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UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE RAILROAD RETIREMENT BOARD

This statement has been prepared pursuant to the Reports Consolidation Act of 2000 and the requirements of Office of Management and Budget Circular A-136 which require that the Inspectors General identify what they consider to be the most serious management challenges facing the agency and briefly assess the agency's progress in addressing those challenges. Our identification of challenges facing Railroad Retirement Board (RRB) management is based on recent audits, evaluations and our general knowledge of the RRB's programs and operations.

The RRB, as a Federal agency in the 21st century, faces many challenges. These challenges may arise through internal management processes or be the result of external influences. The most readily identifiable challenges are those that management has set for themselves through internal processes. The RRB has identified its organizational objectives in its annual performance report. Meeting and sustaining these goals <u>is a challenge that management has set for itself</u>. Less obvious, are the challenges posed by <u>changes in the environment</u> in which management must operate to meet its organizational objectives. These challenges may arise from legislative and regulatory mandates as well as advances in technology and the economic environment.

The RRB faces the greatest challenge from this latter category. The U.S. Government, through the standards and guidance of the Office of Management and Budget (OMB), Government Accountability Office (GAO) and the National Institute of Standards and Technology (NIST) have set high goals for Federal managers in performance reporting, financial accountability and in the way that we use information technology to accomplish organizational goals. In addition, legislative changes have altered the oversight framework for asset management. The OIG has identified areas in which the RRB's faces significant management and oversight challenges.

Oversight For Invested Assets of the Railroad Retirement Act Program

During FY 2008 the Office of Inspector General (OIG) raised concerns about the effectiveness of oversight for the National Railroad Retirement Investment Trust (NRRIT), a multi-billion dollar investment enterprise.[1] The legislation that created the trust precludes agency management and its Inspector General from exercising their traditional roles as stewards of program assets and independent watchdog, respectively. Recent turmoil in the national financial markets makes this matter an acute concern since the NRRIT holds and invests substantially all

[1] On March 31, 2008, the OIG released a "Statement of Concern" discussing this issue in detail.

program assets upon which the retirement, survivor and disability programs rely for future solvency.

December 2001 amendments to the Railroad Retirement Act (RRA) created the NRRIT, independent of the RRB, to manage and invest railroad retirement assets in a diversified investment portfolio in the same manner as those of private sector retirement plans.[2] At the end of FY 2007, the NRRIT reported net assets of $32.6 billion representing approximately 97% of the RRB's $33.5 billion net position and was ranked 45th in total assets among U.S. pension funds.

The NRRIT is not a Federal agency and the members of the Board of Trustees are not officers or employees of the government. The Railroad Retirement Survivor's Improvement Act, which created the NRRIT, provides that "the Trust is not a department, agency, or instrumentality of the Government of the United States and shall not be subject to title 31, United States Code." Although the NRRIT is independent of the RRB, the RRB has enforcement authority with respect to compliance with RRA. That is, the RRB has legal standing to bring the Trust, its Board of Trustees, its employees, or agents to court if the agency believes that the Trust is not in compliance with the requirements of the Act. However, that authority is not supported by an adequate oversight program.

The RRA includes specific language concerning independent oversight of the Trust which requires only an annual audit of the Trust's financial statements but does not require, or otherwise provide for, audits of compliance with laws and regulation or evaluations of management performance. As a result, although the RRB has enforcement authority, no provision has been made to provide RRB management with the information it needs to determine whether any enforcement action may be necessary. An annual financial statement audit is not adequate to support the RRB's enforcement responsibility because such audits are not intended to provide information about all areas of risk that could indicate the need for enforcement action.

The specific requirement for an annual financial audit and lack of provision for any other type of audit or oversight activity has been understood by the RRB's OIG to exclude the Trust from the OIG's audit and investigative responsibilities. No other organization, public or private, has assumed what would otherwise be the OIG's oversight role.

Financial Accounting and Reporting

During FY 2008, the OIG reclassified a previously reported significant deficiency in controls over financial reporting as a material weakness for FY 2008 because the originally cited condition had not been corrected. The inability to correct, or sustain correction, of a significant deficiency is an indicator of material weakness.

[2] Public Law 107-90, December 21, 2001, codified in 45 U.S.C. § 231n(j)

The OIG first reported this control weakness as a significant deficiency in connection with its opinion on the RRB's FY 2006 financial statements. Subsequently, we described the various individual matters that, in the aggregate, created that deficiency in a separate letter to management. These matters included errors and inconsistencies in the financial statements and supporting documentation, including support for general ledger accounting, which indicated that existing controls were not fully effective.

