



U.S. RAILROAD RETIREMENT BOARD

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## OFFICE OF INSPECTOR GENERAL

# The Railroad Retirement Board Complied with the Payment Integrity Information Act of 2019 for Fiscal Year 2024

Report No. 25-05

May 27, 2025



## **What HRK Found**

Harper, Rains, Knight & Company, P.A. (HRK) found that for fiscal year 2024, the Railroad Retirement Board (RRB) complied with the Payment Integrity Information Act (PIIA) of 2019 because it satisfied all 10 payment integrity reporting requirements. While HRK found that RRB met all of the compliance requirements of PIIA, HRK did identify four findings related to improvements of process and internal controls for preventing, detecting, and reporting improper payments.

RRB management and the RRB's Office of Inspector General (OIG) agreed to close the RRB OIG's previous recommendations related to improper payments, including those for Railroad Medicare, without implementation, during fiscal year 2024, but those closed recommendations, and their related findings, may be subject to audit in the future.

## **What HRK Recommended**

HRK made six new recommendations in this report related to improvements of process and internal controls for preventing, detecting, and reporting improper payments. RRB management concurred with all six recommendations.

## **What We Did**

RRB OIG engaged HRK to conduct a performance audit of RRB's compliance with PIIA. During fiscal year 2024, the RRB paid \$14.5 billion in benefits to the railroad community, and through its Specialty Medicare Administrative Contractor, paid approximately \$923 million for 7.5 million Railroad Medicare Part B claims.

This audit was conducted in accordance with generally accepted government auditing standards. HRK is responsible for the audit report and the conclusions expressed therein. RRB OIG does not express any assurance on the conclusions presented in HRK's audit report.

The overall mandated objectives of this audit were to evaluate the RRB's compliance with PIIA. For details on the five audit objectives, see the Objectives section in HRK's audit report.

The scope of this audit was the information published in the RRB's payment integrity section of its fiscal year 2024 Performance and Accountability Report, and accompanying materials.



THE RAILROAD RETIREMENT BOARD  
COMPLIED WITH  
THE PAYMENT INTEGRITY INFORMATION ACT  
FOR FISCAL YEAR 2024

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## **Independent Auditors' Performance Audit Report of the U.S. Railroad Retirement Board's Compliance with the Payment Integrity Information Act for Fiscal Year 2024**

Principal Deputy Performing the Duties of the Inspector General  
U.S. Railroad Retirement Board  
Chicago, IL

We were contracted by the U.S. Railroad Retirement Board (RRB), Office of Inspector General (OIG), to conduct a performance audit of the Railroad Retirement Board's Compliance with the Payment Integrity Information Act (PIIA) of 2019 for fiscal year 2024.

Our performance audit objectives were to (1) determine whether the RRB complied with the PIIA for fiscal year 2024, (2) evaluate the accuracy of the RRB risk assessments and improper payment estimates methodology, (3) evaluate whether the RRB has correctly identified the causes of improper payments and whether the actions of the RRB to address those causes are adequate and effective, (4) evaluate the adequacy of RRB action plans on how to address the causes of improper payments, and (5) evaluate RRB's efforts to prevent, reduce, and recover improper payments.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We concluded that the RRB complied with the Payment Integrity Information Act of 2019 because it satisfied all 10 payment integrity reporting requirements. While we found that RRB met all of the compliance requirements of PIIA, we did identify four findings related to improvements of process and internal controls for preventing, detecting, and reporting improper payments. RRB Management and the OIG agreed to close the RRB OIG's previous open recommendations related to improper payments, including those for Railroad Medicare, without implementation, during fiscal year 2024. We did not review Railroad Medicare compliance for the reasons explained in the report sections below.

This report is for the purpose of concluding on the five audit objectives. Accordingly, this report is not suitable for any other purpose. We appreciate the cooperation and courtesies that RRB personnel extended to us during the execution of this performance audit.

*Harper, Rains, Knight & Company, P.A.*  
May 27, 2025  
Washington, D.C.

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## Introduction

This report presents the results of HRK & Company's (HRK) performance audit of the Railroad Retirement Board's (RRB) Compliance with the PIIA of 2019 for fiscal year 2024<sup>1</sup>. Section 3353 of PIIA requires the Inspector General of each executive agency to determine whether the executive agency is in compliance with PIIA and submit a report on the determination.

## Objectives, Scope, and Methodology

### Objectives

The mandated objectives of this audit were to (1) determine whether the RRB complied with the PIIA for fiscal year 2024, (2) evaluate the accuracy of the RRB risk assessments and improper payment (IP) estimates methodology, (3) evaluate whether the RRB has correctly identified the causes of improper payments and whether the action of the RRB to address those causes are adequate and effective, (4) evaluate the adequacy of RRB action plans on how to address the causes of improper payments, and (5) evaluate RRB's efforts to prevent, reduce, and recover improper payments.

