.

Other Observed Weaknesses

In FY 08, OA also observed some weaknesses in risk-based policies and procedures, information security training for temporary employees, incomplete or inaccurate system security plans and the establishment of a reliable fixed asset inventory for information technology equipment.

Audit Recommendations

Management accepted seven of the eight audit recommendations and has taken one recommendation under advisement.

Railroad Retirement Board management accepted seven of the eight audit recommendations and has taken one recommendation under advisement.



The Consolidated Appropriations Act, 2008, P.L. 110-161, restored the Office of Inspector General's ability to conduct RRB Medicare oversight including audits/evaluations.

During this semiannual reporting period, OA evaluated the Railroad Retirement Board Medicare contractor's information security program as part of their FY 2008 FISMA evaluation.

Evaluation of the Railroad Retirement Board Medicare Contractor's Information Security – September 26, 2008

The Consolidated Appropriations Act, 2008, P.L. 110-161, restored OIG's ability to conduct RRB Medicare oversight including audits/evaluations. During this semiannual reporting period, OA evaluated the RRB Medicare contractor's (Palmetto) information security program as part of their FY 2008 FISMA evaluation. OA's evaluation included an examination of FISMA supporting documentation prepared by Palmetto. OA also assessed whether a recently implemented web-based component application used by Palmetto adequately addressed authentication and privacy risks in accordance with OMB requirements.

OA concluded that RRB has received a level of information from Palmetto that would facilitate oversight of the RRB Medicare program, including FISMA compliance. Some improvements, however, are needed to ensure risk-based assessments for the RRB's information security and privacy program. Management concurred with both recommendations made by OA.

The National Institute of Standards and Technology defines electronic authentication as "the process of establishing confidence in user identities electronically presented to an information system." OA noted that RRB management did not ensure that the E-Authentication Risk Assessment was prepared in accordance with OMB guidance. Management agreed with OA's recommendation to prepare an electronic authentication risk assessment for the newly implemented application.

A privacy impact assessment was not prepared before the newly developed RRB web-based application was implemented. A privacy impact assessment is an analysis of how information is handled to ensure the handling conforms with legal, regulatory and policy requirements regarding privacy. A privacy impact assessment is essentially a risk assessment of the practices involving privacy-related information. RRB's newly implemented web-based component application included personally identifiable information requiring it to meet OMB criteria. RRB management did not ensure that the privacy impact assessment was prepared in accordance with OMB guidance. As a result, RRB can not provide assurance that the risks associated



with collecting and handling privacy-related information are addressed in the new application. Management agreed with OA's recommendation to prepare a privacy impact assessment for this application.



Management Decisions and Implementation

The Office of Inspector General tracks the status of corrective actions for all audit/evaluation recommendations.

The OIG tracks the status of corrective actions for all audit/evaluation recommendations. Office of Management and Budget Circular No. A-50 (Revised) and the Inspector General Act Amendments of 1988 require the reporting of management decisions and corrective actions for all audit/evaluation recommendations.

Management Decisions for Recommendations	
Requiring Management Decision on April 1, 2008	0
Pending Management Decision for New Recommendations	1
Management Decision on Previous Recommendations	0
Recommendations Pending Management Decision on September 30, 2008	1

Corrective Actions	
Recommendations Requiring Action on April 1, 2008	160
Recommendations Issued During Reporting Period	26
Corrective Actions Completed During Reporting Period	20
Recommendations Rejected During Reporting Period	2
Final Actions Pending on September 30, 2008	164



Office of Investigations

Investigative Caseload Data

During this semiannual reporting period, OI reviewed 183 matters. The major referral sources for these matters reviewed are listed below:

Source of Referral	Percentage
RRB Headquarters	51%
Hotline	20%
RRB Field Offices	10%
Other Federal Agencies	8%
Other	4%
Department of Justice	3%
Railroad Employers	2%
RRB Employees	1%
OIG Developed	0.5%
Railroad Worker	0.5%



During this semiannual reporting period, the Office of Investigations reviewed 183 matters.



Investigative Tools

To gather evidence and further investigations, Special Agents have a wide range of investigative tools including the Federal Grand Jury procedure, the Inspector General Subpoena and the Trial Subpoena. The following table summarizes OI's use of these investigative tools from April 1, 2008 through September 30, 2008 and during FY 2008.

Type of Subpoena Served	Number Served during the period April 1, 2008 – September 30, 2008	Number Served in Fiscal Year 2008
Inspector General Subpoena	29	90
Federal Grand Jury Subpoena	79	152
Trial Subpoena	2	2



Current Caseload

OI's current caseload totals 421 matters, representing approximately \$16 million in fraud against the RRB. The potential fraud losses by case type are listed below.

Type of Case	Number of Cases	Percentage of Cases	Potential Fraud Losses
Disability	196	46%	\$8,111,876
Unemployment/Sickness	83	20%	\$558,263
Retirement	53	12%	\$2,438,081
RRB Medicare	24	6%	\$3,277,561
Spouse/Dependent	22	5%	\$1,159,651
Other	15	4%	\$316,080
Representative Payee	12	3%	\$238,483
Railroad Employer	10	2%	\$0*
Employee	2	1%	\$0*
Threats	3	0.75%	\$0
Commercial Fraud	1	0.25%	\$0*

*Potential fraud losses are undetermined at this time.

The Office of Investigation's current caseload totals 421 matters, representing approximately \$16 million in fraud against the Railroad Retirement Board.



During this reporting period, the Office of Investigations obtained nine convictions and seven civil judgments in Railroad Retirement Board disability fraud cases.

The defendants in these cases received sentences totaling 19.5 years of probation and 200 hours of community service. They were ordered to pay \$430,696 in restitution, \$8,725 in fines and \$430,662 in civil damages/penalties.

REPRESENTATIVE INVESTIGATIONS APRIL 1, 2008 – SEPTEMBER 30, 2008

Disability Benefit Investigations

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

During this reporting period, OI obtained nine convictions and seven civil judgments in disability fraud cases. The defendants received sentences totaling 19.5 years of probation and 200 hours of community service. They were ordered to pay \$430,696 in restitution, \$8,725 in fines and \$430,662 in civil damages/penalties.

Descriptions of several cases completed during this reporting period follow.

Disability Annuitant Ordered to Repay \$52,844

Based upon an agency referral, OI initiated this investigation of a RRB disability annuitant. An initial check with the Social Security Administration revealed the annuitant was receiving wages from a private employer while receiving a RRB disability annuity.

Special Agents used subpoenas, subject interviews and complex financial analysis to determine that during the period of January 2003 through November 2004 the annuitant earned wages in excess of the allowable amount. The annuitants' actions caused him to fraudulently receive a total of \$50,515 in RRB annuity payments. This case was referred to the United State Attorney's Office (USAO) for the Central District of California. A Federal Grand Jury returned an indictment charging the annuitant with 19 counts of Theft of Public Money. The U.S. District Court rendered judgment against the annuitant for three counts and sentenced him to five years of probation, six months of home confinement and restitution in the amount of \$52,844 to the RRB.