Although we observed notable efforts to strengthen internal control over financial accounting and reporting during FY 2007, we find that the RRB has been unable to sustain that improvement during FY 2008, to ensure that employees, in the normal course of performing their assigned functions, can prevent or detect misstatements on a timely basis.

Information Technology Security

Information security means protecting information and information systems from unauthorized access, use, disclosure, disruption, modification or destruction in order to provide confidentiality, integrity, and availability.

The RRB is still in the process of developing an information security management program that complies with the requirements of the Federal Information Security Management Act (FISMA) and the National Institute of Standards and Technology (NIST). Although the agency is making progress, this is a significant undertaking and can be expected to present a challenge during the near future.

The RRB expects to complete the certification and accreditation of its general support and major application systems during FY 2009. Agency managers have been working with technical specialists under contract to the RRB to achieve a NIST-compliant certification and accreditation process. This process includes risk assessments, updated security plans, security testing and evaluation, as well as development of a plan of action and milestones to address control deficiencies. Once completed, the certification and accreditation process process will better position the RRB for full FISMA compliance in the future.

Safeguarding Privacy

The RRB collects and retains sensitive personally identifiable information about its beneficiaries and employees which needs to be safeguarded from unauthorized disclosure.

The Privacy Act of 1974 requires Federal agencies to establish appropriate administrative, technical and physical safeguards to insure the security and confidentiality of records and to protect against any anticipated threats or hazards to their security or integrity which could result in substantial harm, embarrassment, inconvenience, or unfairness to any individual on whom information is maintained. The RRB has implemented a privacy program and appointed a Chief Privacy Officer to oversee its operation.

During FY 2007, OIG audits identified weaknesses in the physical security of sensitive information stored on paper, in computers and other electronic and non-electronic media. The OIG has recommended that the RRB develop a more comprehensive security program and offered additional, more specific recommendations to strengthen the agency's privacy program. RRB management responded positively to OIG recommendations to strengthen that program, agreeing to take corrective action in all areas.

Also in FY 2007, the RRB established two committees charged with responding to losses of personal information in the event of a data breach and providing oversight to the agency's privacy program.

Information technology security is a critical part of an effective privacy program. As the RRB moves toward FISMA compliance, it will also strengthen its privacy program. Corrective action remains pending on many prior OIG audit recommendations concerning privacy issues.

Improper Payments

During FY 2007, the RRB paid nearly $10 billion in retirement, survivor and disability benefits under the provisions of the RRA. The Improper Payments Information Act of 2002 (IPIA) (Pub. L. No. 107-300) established requirements for measuring and reporting improper payments in Federal programs. Appendix C, Part I. to OMB Circular A-123, *Management's Responsibility for Internal Controls* provides guidance to agencies implementing IPIA requirements.

Pursuant to the IPIA, the RRB reports annually on agency progress in reducing improper payments and has reported a reduction in the rate of RRA improper payments as compared with outlays, dropping from 1.64% in FY 2004 to .95% in FY 2007, and a reduction in RUIA improper payments from 2.11% in FY 2004 to 2.00% in FY 2007. During that same period, benefit -related accounts receivables grew from $30.3 million to $39.5 million.

Monitoring and reducing improper payments is inherently challenging in a business environment that makes benefit entitlement payments of such magnitude under complex entitlement and computational regulations.

Occupational Disabilities

Like the Social Security Act, the RRA provides for the payment of benefits to railroad workers who have been totally and permanently disabled from all work. Unlike the Social Security Act, the RRA also includes a provision that permits certain longtime railroad workers to qualify for an annuity if they are disabled from work in their regular railroad occupation.

The occupational disability annuity is a unique benefit in that it is a Federal program managed by a government agency serving workers in a single industry. The occupational disability provision of the RRA provides an annuity for life to workers in the railroad industry who have at least 20 years of service and are medically disqualified from performing his or her regular railroad occupation.

Occupational disability benefits remain payable as long as the disabled worker is unable to return to their railroad occupation even though they may be able to perform other types of work. This threshold for qualification, which is lower than the standard for determining total and permanent disability under the Social Security Act, makes the occupational disability program susceptible to fraud and abuse.