### Scope

The scope of this audit was the information published in the RRB's Payment Integrity Section of its fiscal year 2024 Performance and Accountability Report (PAR), and accompanying materials.

### Methodology

To accomplish the audit objectives, we:

- assessed whether the RRB was in compliance with the PIIA,
- assessed the accuracy and completeness of agency reporting,
- evaluated the accuracy of the agency's risk assessments and their improper payment estimates methodology,
- identified criteria from the law as well as Office of Management and Budget (OMB) governmentwide guidance,
- identified and reviewed internal guidance, policies and procedures for payment integrity reporting in RRB's PAR,
- reviewed the payment integrity section of RRB's PAR as provided in the fiscal year 2024, accompanying materials, and the OMB annual data call,
- requested and reviewed applicable source data and documentation from the agency to verify the support for the information and in the PAR and data call,
- evaluated whether RRB correctly identified the causes of improper payments and whether their actions addressed those causes adequately and effectively,
- evaluated the adequacy of RRB's action plans in addressing the causes of its improper payments,

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<sup>1</sup> Pub. L. No 116-117, 134 Stat. 113, enacted March 2, 2020, codified at §31 U.S.C. 3353(a)(1).

- evaluated RRB’s efforts in preventing, reducing, and recovering improper payments,
- interviewed RRB officials and agency staff in the Program Evaluation and Management Services (PEMS) and Bureau of Fiscal Operations (BFO), and the RRB Specialty Medicare Administrative Contractor (SMAC) Contracting Officer’s Representative (COR)
- determined if Railroad Medicare’s improper payment estimate had been reported in the appropriate Department of Health and Human Services (HHS) and/or Centers for Medicare and Medicaid Services (CMS) Agency Financial Report (AFR),
- reviewed appropriate CMS documentation, and
- reviewed agency documentation.

We assessed the data reliability of the RRB’s risk assessments and payment recapture data, appropriate to the use of the data by: (1) tracing payment integrity totals reported in the PAR and accompanying materials to source documents, (2) reviewing the underlying spreadsheet formulas supporting the source data calculations, and (3) considering the overall risk of the RRB’s systems that provided the source data. We determined that the data were sufficiently reliable for the purpose of responding to our objectives. In addition, we determined that reliability of data would not materially affect our findings, conclusions, or recommendations.

Our review of internal controls was limited to those necessary to address the objectives and scope of the audit. We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted our fieldwork remotely with RRB personnel based in Chicago, Illinois from December 2024 through May 2025.

## **Criteria**

We used the following to perform the audit:

- GAO *Government Auditing Standards*, 2018 Revision Technical Update April 2021:
  - Chapter 8: Field Work Standards for Performance Audits;
  - Chapter 9: Reporting Standards for Performance Audits;
- Payment Integrity Information Act of 2019, Public Law No: 116-117, 134 STAT. 113 (03/02/2020);
- OMB Circular A-123, Appendix C *Requirements for Payment Integrity*, 03/05/2021;
- Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guidance for Payment Integrity Information Act Compliance Reviews*, 10/22/2024.

## Background

The RRB is an independent executive branch agency of the Federal Government that administers retirement-survivor and unemployment-sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA). The RRB paid \$14.5 billion in retirement and survivor benefits and \$62.4 million in unemployment and sickness insurance benefits during fiscal year 2024. The RRB also administers aspects of the Medicare Program (Railroad Medicare) under the Social Security Act.<sup>2</sup> The RRB, through its SMAC, paid \$923 million for 7.5 million Railroad Medicare Part B claims from October 1, 2023 through September 30, 2024.

OMB issued governmentwide guidance regarding reporting requirements based on improper payment legislation enacted to reduce improper payments. PIIA defines an improper payment as any payment that should not have been made or that was made in an incorrect amount (including an overpayment or underpayment) under a statutory, contractual, administrative, or other legally applicable requirement. An improper payment includes any payment to an ineligible recipient, and payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (excepted for such payments authorized by law), and any payment that does not account for credit in applicable discounts.

PIIA aims to improve efforts to identify and reduce governmentwide improper payments. Agencies must identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by OMB. Payment integrity information is published with the agency's annual financial statement in accordance with payment integrity guidance in OMB Circular A-136. The agency must also publish applicable payment integrity information required in the accompanying materials to the annual financial statement in accordance with applicable guidance. The most common accompanying materials are the payment integrity information published on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov). Each agency Inspector General is to review payment integrity reporting for compliance and issue an annual report.