Disability Annuitant Failed to Notify RRB of his Self-Employment Activities

OI received this case referral from the RRB Disability Benefits Division. Special Agents determined that the annuitant failed to report self-employment wages to the RRB. Financial analysis revealed that the annuitant earned wages above the allowable limit from 1999 through 2004. The annuitant's failure to report his self-employment wages caused him to fraudulently receive \$59,625 in RRB disability payments. During an interview with OI Special Agents the annuitant fully admitted wrongfully receiving RRB benefits.

This case was referred to the USAO for the Northern District of Indiana. The USAO filed an information against the annuitant for violations of Theft of Government Funds. He pled guilty and was sentenced to ten months of home detention, two years of probation, 100 hours of community service, assessed a \$100 fine and ordered to pay full restitution to the RRB in the amount of \$59,625.

Disability Annuitant Worked for a Government Contractor

The U.S. Department of Labor referred this case to OI. Subsequent investigation revealed that during the period of March 2006 through March 2007, the annuitant worked full-time for a government contractor. In order to avoid detection by the RRB, the annuitant reported his wages under his spouse's social security number. During an interview with RRB Special Agents, the annuitant confessed to the allegations. The annuitant's actions caused him to fraudulently receive \$19,220 in disability benefits. This case was referred to the USAO for the Eastern District of Missouri. The annuitant entered into pretrial diversion for violation of Theft of Government Funds and agreed to 18 of months of probation and full restitution in the amount of \$19,220.



Annuitant's Spouse Held Responsible for Half of Fraud Amount

Special Agents investigated a self-employed disability annuitant. Their investigation revealed that during the period of February 1999 through September 2006 the annuitant earned wages in excess of the allowable amount established by the Railroad Retirement Act. The annuitant's failure to report his income to the RRB caused him to fraudulently receive \$169,173 in disability payments. During the course of the investigation the annuitant passed away. Special Agents interviewed the annuitant's spouse regarding her role in this matter. She admitted that her spouse was self-employed while collecting a disability annuity. She further admitted that he had earned above the allowable limit and had reported his wages under her social security number to avoid detection by the RRB. This case was referred to the USAO for the Southern District of Georgia. The annuitant's spouse entered into a settlement agreement with the USAO and will pay \$84,586 in restitution for her half of the fraud amount.

Disabled Annuitant Owns and Operates Construction Firm

Special Agents investigated a RRB disability annuitant who owned and operated his own construction business. Their investigation revealed that the disabled annuitant actually performed the physical labor involved in house remodeling and had his clients pay his spouse for the work. From 2004 through 2006 the annuitant earned wages in excess of the allowable amount established by the Railroad Retirement Act. During an interview with Special Agents the annuitant admitted that he used his wife's name for payment in order to avoid detection. The annuitant's failure to report his income to the RRB caused him to fraudulently receive \$46,060 in disability payments. This case was referred to the USAO for the Eastern District of Kentucky. The annuitant pled guilty to violations of Failure to Report, False Claims and Statements and was sentenced to 12 months of probation, 100 hours of community service, full restitution in the amount of \$46,060 and a \$2,500 fine.



Unemployment and Sickness Insurance Investigations

Unemployment Insurance (UI) and Sickness Insurance (SI) benefit fraud involves individuals claiming and receiving UI or SI benefits while working and receiving wages from an employer, in violation of federal law. OI receives the majority of these cases from the RRB's Disability, Sickness and Unemployment Benefits Division as a result of information developed through state wage matching programs. The RRB conducts computer wage matches with various states to identify claimants who may have collected RRB administered unemployment or sickness insurance benefits on the same days they received wages from a private employer.

During this reporting period, OI obtained three convictions and six civil judgments for UI and SI fraud. Defendants in these cases received, in the aggregate, eight years of probation and 100 hours of community service. They were ordered to pay \$30,153 in restitution, \$165 in fines and \$53,606 in civil damages/penalties.

The following are examples of cases completed during this reporting period.

Unemployment Claimant Submits 21 False Claims to the Railroad Retirement Board

OI initiated an investigation of a RRB unemployment insurance claimant based upon an agency referral. The RRB had conducted a computer wage match with the State of Illinois that identified claimants who may have collected RRB administered unemployment insurance benefits on the same days they received wages from a private employer.

OI determined that during the period of March 2006 through March 2007 the claimant applied for RRB unemployment benefits on the same days she was working and being paid by a private employer. She submitted a total of 21 false claims when applying for benefits by intentionally not reporting her employment. Her actions resulted in the theft of \$10,368 in UI benefits. During an interview with Special Agents, the claimant admitted to the allegations. The case was referred to the USAO for the Northern District of Illinois. The USAO

During this reporting period, the Office of Investigations obtained three convictions and six civil judgments in Railroad Retirement Board unemployment and sickness insurance fraud cases.

The defendants in these cases received, in the aggregate, eight years of probation and 100 hours of community service. They were ordered to pay \$30,153 in restitution, \$165 in fines and \$53,606 in civil damages/penalties.



filed an information against the claimant for violations of Theft of Public Money. The U.S. District Court rendered judgment against the claimant and sentenced her to one year of probation, 100 hours of community service, restitution in the amount of \$10,368 and a special assessment of \$25.

Sickness Insurance Claimant Caught Double Dipping

The RRB had conducted a computer wage match with the State of Kentucky that identified claimants who may have collected RRB administered benefits on the same days they had earnings reported to the state. Based upon the results of that match, the agency referred this case to OI for investigation.

OI's investigation determined that the claimant applied for RRB sickness insurance benefits on the same days he collected workers' compensation payments from the State of Kentucky. During the period of November 2006 through August 2007 he submitted a total of 13 false claims when applying for RRB benefits. His actions resulted in the theft of \$6,419 in SI benefits. The case was referred to the USAO for the Eastern District of Kentucky. The claimant entered into an agreed judgment for violating the False Claims Act. He will pay full restitution in the amount of \$6,419.



Retirement/Survivor Benefit and Representative Payee Investigations

The Railroad Retirement Act provides retirement benefits for qualified railroad workers and their families. RRB retirement/survivor benefit and representative payee fraud typically involves the theft and/or fraudulent cashing of retirement benefit checks by someone other than the authorized RRB annuitant. A second common retirement benefit fraud scenario involves an individual failing to report information to the RRB that may disqualify the annuitant from receiving benefits. During the reporting period, OI obtained nine convictions for these types of fraud cases. The defendants received sentences totaling more than 31 months in prison and 28 years of probation. They were also ordered to pay \$378,974 in restitution and \$5,888 in fines. OI had two civil judgments worth \$35,501 in damages and penalties.

Examples of cases completed during this reporting period follow.