The entitlement to occupational disabilities is established by federal statute. That statute also requires the RRB to establish occupational disability standards with the cooperation of railroad employers and railroad employees. As a result, any successful reform initiative will require negotiation by both rail labor and rail management and possibly legislative change.

Original signed by:

Martin J. Dickman
Inspector General

October 17, 2008

Management's Comments

These are Management's comments on the Management and Performance Challenges identified by the Railroad Retirement Board Inspector General.

Oversight for Invested Assets of the Railroad Retirement Act Program

The Inspector General, in Management and Performance Challenges Facing the Railroad Retirement Board, restates his concern that the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) does not provide for adequate Federal oversight of the investment operations of the National Railroad Retirement Investment Trust (NRRIT).

As the Inspector General notes, the RRSIA created the NRRIT as a non-Federal entity with responsibility for investment of railroad retirement trust funds. The Board of Trustees of the NRRIT is comprised of seven members: three who represent railroad carriers, three who represent railroad labor, and an independent member who is selected by the other six Trustees. The statute provides that these Trustees "shall discharge their duties … with respect to the assets of the Trust solely in the interest of the Railroad Retirement Board and through it, the participants and beneficiaries of the programs funded under this Act…." The Act requires the NRRIT to engage an independent auditor to conduct an annual audit of the NRRIT's financial statements. The financial statements and the auditor's report are included in NRRIT's annual management report, which is required to be submitted to the Congress, with copies to the President, the Railroad Retirement Board, and the Office of Management and Budget. Enforcement authority is delegated to the Railroad Retirement Board to:

> bring a civil action –
> (i) to enjoin any act or practice by the Trust, its Board of Trustees, or its employees or agents that violates any provision of this Act; or
> (ii) to obtain any other appropriate relief to redress such violations, or to enforce any provisions of this Act.

The statute clearly delegates authority to audit to an independent public accountant, not to the Railroad Retirement Board or to the Railroad Retirement Board Office of Inspector General. The NRRIT has engaged Deloitte & Touche to conduct annual audits, as well as an update of the annual audit to provide information for the Statement of Social Insurance. The NRRIT has always met the statutory deadline for submission of the management report to the Congress and other entities, and each such report has contained all information called for by the statute.

The Inspector General suggests that the information provided in the Trust's annual financial statement and audit report is not sufficient for the Railroad Retirement Board to perform its delegated enforcement responsibilities under the Act. The Board does not agree with the Inspector General's opinion in this regard, but also wishes to point out that the annual financial statements and the audit report are not the only information available to the Board. Subsequent to enactment of the legislation and creation of the NRRIT, the Railroad Retirement Board, Department of the Treasury, Office of Management and Budget, and the NRRIT reached agreement on a Memorandum of Understanding calling for the NRRIT to provide additional financial information to the Railroad Retirement Board and other entities on a monthly basis. NRRIT information is incorporated in accounting records as appropriate and is disseminated within the agency and to the Department of the Treasury. Moreover, the three-member Board that heads the agency meets twice a year with the Trustees and key NRRIT staff to get updates on NRRIT investment activities and performance. Finally, the agency's General Counsel meets with the NRRIT's Chief Executive Officer/Chief Investment Officer and Counsel to the Trust following each meeting of the Board of Trustees to discuss the agenda of the meeting and other issues of interest.

The Board takes its responsibilities under the Railroad Retirement and Survivors' Improvement Act very seriously and the agency believes that we have sufficient information available to us to effectively carry out those responsibilities.

Financial Accounting and Reporting

We continue to enhance the financial accounting and reporting processes. The agency has implemented actions to improve these processes, such as issuing additional written guidance to the accounting staff and implementing a more comprehensive year-end financial statement review. Additional actions are being evaluated and planned.

Information Technology Security

As noted by the Inspector General, the Railroad Retirement Board is making progress in developing an information security management program. We expect to make significant progress in further developing this program in fiscal year 2009. Our work to improve our information security management program focuses on NIST-compliant security training and security awareness programs. Additionally, we plan to build upon the successful completion in fiscal years 2007/2008 of the certification and accreditation process of our two general support systems and five major applications. The certification and accreditation of our one remaining major application will be completed in fiscal year 2009, as will the NIST-required annual self-assessments of our accredited systems. Also, we plan to complete the final NIST Risk Management Framework phase by conducting control monitoring on the accredited systems.

We will continue to find new ways to improve information technology security and heighten security awareness among our workers. As a recent example of such efforts, we upgraded our Intrusion Detection System, which produced a 60 percent reduction in malware infections. To maintain this progress, we need to continue our succession planning efforts so that we retain a team of highly qualified security specialists.