As directed by OMB and CIGIE, we conducted our fiscal year 2024 performance review using a combination of the requirements in OMB Circular A-123, Appendix C; OMB Circular A-136; GAO *Government Auditing Standards*, 2018 Revision; and CIGIE guidance required under PIIA.

OMB M-21-19 defined significant improper payments as “annual IPs and UPs (i.e., the sum of monetary loss IPs, non-monetary loss IPs, and Unknown Payments (UPs)) in the program exceeding (1) both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the FY reported or (2) \$100,000,000 (regardless of the IP percentage of total program outlays).”<sup>3</sup>

The guidance also required agencies to approach improper payments with an Enterprise Risk Management (ERM) framework in mind and link agency efforts in establishing internal controls and preventing improper payments. According to OMB M-21-19,

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<sup>2</sup> 42 U.S.C. §1395u (also known as Section 1842(g) of the Social Security Act.

<sup>3</sup> OMB Memorandum M-21-19, Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, issued March 5, 2021.



*[t]he [ERM] framework, introduced in OMB Circular A-123, can be used to assist in the identification and management of payment integrity risks for the agency. Ensuring the integrity of Federal payments is fundamental to the core mission for agencies. A significant risk in managing IP risk is the potential that agencies may make investments in risk controls that negatively affect program mission, efficiency, customer experience or the overall operations of the agency. Agency senior management is required to manage the payment integrity risk to an agency achieving its strategic, operations, reporting, or compliance objectives.<sup>4</sup>*

Part of an ERM model is the extended enterprise. According to OMB M-16-17, the extended enterprise consists of interdependent relationships, parent-child relationships, and relationships external to an agency.<sup>5</sup> Thus, no agency is self-contained, and risk drivers can arise out of organizations that extend beyond the enterprise. These relationships give rise to a need for assurance that risk is being managed in that relationship both appropriately and as planned.<sup>6</sup>

The risk environment is beyond the boundary of the extended enterprise. The environment generates risks that cannot be controlled, or constrained the way the organization is permitted to take on or address risk.

OMB guidance requires each agency's Inspector General to assess PIIA compliance and submit its final report within 180 days after the publication date for the agency's PAR and the accompanying materials.<sup>7</sup> Agencies that are noncompliant with PIIA are subject to additional reporting requirements. Noncompliance for one year requires that the agency submit a plan describing the actions to be taken to become compliant. Noncompliance for two consecutive fiscal years for the same program requires a review from OMB to determine if additional funding would help the agency become compliant.<sup>8</sup>

Within RRB, the Office of Programs compiles and reports payment integrity data for the annual PAR. For fiscal year 2024, the RRB was required to report on four programs: 1) RRA benefit payments, 2) RUIA benefit payments, 3) vendor payments, and 4) employee payments. RRB also administratively maintains the Railroad Medicare program. RRB was responsible for reporting payment integrity for the Railroad Medicare program through fiscal year 2022.

Railroad Medicare is a nationwide healthcare program for railroad workers administratively maintained by the RRB. Historically, the RRB reported the Railroad Medicare improper payment rate once in fiscal year 2018, then subsequently failed to report its Railroad Medicare improper payments because RRB management believed PIIA reporting was the responsibility of CMS and such reporting would result in duplicative reporting. However, RRB did not formalize a PIIA reporting agreement with CMS until the end of fiscal year 2022. During this period of PIIA

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<sup>4</sup> OMB M-21-19, pg. 29.

<sup>5</sup> OMB Memorandum M-16-17, OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, issued July 15, 2016.

<sup>6</sup> OMB M-16-17, pg. 14.

<sup>7</sup> OMB M-21-19, pg. 50.

<sup>8</sup> Pub. L. No. 116-117, 134 Stat. 114 (2020), codified at 31 U.S.C. §3351(4).

noncompliance, RRB excluded the Railroad Medicare program from its improper payment reporting and did not exercise corrective action to implement PIIA recommendations related to Railroad Medicare. On August 31, 2022, the RRB and CMS entered into a Memorandum of Understanding (MOU) and CMS formally accepted responsibility for PIIA reporting.<sup>9</sup> However, by this time many years had passed, and the public taxpayers and railroad community had been misguided by the lack of payment integrity transparency. And while a reporting agreement had been reached between the two agencies, the critical issue of Railroad Medicare improper payment transparency had not been resolved or addressed.

CMS and RRB agreed upon a revised MOU in February 2025, after the end of the fiscal year 2024 audit period (September 30, 2024). This MOU more clearly defines the roles and responsibilities of CMS and RRB for identifying improper payments and identifying and implementing corrective actions.