RRB Annuitant Put Corporate Ownership in His Brother's Name to Avoid Detection by the RRB

OI initiated an investigation against a retired railroad employee and his spouse who substantially underreported their corporate income to avoid losing their RRB retirement annuities. OI's investigation revealed that the annuitant and his spouse operated the day-to-day activities of a railroad industry based corporation. In order to avoid income detection, they put the corporate ownership in the name of his brother.

OI's investigation further revealed that the annuitants utilized a variety of bank accounts and mailing addresses to hide corporate assets from the RRB. It was also discovered that they used the corporation to pay off their mortgage and to purchase a number of high priced items including real property, cars and boats.

To uncover this scheme, OI's investigative activities involved multiple subpoenas, interviews and complex financial analysis. The annuitants' actions caused them to fraudulently receive a total of \$39,056 in RRB annuity payments. This case was referred to the USAO for the Middle District of Tennessee for criminal prosecution. The USAO filed a criminal information charging the former railroad employee with Theft

During this reporting period, the Office of Investigations obtained nine convictions and two civil judgments in Railroad Retirement Board retirement/survivor and representative payee fraud cases.

The defendants in these cases received sentences totaling more than 31 months in prison and 28 years of probation. They were also ordered to pay \$378,974 in restitution, \$5,888 in fines and \$35,501 in damages and penalties.



of Public Money. He pled guilty to one count and the U.S. District Court sentenced him to six months home of confinement, two years of probation, restitution of \$39,056 and a \$5,000 fine.

Former Representative Payee Misuses RRB Benefits for Personal Expenses

Based upon a RRB District Office referral, OI initiated an investigation against an individual who was acting as the representative payee for his disabled brother. During an interview with Special Agents, the subject admitted that his brother left his custodial care in 2000. His failure to report this information caused him to fraudulently receive \$60,762 in RRB survivor benefits which were intend for the care of his brother. The representative payee used the funds for his own personal use and gain. This case was referred to the USAO for the Eastern District of Kentucky. A criminal indictment was filed against the representative payee for Theft of Government Funds and Failure to Report, False Claims and Statements. He pled guilty to the second count and was sentenced to serve five years of probation and full restitution in the amount of \$60,762.

Son of Deceased Annuitant Fraudulently Receives \$132,969 in Benefits

A California man failed to report his mother's death to the RRB and fraudulently received \$132,969 in benefits. OI's investigation revealed that the annuitant passed away in February 1989; however, RRB continued to issue annuity checks in her name until January 2007. When Special Agents initially interviewed the subject regarding his mother's annuity benefits, he stated that his mother was transient and was living somewhere in Arizona but that he rarely heard from her. After locating her death certificate, Special Agents conducted a second interview. The subject admitted that he was living with his mother in Texas at the time of her death. Shortly after his mother's death, he moved to California. He not only failed to notify the agency of her death but he fraudulently changed her address to his new residence. Once residing in California, the subject utilized his deceased mother's identification to open a bank account to receive her RRB annuity benefits.

This case was referred to the USAO for the Northern District of California. The subject pled guilty for violating Theft of Government



Funds and was sentenced to three months of home confinement, 13 months of community confinement, five years of probation, \$100 fine and restitution in the amount of \$132,969.

Bank Makes Fraud Referral

An anonymous caller contacted their local bank to notify them that one of their customers had passed away. After reviewing their internal records, it was discovered that the customer received a monthly automatic deposit from the RRB. The bank contacted RRB and notified them of the annuitant's death. OI's subsequent investigation revealed that the annuitant passed away in September 2007 but RRB continued to send automatic annuity deposits until December 2007 when the bank notified the RRB of the annuitant's death. Special Agents and officers from the State Police interviewed the subject. She admitted that she failed to notify the RRB regarding the death of her grandmother and that she withdrew \$4,135 in funds and used them for her own personal gain. The subject entered into a State Diversion Program with the States Attorney's Office and agreed to 24 months of probation and full restitution.

RRB Survivor Annuitant Actively Fails to Report Disqualifying Marriage

Based upon an agency referral, OI initiated an investigation against a widower annuitant. Subsequent investigation revealed that the subject had applied for a widower's annuity in November 1995 but at the time of her application she was not married to the qualifying railroad employee. In fact, she had actually married a non-railroad worker in August 1990 making her ineligible for RRB benefits. The annuitant's fraudulent activity caused the agency to pay her \$20,656 in benefits. This case was referred to the USAO for the District of Arizona. The subject entered into a Settlement Agreement for violating the False Claims Act. She will repay the full amount of the fraud.



The Office of Investigations obtained renewed Railroad Retirement Board Medicare oversight authority on December 26, 2007 when President Bush signed the Consolidated Appropriations Act, 2008, P.L. 110-16.

Railroad Retirement Board Medicare Investigations

The Railroad Medicare program is a major area of agency responsibility. RRB enrolls railroad beneficiaries for Medicare coverage and collects premiums for Part B supplemental medical insurance. RRB also selects and monitors the single nationwide RRB Medicare Part B carrier, Palmetto GBA (Palmetto). During FY 2008, Palmetto processed approximately \$844 million in payments.

RRB Medicare fraud involves a diversity of schemes including billing for services not rendered, submitting charges for a greater level of service than was actually performed, billing for an entirely different service than was actually performed, billing for medically unnecessary services and other fraud activities. OI obtained renewed RRB Medicare oversight authority on December 26, 2007 when President Bush signed the Consolidated Appropriations Act, 2008, P.L. 110-16.

OI currently has 24 pending RRB Medicare cases with an estimated loss of more than \$3.2 million. They also have an additional 24 Medicare referrals under review. During this semiannual reporting period, OI completed its first RRB Medicare case and has obtained an indictment on a second case.

RRB Medicare Provider Enters Into Civil Settlement

This case was initiated based upon a referral from Palmetto's Medicare Benefit Integrity Unit. Through proactive data analysis, Palmetto identified an ophthalmologist who was disproportionately billing the highest level evaluation and management procedure codes. Investigation revealed that the provider up-coded 71% of the sampled claims. Up-coding means that the underlying medical records support a lesser charge than what was actually billed to RRB Medicare. It was determined that the provider fraudulently billed RRB Medicare \$24,471. This case was referred to the USAO for the Eastern District of Kentucky for civil prosecution. The provider entered into a settlement agreement for violations of the False Claims Act. She agreed to pay double damages in the amount of \$48,941.

The Office of Investigations currently has 24 pending Railroad Retirement Board Medicare cases with an estimated loss of more than \$3.2 million.



Employee Misconduct and Threats Against Employees

OI investigates allegations regarding agency employee misconduct and threats against RRB employees. Special Agents also assist in the adjudication of employee background security checks.

During this reporting period, OI obtained two convictions for cases involving employee misconduct and threats against employees. The defendants received, in the aggregate, three months in jail, six years of probation and were ordered to pay \$71,814 in restitution.

Examples of cases completed during this report period follow.