Safeguarding Privacy

In fiscal year 2008, we worked on the foundation of our privacy program. Specifically, we updated the agency's privacy guidance regarding the Privacy Act. We also revised the agency's System Development Life Cycle to embed Privacy Impact Assessment requirements in business processes, thereby raising awareness of privacy for all who are involved in systems development.

We recently increased the agency's privacy program staffing. This will allow us to more aggressively establish priorities, promote critical safeguards to protect personally identifiable information, and address audit recommendations and other privacy issues.

Improper Payments

We agree that monitoring and reducing improper payment rates is challenging. The agency has made concerted efforts to pay out only benefits due, and has increased its efforts to recognize and prevent overpayments due to excess earnings after retirement in the past few years. The results of those efforts are reflected in increases in the benefit-related accounts receivables and the reductions in rates of improper payments since our earlier reports. We will continue to focus on reducing improper payments in the coming year.

Occupational Disabilities

The Inspector General states his opinion that the occupational disability program is susceptible to fraud and abuse. He states that this is because the threshold for finding entitlement to an occupational disability annuity is lower than the standard for finding total and permanent disability.

The Railroad Retirement Act was amended in 1946 to provide for the payment of an annuity to a railroad employee who is at least 50 years of age with 20 years of railroad service, or age 60, who is no longer able to perform his or her regular railroad occupation. The Act provides that the Board is to work with railroad labor and management in the establishment of standards for determining occupational disability. The Board has done that with the resulting product being occupational disability regulations and the occupational disability manual, both of which were adopted in 1998. The regulations established the Occupational Disability Advisory Committee, comprised of a physician representing railroad labor and a physician representing railroad management, with the function of reviewing the Board's regulations and the occupational disability claims manual and making recommendations for changes.

Since the Occupational Disability Committee was established in 1998, the Board has requested that the Committee conduct two audits of occupational disability cases. The first, conducted in 2000, resulted in the Board approving several changes in the occupational disability adjudication process to tighten up that process. The second audit was just completed and the report is being reviewed by railroad labor and railroad management as well as the Railroad Retirement Board.

The Railroad Retirement Board is administering the occupational disability program consistent with the provisions of the Railroad Retirement Act and the regulations adopted there under in consultation with railroad labor and railroad management.

Improper Payments Information Act (IPIA) Reporting Details

I. Describe the risk assessment(s), performed subsequent to completing the full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on OMB guidance thresholds) identified through risk assessments. Be sure to include the programs previously identified in the former Section 57 of OMB Circular A-11 (now located in Circular A-123, Appendix C).

The RRB's Office of Programs reviewed each of the two benefit payment programs the agency administers which are both listed in the former Section 57 of OMB A-11: Retirement and Survivor Benefits (referred to as RRA) and Railroad Unemployment Insurance Benefits (referred to as RUIA). The agency used the process described below to calculate the amount of improper payments made in fiscal year 2007.

Results of Fiscal Year 2007 Improper Payment Review

Program	Improper Payment Amt. >$10 million	Improper Payment Rate >2.5%	Action Plan or Targets Needed?
RRA	Yes	No	No
RUIA	No	No	No

II. Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.

The agency has an established methodology for identifying improper payments in the RRA and RUIA benefit payment programs. It is based on determining both the known overpayments and underpayments, which have since been recovered or paid out, and estimating those which result from adjudicative error, but have not been identified or corrected. It also uses information from quality assurance reviews. These reviews employ statistical sampling to study railroad retirement awards and unemployment and sickness insurance claims. Also included are projections of improper payments from audits and special studies.

III. Describe the Corrective Action Plans for reducing the estimated rate and amount of improper payments for *each* type of category of error. This discussion must include the corrective action(s) for each different type or cause of error, and the corresponding steps necessary to prevent future recurrence. If efforts are ongoing, it is appropriate to include that information in this section.

There are several ongoing activities and projects aimed at improving the accuracy of the payments and reducing erroneous payments.

Improper payments in the RRA and RUIA programs typically fall into two categories: *adjudicative error* (i.e., benefit payment decisions that are inconsistent with the law or regulations) and *out-of-date information* that impacts benefit entitlement.