### ***Railroad Medicare, Payment Integrity Reporting, and Improper Payment Data***

At the end of fiscal year 2024, more than 431,990 qualified railroad beneficiaries were enrolled in RRB's administered portion of Medicare Part B. During fiscal year 2024, RRB contracted with an SMAC and administered certain provisions of the Medicare Program.<sup>10</sup> These provisions included eligibility determination, enrollment or removal from enrollment, premium collection, processing state buy-ins, processing arrearages and refunds, liaison work with the SMAC, quality assurance and oversight of the SMAC, records maintenance, and answering inquiries. According to RRB, these costs for fiscal year 2024 were offset by approximately \$13.7 million in Railroad Medicare administrative expense reimbursements and \$21 million in transfers from CMS to fund the SMAC.<sup>11</sup> Due to an award challenge, the RRB Medicare SMAC is operating under a bridge contract, with a base period through 3/31/24, and one six-month option period from 4/1/24 through 10/31/24.

As such, CMS has paid RRB for these administrative services through an existing and ongoing cost reimbursement agreement. For fiscal year 2024, the total expenses of \$34.7 million covered both direct and indirect costs for RRB and RRB OIG and the costs of its SMAC contract to support the separate Railroad Medicare program.

With respect to the Railroad Medicare program, payment integrity reporting, and improper payment data, RRB maintained an extended enterprise relationship with CMS and the RRB's SMAC. At the time of this audit, the governing document between RRB, CMS, and the SMAC were the:

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<sup>9</sup> *Memorandum of Understanding Between the Department of Health and Human Services, Centers for Medicare & Medicaid Services and Railroad Retirement Board*, RRB MOU22-191 (Chicago, IL: August 31, 2022).

<sup>10</sup> As part of its administrative responsibilities, RRB selected a SMAC to process Railroad Medicare claims nationwide and administer the contract with the carrier. The contracting officer, contracting officer representative, and the contracting team are all RRB employees.

<sup>11</sup> The Centers for Medicare and Medicaid Services (CMS), a branch of the U.S. Department of Health and Human Services, the federal agency that administers the national Medicare program.

- Interagency Agreement between HHS/CMS and RRB, dated April 19, 1991, signed by the Health Care Finance Administration's (now CMS) Director of Office of Budget and Administration on April 16, 1991, and by RRB's Chief Executive Officer on March 22, 1991;
- Addendum to the Interagency Agreement between HHS (CMS) and RRB, dated July 26, 2004, signed by CMS' Director of Office of Financial Management on July 23, 2004, and by RRB's Senior Executive Officer on July 30, 2004;
- MOU between CMS and RRB (MOU13-61), signed by CMS' Deputy Center Director of the Center for Medicare on April 11, 2013, and by RRB's Director of Administration and Senior Procurement Executive on April 12, 2013;
- RRB's SMAC contract – RRB12C011 and corresponding statement of work. The SMAC contract was signed by the SMAC President on November 26, 2012, and by RRB's Chief of Acquisition Management and Contracting Officer on November 27, 2012. The 10-year contract should have ended on December 31, 2022. Due to award challenges, the SMAC is operated under a bridge contract with the base period through March 31, 2024, and one six-month option period from April 1, 2024 through October 31, 2024. A new 10-year SMAC contract was awarded in September 2024;
- MOU between CMS and RRB (MOU22-191), signed by CMS' Deputy Director, Center for Medicare on August 31, 2022, and by RRB's Chief of Acquisition Management on August 31, 2022; and
- MOU between CMS and RRB (MOU25-70) signed by CMS' Deputy Director, Center for Medicare on February 18, 2025 and by RRB's Chief of Acquisition Management on February 6, 2025.

The MOU signed August 31, 2022 documented CMS' acceptance of responsibility for reporting improper payment information for Railroad Medicare. The MOU signed February 18, 2025 continues the agreement for CMS to report Railroad Medicare.

As part of an extended enterprise, CMS provided RRB with Railroad Medicare payment integrity information and data for the eighth year in a row, in time for fiscal year 2024 PAR reporting. The Railroad Medicare improper payment rate and estimates were determined through the CMS' Comprehensive Error Rate Testing (CERT) program. The most recent Railroad Medicare payment integrity information revealed a 19.9 percent improper payment rate, representing a projected \$185.8 million of improper payments according to an internal report prepared by CMS and provided to RRB. The projected improper payments exceed the threshold for significant improper payments of \$100 million for a program by \$85.8 million. This rate exceeded the national Part B improper payment rate of 10 percent. Neither RRB nor CMS were transparent with this data in either of their annual reports.