RRB Employee Fired For Off-Duty Misconduct

The Office of Personnel Management advised the RRB's Human Resources Director that a background investigation identified that a RRB employee had been convicted for multiple crimes, which were unrelated to her current RRB position, but which she failed to report on her background information form. Special Agents assisted the agency with verification of the allegations and acted as the liaison between the agency and local law enforcement officers. The employee had pled guilty to charges of perjury and identity theft. Based on substantiated conviction information the employee was removed from her position with the RRB.

Agents Investigate Agency's Improper Disclosure of Personally Identifying Information

Special Agents assisted in the investigation of improper disclosure of personally identifying information (PII). A member of the public contacted the agency regarding various historical documents. Agency personnel permitted the individual to review, photocopy and retain documentation which contained PII. OI conducted an investigation regarding the events surrounding the breach of security. The individual agreed to return the documents to the agency for proper redaction. The agency also made the appropriate referral to the United States Computer Emergency Readiness Team.

During this reporting period, the Office of Investigations obtained two convictions for cases involving employee misconduct and threats against employees.

The defendants received, in the aggregate, three months in jail, six years of probation and were ordered to pay \$71,814 in restitution.



Individual Committed to Mental Health Facility for Threatening RRB Employees

Special Agents previously investigated an individual for threatening RRB employees. The case was referred to the USAO for Eastern District of Arkansas for criminal prosecution. The subject entered into a pretrial diversion. Subsequently OI received information that the defendant violated his pretrial diversion by continuing to make repeated telephone calls to RRB employees. The defendant also made numerous threatening telephone calls to a local newscaster and threatened local retail employees. Special Agents worked closely with local law enforcement individuals to re-arrest the defendant. The defendant was subjected to a competency evaluation in connection with his violation of the pretrial diversion agreement and was eventually committed to a mental health facility for treatment.



Civil Enforcement Results

OI also pursues civil actions to obtain judicial orders for the recovery of funds fraudulently obtained by annuitants or claimants. These civil actions are typically brought under the provisions of the False Claims Act. This statute allows the government to recover up to treble damages as well as \$5,500 to \$11,000 for each false claim submitted. Some of these civil actions are pursued under the Department of Justice's Affirmative Civil Enforcement (ACE) program which provides a fast track prosecution mechanism.

During this period, a total of 16 civil judgments were entered by U.S. District Courts for RRB fraud cases that will result in \$568,711 being repaid to the government.

The ACE program continues to provide an efficient means to address fraud against RRB programs, particularly where the fraud losses are below the financial guidelines for criminal prosecution. It is an effective way to return fraud losses to the RRB's trust funds and it also creates a deterrent against future fraud.

The following is an example of an ACE case.

Annuitant to Pay Double Damages

OI initiated an investigation of a RRB unemployment insurance claimant based upon an agency referral. The RRB had conducted a computer wage match with the State of Illinois. The wage match identified claimants who may have collected RRB administered unemployment insurance benefits on the same days they received wages from a private employer.

OI determined that during February 2007 and June 2007 the claimant applied for RRB unemployment benefits on the same days he was working for a private employer. His failure to report these wages caused the RRB to pay him \$5,700 in unemployment insurance benefits he was not eligible to receive.

This case was referred to the USAO's ACE unit for the Northern District of Illinois. The USAO filed a civil complaint for violation of the False Claims Act. The annuitant entered into a consent judgment agreeing to repay double damages in the amount of \$11,400.

During this reporting period, a total of 16 civil judgments were entered by U.S. District Courts for Railroad Retirement Board fraud cases that will result in \$568,711 being repaid to the government.



Hotline Calls

The Office of Inspector General received 396 Hotline contacts during this reporting period and a total of 803 during fiscal year 2008.

The OIG established its Hotline to receive complaints concerning suspected fraud, waste and abuse in RRB programs and operations. The Hotline provides an open line of communication for individuals to report suspected criminal activity, conflicts of interest and mismanagement/waste of RRB funds. During this reporting period, OIG updated their Hotline web page to include an optional complaint form. Complainants' use of this form will ensure OIG has the necessary information to properly evaluate the allegations.

OIG received 396 Hotline contacts during this reporting period and a total of 803 during FY 2008. The following table summarizes the subsequent Hotline referrals for the period April 1, 2008 through September 30, 2008 and for FY 2008.

Referral Activity	Number of Hotline Referrals From April 1, 2008 – September 30, 2008	Fiscal Year 2008
RRB District or Regional Office	171	331
Other (Hang Ups, Misdirected Calls, Disconnections, etc.)	140	298
OIG – Office of Investigations	46	85
Calls With Insufficient Information to Make Appropriate Referrals	24	52
Other Federal Agencies	4	13
RRB Bureaus	7	13
Additional Information is Required Before Disposition can be Determined	2	7
RRB Medicare Carrier/ Durable Medical Equipment Carrier	1	3
OIG – Office of Audit	1	1



LEGISLATIVE & REGULATORY REVIEW

The Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of the agency. It also requires the Inspector General to make recommendations in the *Semiannual Report* concerning the impact of its activities on the economy and efficiency of the agency's administration of its programs and in particular on the prevention of fraud and abuse. The OIG has nothing to report for this semiannual period.

RRB Medicare Benefit Integrity

OIG identified several notable areas of concern regarding RRB Medicare benefit integrity. OIG believes that many of these concerns relate directly to the Centers for Medicare and Medicaid Services' (CMS) failure to invest adequate resources in RRB Medicare benefit integrity.

Pursuant to provisions in the Health Insurance Portability and Accountability Act of 1996, CMS transferred all fraud and abuse work, with the exception of RRB Medicare claims, from carriers and fiscal intermediaries to Program Safeguard Contractors (PSC). RRB's Medicare Part B contractor Palmetto GBA (Palmetto) still performs these functions based upon a cost reimbursement contract. Accordingly, Palmetto performs contract functions, including benefit integrity, to the extent they are funded by the contract. The funding for benefit integrity activities is less than what one would expect for a high risk program such as Medicare. Reimbursement for the Palmetto contract is made by CMS who also determines the budget levels. In Palmetto's March 6, 2008 *Notice of Budget Authority* for FY 2008, benefit integrity operations totaled only \$230,000 for a workload exceeding 11 million claims.

OIG's concerns include the following: (1) inadequate size of the benefit integrity unit; (2) the benefit integrity unit's lack of access to necessary expertise such as a Medical Director; (3) lack of communication between Palmetto's customer service employees and the benefit integrity unit; (4) lack of sufficient claims data to conduct effective analytical work; (5) lack of cooperation between various RRB Medicare departments; (6) inaccurate provider enrollment files; (7) lack of retroactive reviews on suspended or debarred providers; (8) lack of

The Office of Inspector General identified several notable areas of concern regarding RRB Medicare benefit integrity.

The Office of Inspector General believes that many of these concerns relate directly to the Centers for Medicare and Medicaid Services' lack of resources invested in this area.