- To detect improper payments due to *adjudicative error*, the agency conducts quality assurance programs and validation reviews, which identify activities that are susceptible to error and suggests process improvements and procedures to prevent further errors. The initiatives to minimize specific types of improper payments in the RRA program include:

  - A system which evaluates employer-reported changes to the employee service and compensation records and adjusts annuities, if needed. The initial implementation of this process in fiscal year 2006 handled the evaluation of record changes posted in January 2006. In fiscal year 2007, the system evaluated adjustments posted prior to January 2006. This initiative identified specific RRA improper underpayments and paid out additional benefits due. Therefore, this resolved many of the improper payments that have been included in previous years' estimates. This system is being run quarterly so that annuity adjustments are made timely, and properly.
  - A special project to resolve unverified SSN's of railroad employees. This will ensure that the correct earnings are recorded to the correct SSN which serves as a basis of the calculation of benefits.
  - A project to resolve inconsistencies related to the SSN on records of auxiliary beneficiaries (Spouse, Children and Widow(er)s). This will allow the agency to match to the SSA earnings database to identify earnings and to match to files containing death information.
  - A multiphase process which allows users to enter any annuitant's earnings information online, and store the information in a database. This system allows the RRB to adjust annuity payments for earnings on a timely basis, which minimizes any underpayments or overpayments that may result from changes in earnings.
  - Better procedures to identify unreported last pre-retirement employment earnings after the annuity beginning date.

- To detect improper payments due to *out-of-date information*, the agency conducts comprehensive monitoring and program integrity efforts which aim to validate continued entitlement to benefits. In fiscal year 2007, the agency achieved a return of $5.48 for every dollar in staff time invested in program integrity activities.

  Preventing improper unemployment and sickness payments is accomplished through pre-payment and post-payment verifications with the rail employers. These processes determine if benefits are being claimed for days the rail employee also receives payment or is otherwise not entitled to RUIA benefits. Currently, some of the largest rail employers actively participate in an automated 3-day prepayment verification process which prevents improper payments *before* they are made. During fiscal year 2007, pre-payment verification prevented payment of over $900,000 in benefits. Because payment was prevented, this amount was not considered improper. Since the current pre-payment verification process is not available to most rail employers, the majority have to take exception to improper claims *after* they are paid. Those payments are recorded as improper, requiring a recoverable to be established. During fiscal year 2008, the RRB is expanding the Employer Reporting System to enable more employers to participate in pre-payment verification through an Internet-based process. To the extent that employers make use of the new system, the level of improper payments will be further reduced through prevention.

Furthermore, the agency maintains a management control review process for all benefit payment programs. Responsible officials identify and report weaknesses in annual certifications required under the Federal Managers' Financial Integrity Act.

Additionally, during fiscal years 1999 through 2008, the OIG presented RRB management with 117 recommendations for process improvement and corrective action pertaining to improper payments. Agency management has implemented or plans to implement 111 of the 117 recommendations. The agency will continue to work with the OIG to address the issue of improper payments in its benefit programs.

IV. Program improper payment reporting.

a. The table below is required for each reporting agency.

Improper Payment (IP) Reduction Outlook FY 2006 – FY 2011
($ in millions)

Program	FY 06 $ Outlays (actual)	FY 06 IP %	FY 06 IP $	FY 07 $ Outlays (actual)	FY 07 IP %	FY 07 IP $	FY 08 $ Outlays (estimated)	FY 08 IP %	FY 08 IP $
RRA	$9,457.4	1.36	$128.6	$9,812.5	0.95	$92.7	$10,108.2	0.95	$95.5
RUIA	$105.6	2.6	$2.8	$107.0	2.0	$2.1	$115.5	2.0	$2.3

Program	FY 09 $ Outlays (estimated)	FY 09 IP %	FY 09 IP $	FY 10 $ Outlays (estimated)	FY 10 IP %	FY 10 IP $	FY 11 $ Outlays (estimated)	FY11 IP %	FY 11 IP $
RRA	$10,433.3	0.95	$98.6	$10,766.7	0.95	$101.8	$11,105.4	0.95	$105.0
RUIA	$123.2	2.0	$2.5	$130.8	2.0	$2.6	$136.0	2.0	$2.7

Note: The absolute value of the over and under-paid dollars and the rates is shown—the figures are not netted.

At the time this report was prepared, the latest actual data available was for fiscal year 2007. The estimates for fiscal year 2008 through 2011 are based on the December 2007 OMB budget review estimates. For the RRA program, the improper payment rates for fiscal year 2007 and beyond reflect implementation in fiscal year 2007 of the processing improvements discussed above.