The Office of Inspector General believes that it is imperative that the Centers for Medicare and Medicaid Services provides adequate funding for RRB Medicare benefit integrity operations and that they address the issue of Zoned Program Integrity Contractors with the Railroad Retirement Board.

Based on a recommendation from the Office of Inspector General, the agency had made changes to forms and correspondence requiring annuitants to provide more information when they are engaged in self-employment work or have an affiliation with a corporation.

access to local coverage determinations; and (9) lack of educational information provided to beneficiaries who receive direct billings from RRB Medicare providers.

In 2007, CMS announced that it would transition all PSC work to Zoned Program Integrity Contractors (ZPIC). The procurement for ZPIC contracts is currently underway. ZPICs will perform the same functions as the PSCs but under different contractual arrangements. It is unclear, at this point, how the ZPIC contracts will affect RRB Medicare benefit integrity operations. It is OIG's understanding that the current statement of work for ZPICs does not address RRB Medicare Part B claims. OIG believes that it is imperative that CMS provides adequate funding for RRB Medicare benefit integrity operations and that CMS addresses the issue of ZPICs with the Railroad Retirement Board.

Systemic Issue Reporting – Occupational Disability Program

The RRB's occupational disability program has qualities that render it susceptible to fraud and abuse. This program is a unique benefit for railroad employees with generous benefits and a low threshold for eligibility. The agency reports an approval rate of over 98% for applicants.

The OIG notes that the occupational disability program is established by federal statute and statutory changes would require Congressional action. The agency, however, should be more proactive in complying with section 231a (2) of the Railroad Retirement Act concerning occupational disability standards.

A recent audit of the agency's occupational disability program was conducted by Natalie P. Hartenbaum, MD, MPH and Laura Welch, MD. The scope of this audit was to "determine if the occupational determination process was functioning as designed." This report identified a number of areas for improvement. OIG encourages the agency to seriously consider their recommendations.

In previous *Semiannual Reports to the Congress*, OIG had highlighted their proactive work in relationship to the occupational disability program. For example, based on a recommendation from the OIG, the RRB has made changes to forms and correspondence requiring



annuitants to provide more information when they are engaged in self-employment work or have an affiliation with a corporation. Agency personnel notified the OIG that the revised forms are capturing the intended information and more specifically annuitants are reporting their corporate ownership/involvement activity.

OIG continues to evaluate ways to improve the economy, efficiency and effectiveness of the occupational disability program and will continue to make recommendations to the agency.

Systemic Issue Reporting – Fraud Resulting From Self-Employment Earnings

In OIG's *October 1, 2007 through March 31, 2008 Semiannual Report*, we reported that based on an OIG recommendation the agency made changes to a number of forms that are completed by individuals applying for a RRB disability. These changes were designed to elicit information from the applicant concerning his/her affiliation with business entities from which he/she may receive self-employment income. During this reporting period the RRB decided, based on OIG's recommendation, to make similar changes to a form it employs to monitor work and earnings for individuals who have been awarded a disability annuity. These changes have been approved by the RRB Board and the form has been submitted to the Office of Management and Budget for approval as an information collection document.

Computer Alert Implemented to Notify Agency of Pending OIG Action

In order to avoid case compromising contacts with targets, OI suggested that the agency add an alert to the internal computer database. RRB has instituted a system where a popup textbox notifies users that OIG has an active investigation open on the searched claim number. This automatic notification will reduce the risk of cases being compromised by administrative contact with the subject.

The agency decided, based on the Office of Inspector General's recommendation, to make similar changes to a form it employs to monitor work and earnings for individuals who have been awarded a disability annuity.



Removal of the current appropriations language would permit negotiations between the agency and the Office of Inspector General for a more efficient way to address the issue of support costs.

Reimbursement to the Agency

Current appropriations law requires OIG to reimburse the RRB for indirect costs that include office space, equipment, communications, supplies, maintenance and administrative services. This process requires the use of agency and OIG resources for reconciliation and accounting that could be better utilized for improving agency operations. RRB-OIG is the only federal Office of Inspector General that cannot negotiate a service level agreement with its parent agency. Removal of the current language would permit negotiations between the RRB and OIG for a more efficient way to address the issue of support costs.



OUTREACH

In addition to audit and investigative activities, OIG staff members perform outreach as a means to further the office's mission. The following section provides examples of the outreach activities conducted during this reporting period.

During the week of March 31, 2008 through April 3, 2008, the OIG coordinated a weeklong RRB Medicare fraud training course for their Special Agents. The training incorporated speakers from the Centers for Medicare and Medicaid Services, Department of Health and Human Services – Office of Inspector General, the Office of Personnel Management – Office of Inspector General, the United States Attorney's Office for the Northern District of Illinois and representatives from the RRB Medicare Carrier, Palmetto GBA. Over 50 Special Agents and Medicare fraud partners benefited from this training.

On April 8, 2008 Fox News in Chicago aired a special investigative report highlighting OIG fraud work. This segment concentrated on a disability benefit case which was discussed in our previous *Semiannual Report to the Congress*. Press coverage has a major impact on the benefit programs administered by the RRB. It creates a substantial deterrence by highlighting the ramification of fraudulent activities.

The Assistant Inspector General for Investigations gave a presentation to the Chicago Chapter of the Association of Government Accountants regarding the investigative mission of the OIG. This event was attended by accountants and auditors from a broad spectrum of federal offices of Inspector General.

On May 7, 2008 the IG made a presentation to students majoring in Government Oversight and Inspection at John Jay College of Criminal Justice in New York. The IG's presentation focused on government auditing standards and issues pertinent to the Inspector General community.

During the week of August 13th the Deputy Assistant Inspector General for Investigations and a Special Agent conducted an on-site visit at Palmetto GBA's Augusta, Georgia location. This was the second on-site visit conducted by OIG staff members. The purpose of this visit was to further facilitate cooperation between OIG and Palmetto GBA's RRB Medicare Benefit Integrity staff. During the course of this visit,

During the week of March 31, 2008 through April 3, 2008, the Office of Inspector General coordinated a weeklong Railroad Retirement Board Medicare fraud training course for their Special Agents.

On May 7, 2008 the Inspector General made a presentation to students majoring in Government Oversight and Inspection at John Jay College of Criminal Justice in New York.



During the week of August 13th the Deputy Assistant Inspector General for Investigations and a Special Agent conducted an on-site visit at Palmetto GBA's Augusta, Georgia location.

During this reporting period, Office of Inspector General staff members have had the opportunity to participate in a variety of Medicare related meetings including several task forces.

OIG noted several areas of concerns which are discussed in the *Legislative & Regulatory Review* section of this report.

The United States Attorney's Office for the Southern District of West Virginia announced an initiative to prosecute theft of government benefits including RRB benefits. Assistant Inspector General for Investigations was interviewed and quoted for a related news story in *The State Journal*. Press coverage creates a substantial deterrence by highlighting the ramification of fraudulent activities.

On August 15, 2008 the IG participated as a member of the Inspector General Issues roundtable panel as part of the Certified Inspectors General Institute conference at American University in Washington, D.C.

During this reporting period, OIG staff members have had the opportunity to participate in a variety of Medicare related meetings including several task forces. These task forces provide an open forum for health care fraud related communications and foster a team approach to health care fraud investigations. Members of the various task forces include representatives from the Department of Justice, the Centers for Medicare and Medicaid Services, the Department of Health and Human Services – Office of Inspector General, the Office of Personnel Management – Office of Inspector General, the Federal Bureau of Investigation, various State Police, various Medicaid Fraud Control Units and Medicare Program Safeguard Contractors. Since RRB Medicare is a national program, OIG staff members attend task forces in several judicial districts.

OIG is an active member of the National Health Care Anti-Fraud Association.

On a monthly basis, an OA staff member attends the agency's Information Technology Steering Committee meetings. This committee provides ongoing assessment of all new and existing IT projects, identifies critical issues and frames them from management and technical perspectives. The functions of the committee include strategic information resource management plan review, capital planning and investment control and enterprise architecture review. The OA staff person is not a member of the committee but acts as an OIG representative. As such, she compiles and maintains a file of committee activities and decisions which are used by OIG staff when



assessing agency programs. Additionally, she is responsible for ensuring that the OIG's interests are not overlooked when major IT decisions are made by the agency.

An OA staff member attends the agency's Information Security and Privacy Committee meetings as an OIG representative. This committee facilitates the implementation and compliance of FISMA. They are also involved in privacy management compliance for the agency. As the OIG representative, she compiles and maintains a file of committee activities and decisions which are used by OIG staff when assessing agency programs.

Additionally, an OA staff member represents the OIG at a weekly status meeting with the agency project managers for the RRB's National Toll Free Telephone Service (NTFS). The NTFS project will provide RRB beneficiaries with a single toll-free automatic call distribution telephone number. It will upgrade the existing interactive voice response system and the current frame relay network to a multi-protocol label switching environment which will be able to carry voice, data and images via digital communication lines instead of the current analog system. This project has been contracted under the General Services Administration's Networx Universal contract.

An Office of Audit staff member attends the agency's Information Security and Privacy Committee meetings as the Office of Inspector General representative.



APPENDICES

(A) Office of Inspector General Reports Issued	43
(B) Inspector General Issued Reports with Questioned Costs	44
Inspector General Issued Reports with Recommendations that Funds Be Put to Better Use	45
(C) Report on Receivables, Waivers and Recoveries	
Office of Investigations.....	46
Office of Audit.....	47
(D) RRB Management Reports	48
(E) Reporting Requirements	54
(F) Acronyms	56
(G) Legal Citations	58

APPENDIX A

OIG REPORTS ISSUED

- Implementation of Selected Requirements for Government Charge Card Programs at the Railroad Retirement Board – May 14, 2008
- Evaluation of the Information Security for the Railroad Retirement Board's Financial Interchange Major Application – September 26, 2008
- Evaluation of the Railroad Retirement Board Medicare Contractor's Information Security – September 26, 2008
- Fiscal Year 2008 Evaluation of Information Security at the Railroad Retirement Board – September 30, 2008

APPENDIX B

INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS

	Number of Issued 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, 2008	0	0	0
B. Which were issued from April 1, 2008 through September 30, 2008	0	0	0
Subtotal (A + B)	0	0	0
C. For which a management decision was made between April 1, 2008 through September 30, 2008	0	0	0
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision had been made by September 30, 2008	0	0	0
E. Report for which no management decision was made within six months of issuance	0	0	0

APPENDIX B – CONTINUED
INSPECTOR GENERAL ISSUED REPORTS WITH
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number of Issued 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, 2008	0	0
B. Which were issued from April 1, 2008 through September 30, 2008	0	0
C. Subtotal (A + B)	0	0
(i) dollar value of disallowed costs	0	0
(ii) dollar value of costs not disallowed	0	0
D. For which no management decision had been made by September 30, 2008	0	0
E. Report for which no management decision was made within six months of issuance	0	0

APPENDIX C

REPORT ON RECEIVABLES, WAIVERS AND RECOVERIES

The FY 1999 appropriations language for OIG requires the reporting of additional information concerning actual collections, offsets and funds put to better use achieved as a result of Inspector General activities.

OFFICE OF INVESTIGATIONS

Recoveries realized by the RRB resulting from court-ordered restitution and civil damages:

Fiscal Year	Amount Recovered
1999	\$ 855,655
2000	\$1,038,134
2001	\$ 990,356
2002	\$ 785,843
2003	\$ 947,876
2004	\$ 646,273
2005	\$ 844,183
2006	\$1,281,680
2007	\$1,347,049
2008	\$1,389,489

APPENDIX C - CONTINUED

OFFICE OF AUDIT

Report	Funds to be put to better use	Funds Agreed by Management	Receivables Established	Waivers	Recoveries to Date	Explanation
99-03	\$50,850	\$50,850	\$50,850	\$50,490	\$360	
99-14	\$83,000	\$83,000*	\$34,423		\$30,584	* This figure includes monies owed to the agency and overpayments which must be refunded.
99-16	\$48,000,000	\$48,000,000			\$13,300,000	
99-17	\$11,000,000	\$11,000,000			\$1,604,545*	* This figure represents case corrections that resulted in receivables, annuitant payments, employer tax credits and liabilities.
00-16	\$235,000	\$235,000			\$235,846*	*This figure represents returned payments credited to debtor accounts.
04-06	\$821,000	\$821,000	\$604,429	\$5,564	\$629,688	
04-10	\$400,000	\$400,000			\$761,151	
05-03	\$1,800,000	\$1,800,000*	\$4,245,771	\$59,379	\$810,068**	*This figure includes both overpayments and underpayments. **This figure includes an actuarial adjustment.
05-06	\$10,000	\$10,000*			\$42,915*	* This figure represents funds put to better use that were for a payout of underpaid Prompt Payment Act interest.
05-07	\$1,070,000	\$1,070,000				Recovery amounts are not yet available.
05-10	\$2,600,000	\$2,600,000				*This figure represents a one-time estimate of receivables established for 05-10 and 06-04 combined. The agency will not be tracking and/or reporting any additional recoveries.
06-04	\$257,000	\$257,000	\$311,000*			
06-05	\$2,100	\$2,100*				This figure represents a one time payment identified by audit. Management agreed that this singular case was mishandled under the rules for protected filing date and decided to consider the annuitant deterred from filing. Accordingly there will not be a related recovery.
06-06	\$200,000	\$200,000			\$5,065*	*This represents both overpayments and underpayments.