For the RUIA program, the agency has applied the fiscal year 2007 percentage rate to estimated outlays to estimate improper payment amounts for future years.

b. Discuss your agency's recovery of improper payments, if applicable. Include in your discussion the dollar amount of cumulative recoveries collected beginning with FY 2004.

Despite all the agency's best efforts to prevent improper payments, some will always occur, due to lack of timely information, etc. In overpayment situations, the agency is diligent in its recovery efforts. The RRB's account receivable balance for the RRA program at the end of fiscal year 2007 was $44,554,432. This balance includes debts classified as currently not collectible. We estimate that approximately 79.3 percent of these receivables will be collected and that the remaining 20.7 percent will eventually be closed as uncollectible. The RRB's collection program is in full compliance with the Debt Collection Improvement Act of 1996. For the period of fiscal years 2003 through 2007, the RRB recovered $129,836,137 in RRA program receivables. Recoveries are made through offset of future benefits, reclamation from the financial institution of benefits erroneously paid after the death of a beneficiary, and direct payment from debtors. Fraudulent payments are referred to the Office of Inspector General for prosecution through the Department of Justice. Delinquent accounts are referred to the Department of the Treasury for cross-servicing and offset of Federal payments.

The RRB's account receivable balance for the RUIA program at the end of fiscal year 2007 was $11,203,081. This balance includes debts classified as currently not collectible. We estimate that approximately 72.9 percent of these receivables will be collected and that the remaining 27.1 percent will eventually be closed as uncollectible. The RRB's RUIA collection program is in full compliance with the Debt Collection Improvement Act of 1996. For the period of fiscal years 2003 through 2007, the RRB recovered $184,845,720 in RUIA program receivables. Recoveries were received from settlements by railroads for injury and time lost claims filed by rail employees, through offset of future benefits, and direct payment from debtors. Fraudulent payments are referred to the Office of Inspector General for prosecution through the Department of Justice. Delinquent accounts are referred to the Department of the Treasury for cross-servicing and offset of Federal payments.

V. Recovery auditing reporting.

This does not apply to RRB's benefit programs.

VI. Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.

Paying benefits accurately and timely, and providing prudent stewardship over agency trust funds are the agency's two strategic goals. Agency managers have links to those goals in their performance plans.

VII. Agency information systems and other infrastructure.

a. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.

b. If the agency does not have such systems and infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to obtain the necessary information systems and infrastructure.

The agency requested fiscal year 2009 funding for System Modernization, which will contribute to achieving the agency's target architecture and to meeting its performance goals, including accuracy of benefit payments, and stewardship of the trust funds. The modernization process will help reduce redundancy, improve accuracy and speed, and transition our computing environment to more modern technologies and methodologies.

VIII. Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

In the past, the agency has explored using the National New Hire Directory (NNHD) in order to obtain information not available through our current matching programs with the States, which would have the potential to further reduce improper payments in the RUIA program. However, the RRB stopped seeking legal authority to access the NNHD because the administrative costs of participating in that program were prohibitive. Until such time as we can get access and sufficient funding to cover the costs of utilizing the NNHD, there is little more the RRB can do to reduce or prevent the already low level of RUIA improper payments. Recently, we have inquired with OMB whether there might be future potential for some cost relief in this area.

IX. Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation.

The RRB has made concerted efforts to reduce improper payments over the years. Payment accuracy rates are at consistently high levels and the return on investment for program integrity activities has been high as well. Both have been set as annual performance goals and reported each year since the Government Performance and Results Act has been in effect. The agency monitors progress on implementing recommendations from the quality assurance process, and is vigilant about pursuing OIG recommendations which impact the quality and timeliness of payments. The agency has also worked closely with the OIG in referring potential fraud cases for its investigation and prosecution. The agency hopes to be able to maintain adequate staffing so that it can continue this important effort.

Summaries of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit

Audit Opinion	Unqualified				
Restatement	Yes, Statement of Budgetary Resources				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Information Technology Security	1				1
Actuarial Projection Process – Fund Balance	1		1		
Financial Reporting		1			1
Total Material Weaknesses	2				2

Summary of Management Assurances

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Qualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Information Technology Security	1					1
Actuarial Projection Process – Fund Balance	1		1			
Financial Reporting		1				1
Total Material Weaknesses	2					2

Conformance with Financial Management System Requirements (FMFIA § 4)	
Statement of Assurance	Systems conform