APPENDIX D – RRB MANAGEMENT REPORTS

THE INFORMATION CONTAINED IN THIS SECTION WAS PREPARED BY RRB MANAGEMENT

MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH DISALLOWED COSTS FOR THE 6-MONTH PERIOD ENDING SEPTEMBER 30, 2008

	<u>Number of audit reports</u>	<u>Disallowed costs</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	1	\$ 2,835 ¹
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	\$ 2,835
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. Write-offs	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)	1	\$ 2,835

1. Identified in Audit Report 05-09, "Review of Internal Control Over Budget Execution."

APPENDIX D – CONTINUED

MANAGEMENT REPORT ON FINAL ACTION ON AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE FOR THE 6-MONTH PERIOD ENDING SEPTEMBER 30, 2008

	<u>Number of audit reports</u>	<u>Funds to be put to better use</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	6	\$ 3,426,015 ¹
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)	6	\$ 3,426,015
D. Audit reports on which final action was taken during the period.		
1. Value of recommendations implemented (completed)	2	\$ 353,915 ²
2. Value of recommendations that management concluded should not or could not be implemented (completed)	0	\$ 0
3. Total of 1 and 2	0	\$ 353,915
E. Audit reports needing final action at the end of the period (C - D.3)	4	\$ 3,072,100

1. Comprised of the following amounts: \$1,800,000 from Audit Report 05-03, "Evaluation of the RRB's Processing of Disability Earnings Cases," \$42,915 from Audit Report 05-06, "Review of Compliance with the Prompt Payment Act," \$1,070,000 from Audit Report 05-07, "Evaluation of Survivor Annuity Work Deductions at the Railroad Retirement Board," \$311,000 from Audit Report 05-10, "Retired Employee Work Deductions Prior to Full Retirement Age," \$2,100 from Audit Report 06-05, "Review of Compliance with Provisions of the Railroad Retirement Act Governing the Initial Award of Benefits," and \$200,000 from Audit Report 06-06, "Review of the Termination and Suspension of Benefits Paid Under the Railroad Retirement Act."

2. This includes \$42,915 from Audit Report 05-06 and \$311,000,000 from Audit Report 05-10. At the time these audit reports were issued, the estimates of funds put to better use were \$10,000 and \$2,600,000 respectively, and these figures were contained in previous reports. After completing recommended actions, the actual amount under 05-06 was \$42,915, while the estimate for 05-10 was revised to \$311,000 based on one-time establishment of receivables.

APPENDIX D – CONTINUED

MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS OVER 12 MONTHS OLD WITH FINAL ACTION PENDING AS OF SEPTEMBER 30, 2008

Report	Date	Disallowed costs	Funds to be put to better use	Reason action not completed
Review of Non-Priority Correspondence Handling (97-09)	3/13/97	NONE	NONE	The Office of Programs is using a new system implemented in FY08 to track correspondence and should close the remaining recommendation in FY09.
Information Systems Security (INFOSEC) Report	6/28/00	NONE	NONE	The agency has upgraded its security capabilities and hopes to close the last open recommendation early in FY09.
Fiscal Year 2000 Financial Statement Audit (01-03)	2/23/01	NONE	NONE	While help desk procedures have been upgraded, the Bureau of Information Services is still developing reports to close the last open recommendation.
Site Security Assessment for the Office of Inspector (Blackbird #1)	7/20/01	NONE	NONE	Information Services is addressing the last open recommendation by migrating all applications to updated servers.
Review of Information Security at the Railroad Retirement Board (02-04)	2/5/02	NONE	NONE	Information Services has closed 21 recommendations and hopes to close the remaining 7 in FY09.
Evaluation of the Self-Assessment Process for Information System Security (03-02)	12/27/02	NONE	NONE	Information Services has completed one certification and accreditation review with contractor support and scheduled them for other major systems in FY09.
Inspection of Unverified Records in the RRB's Employment Data Maintenance System (03-06)	3/20/03	NONE	NONE	Programs reviewed all 20,000 records and is using a recently implemented tracking system to close the last two recommendations early in FY09.
Review of the Railroad Retirement Board's PIN/Password System for On-Line Authentication (03-09)	9/8/03	NONE	NONE	Information Services is developing procedures that should close the last open item early in FY09.
Review of the Systems Development Life Cycle for End-User Computing (03-10)	9/8/03	NONE	NONE	Information Services is using system and procedural changes to address and close the remaining four items early in FY09.
Review of Accounts Receivable Established Under the Railroad Unemployment Insurance Act (04-06)	7/29/04	NONE	NONE	Sampling procedures currently under development by Programs should close the last recommendation early in FY09.

APPENDIX D – CONTINUED

MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS OVER 12 MONTHS OLD WITH FINAL ACTION PENDING AS OF SEPTEMBER 30, 2008

Report	Date	Disallowed costs	Funds to be put to better use	Reason action not completed
Review of Mainframe Access Controls at the Application Level – RRB-Developed Applications Controlled by ACF2 and IDMS (04-08)	9/7/04	NONE	NONE	Since a formalized quality assurance program is cost prohibitive for these applications, Information Services is developing alternative approaches.
Fiscal Year 2004 Evaluation of Information Security at the Railroad Retirement Board (04-11)	9/30/04	NONE	NONE	Information Systems has closed eight of nine recommendations, and plans to close the last one early in FY09.
Review of RRB Compliance with Federal Laws and Regulations on Competitive Sourcing (05-02)	12/6/04	NONE	NONE	Information Services completed an initial feasibility study of sourcing information technology activities but continues to investigate alternate approaches and use contractor support.
Evaluation of the RRB's Processing of Disability Earnings Cases (05-03)	2/11/05	NONE	\$1,800,000	A review of almost 17,000 cases from 2001 indicated most did not require adjustment. Thus far, 606 cases have been adjusted with the remaining 73 targeted for completion in FY09.
Review of Internal Control Over the Actuarial Projection Process (05-04)	5/5/05	NONE	NONE	The Chief Actuary has developed a workforce development plan, with needed revisions expected to close the remaining open item.
Review of Customer Service Performance Measures for Timeliness of Initial Railroad Retirement Annuity Payments (05-05)	5/17/05	NONE	NONE	System changes being implemented should address the three remaining open recommendations in FY09.
Review of LAN, LAN Security Scan and Web-based Applications (DSD)	6/7/05	NONE	NONE	These contractor-prepared confidential reports contained 45 recommendations, with two-thirds closed thus far.
Evaluation of Survivor Annuity Work Deductions at the Railroad Retirement Board (05-07)	7/14/05	NONE	\$1,070,000	A major database conversion project delayed work on the last open item but it should be completed early in FY09.
Review of Access Controls in the End-User Computing General Support System (05-08)	7/18/05	NONE	NONE	Information Services has closed 11 of 15 recommendations in this confidential report. The remaining four are targeted for completion in FY09.
Review of Internal Control Over Budget Execution (05-09)	9/6/05	\$2,835	NONE	Fiscal Operations instituted procedures to close the two remaining items and has submitted documentation of them for review by the OIG.

APPENDIX D – CONTINUED

MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS OVER 12 MONTHS OLD WITH FINAL ACTION PENDING AS OF SEPTEMBER 30, 2008

Report	Date	Disallowed costs	Funds to be put to better use	Reason action not completed
Fiscal Year 2005 Evaluation of Information Security at the Railroad Retirement Board (05-11)	9/28/05	NONE	NONE	Information Services is developing policies and procedures needed to close the remaining two items early in FY09.
Accuracy and Reliability of GPRA Performance Measures: Timeliness of Non-Disability Survivor Annuity Payments (06-03)	1/30/06	NONE	NONE	Programs has closed three of the seven recommendations, with the remainder scheduled for completion in FY09.
Review of Compliance with the Provisions of the Railroad Retirement Act Governing the Initial Award of Benefits (06-05)	4/12/06	NONE	\$2,100	Programs staff closed four of the five recommendations. The remaining one is being reevaluated in light of ongoing systems development and data optimization projects.
Review of the Termination and Suspension of Benefits Paid Under the Railroad Retirement Act (06-06)	5/24/06	NONE	\$200,000	Programming work on a referral system is pending that should close out the remaining open recommendation.
Evaluation of the Railroad Retirement Board's Disaster Recover Plan (06-08)	8/14/06	NONE	NONE	Ongoing training as a supplement to a completed tabletop exercise of the plan should close the last item in FY09.
Review of Incident Handling and Reporting at the Railroad Retirement Board (06-09)	8/24/06	NONE	NONE	Information Services implemented two recommendations, with the remaining eight slated for completion in FY09.
Fiscal Year 2006 Financial Statement Audit (07-01)	2/9/07	NONE	NONE	The agency has closed 19 of the 20 recommendations, with action on the final one to be verified as part of the FY08 financial statement audit.
Audit of the DAISY/CHICO Component Application of the RRA Benefit Payment Major Application System (07-02)	3/9/07	NONE	NONE	Action on two of the remaining three open recommendations requires programming changes, with the last one dependent on cooperation with another agency on Medicare premium collection.
Audit of the State Wage Match Data Transmission Controls (07-04)	3/28/07	NONE	NONE	Programs plans to complete action to address the six open recommendations early in FY09.
Evaluation of the Railroad Retirement Board's Privacy Program (07-06)	7/30/07	NONE	NONE	Of the 15 recommendation, 4 have been closed with the remainder targeted for completion during FY09.

APPENDIX D – CONTINUED

MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS OVER 12 MONTHS OLD WITH FINAL ACTION PENDING AS OF SEPTEMBER 30, 2008

Report	Date	Disallowed costs	Funds to be put to better use	Reason action not completed
Audit of Federal Income Taxes Withheld from Railroad Retirement Annuities (07-07)	7/30/07	NONE	NONE	Three of the six recommendations have been closed, with the rest targeted for completion in FY09.
Fiscal Year 2007 Evaluation of Information Security at the Railroad Retirement Board (07-08)	9/27/07	NONE	NONE	Work on the eight recommendations is scheduled for completion in FY09.
Audit of Controls to Safeguard Sensitive Personally Identifiable Information (07-09)	9/27/07	NONE	NONE	Of the 22 recommendations, 1 has been implemented with work on most of the remaining ones to be finished in FY09.

APPENDIX E

REPORTING REQUIREMENTS

<i>INSPECTOR GENERAL REQUIREMENTS</i>	<u>PAGE</u>
Section 4(a)(2) – Review of Legislation and Regulations	35
Section 5(a)(1) – Significant Problems, Abuses and Deficiencies	4, 12 – 15, 35 – 37
Section 5(a)(2) – Recommendations With Respect to Significant Problems, Abuses and Deficiencies	12 –15, 35 – 37
Section 5(a)(3) – Prior Significant Recommendations Not Yet Implemented	4, 12 – 15
Section 5(a)(4) – Matters Referred to Prosecutive Authorities	8
Section 5(a)(5) – Summary of Report Made to Agency Head	35 – 37
Section 5(a)(6) – List of Audit Reports	43
Section 5(a)(7) – Summary of Each Significant Report	3 – 4, 9 – 18
Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs	44
Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	45

APPENDIX E - CONTINUED

REPORTING REQUIREMENTS

Inspector General Requirements Continued

Section 5(a)(10) – Summary of Each Audit Report Over 6 Months Old or Which No Management Decision Has Been Made	None
Section 5(a)(11) – Description and Explanation for Any Significant Revised Management Decision	None
Section 5(a)(12) – Information on Any Significant Management Decisions With Which the Inspector General Disagrees	None

Management Requirements

Section 5(b)(1) – Comments Deemed Appropriate	Transmittal Letter
Section 5(b)(2) –Statistical Table on Final Action on Disallowed Costs	48
Section 5(b)(3) – Statistical Table on Final Action to Put Funds to Better Use	49
Section 5(b)(4) – Statement on Audit Reports With Final Action Pending	50 – 53

APPENDIX F

ACRONYMS

ACE – Affirmative Civil Enforcement

BIS – Bureau of Information Services

CMS – Centers for Medicare and Medicaid Services

FISMA – Federal Information Security Management Act of 2002

FY – Fiscal Year

GSA – General Services Administration

HHS – U.S. Department of Health and Human Services –
Office of Inspector General

IG – Inspector General

NIST – National Institute of Standards and Technology

NTFS – National Toll Free Telephone Service

OA – United States Railroad Retirement Board, Office of Inspector
General – Office of Audit

OI – United States Railroad Retirement Board, Office of Inspector
General – Office of Investigations

OIG – United States Railroad Retirement Board, Office of Inspector
General

OMB – Office of Management and Budget

APPENDIX F - CONTINUED ACRONYMS

PII – Personally Identifying Information

PSC – Program Safeguard Contractor

RRA – Railroad Retirement Act

RRB – Railroad Retirement Board

RUIA – Railroad Unemployment Insurance Act

SI – Sickness Insurance

SSA – Social Security Administration

UI – Unemployment Insurance

USAO – United States Attorney's Office

ZPIC – Zoned Program Integrity Contractors

APPENDIX G

LEGAL CITATIONS

Federal:

Consolidated Appropriations Act, 2008 – P.L. 110-161

E-Government Act of 2002 – 45 U.S.C. § 3501

False Claims Act – 31 U.S.C. §§ 3729 - 3733

False Statements – 18 U.S.C. § 1001 et. seq. and 45 U.S.C. § 231(l)

Federal Information Security Management Act of 2002 – 44 U.S.C. § 3531, et. seq.

Freedom of Information Act – 5 U.S.C. § 552

Health Insurance Portability and Accountability Act of 1996 – P.L. 104 – 191

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

Inspector General Act Amendments of 1988 – 5 U.S.C. App. 3

Prompt Payment Act – P.L. 97-177, 31 U.S.C. § 3901 et. seq.

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. § Ch. 7

Theft of Public Money/Government Funds – 18 U.S.C. § 641

REPORT
FRAUD, WASTE AND ABUSE



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