The Railroad Medicare issues are further discussed in this report, in the sections titled *Railroad Medicare Improper Payment Information was not Transparent in HHS' Fiscal Year 2024 Agency Financial Report, Concerns About the Sampling and Estimation Plans for Railroad Medicare*.

## Results of Audit

Our audit concluded that RRB was compliant with the PIIA because it satisfied all of the 10 payment reporting requirements that were applicable as shown in Table 1.<sup>12</sup> Six requirements were not applicable for three programs because they were not susceptible to significant improper payments, and eight requirements were not applicable for RUIA as it is not susceptible to significant improper payments and an IP risk assessment was performed in fiscal year 2022. We did not review Railroad Medicare compliance for the reasons explained in the subsequent section.

**TABLE 1. ASSESSMENT OF RRB’S COMPLIANCE WITH PIIA REQUIREMENT**

Program Name	1a-Published Information with the AFS	1b – Posted the AFS & Accompanying Materials on the Agency Website	2a – Conducted IP RAs for Each Program with Annual Outlays > \$10,000,000 at least once in the last three years	2b – Adequately Concluded Whether the Program is Likely to Make IPs & Ups Above or Below the Statutory Threshold	3 - Published IP & UP Estimates for Programs Susceptible to Significant IPs in the Accompanying Materials to the AFS	4 - Published Corrective Action Plans for Each Program for Which an Estimate Above the Statutory Threshold was Published in the Accompanying Materials to the AFS	5a - 5a - Published IP & UP Reduction Targets for each Program for Which an Estimate Above the Statutory Threshold was Published in the Accompanying Materials to the AFS	#5b - Has Demonstrated Improvements to PI or Reached a Tolerable IP & UP Rate	5c - Has Developed a Plan to Meet the IP & UP Reduction Target	6 - Reported an IP & UP Estimate of Less than 10 Percent for Each Program for Which an Estimate was Published in the Accompanying Materials to the AFS
RRA	C	C	NA	NA	NA	NA	NA	NA	NA	NA
RUIA	C	C	NA	NA	NA	NA	NA	NA	NA	NA
Vendor Payments	C	C	NA	NA	NA	NA	NA	NA	NA	NA
Employee Payments	C	C	NA	NA	NA	NA	NA	NA	NA	NA

Source: IPA analysis of fiscal year 2024 PAR and accompanying materials. Note: Table 1 acronyms are Compliant (C), Payment Integrity (PI), Annual Financial Statement (AFS), Risk Assessment (RA), IP, and UP.

<sup>12</sup> Pub. L. No. 116-117, 134 Stat. 113 (2020), codified at 31 U.S.C. § 3351(2).

We determined the agency's payment integrity reporting was complete and accurate. Risk assessments were not required for the RRA, RUIA, Vendor Pay, and Employee Pay program due to the prescribed three-year cycle and were reviewed during this audit.

RRB is not responsible for reporting improper payment information for Railroad Medicare. A MOU between the RRB, CMS, and HHS, signed August 31, 2022, clarified that CMS will calculate the Railroad Medicare improper payment rate and report Railroad Medicare improper payment information under the PIIA. However, we determined that the Railroad Medicare improper payment rate and information is masked within the CMS and HHS reporting. Additionally, the OIG determined in the prior year that the Railroad Medicare improper payment sampling methodology used by CMS' CERT team could be improved. In Audit Report 23-04, issued May 19, 2023, the RRB OIG identified five weaknesses in Railroad Medicare Reporting. These recommendations are included in Appendix II: *Status of Previous Office of Inspector General Audit Recommendations for Improper Payment Reporting*. The recommendations in Appendix II related to improper payments, including those for Railroad Medicare, were closed without implementation in September of 2024. The Principal Deputy Performing the Duties of the Inspector General has indicated that prior year recommendations closed without implementation may be subject to audits in the future.

### **Payment Integrity Reporting Required in Statute**

The RRB complied with the PIIA because it satisfied the two applicable reporting requirements for the RRA benefit payment, vendor payment, employee payment program, and the RUIA benefit payment program. Eight improper payment requirements were not applicable for the four in-scope programs as shown in Table 1.<sup>13</sup> These requirements were not applicable because the programs were not susceptible to significant improper payments. We discuss our findings in the following sections.

### **RRB Published and Posted Payment Integrity Information in its PAR and in its Accompanying Materials**

Under PIIA requirements 1a and 1b, an executive agency shall publish improper payments information with the annual financial statement of the executive agency for the most recent fiscal year. The agency shall post this statement and any accompanying materials required under OMB's guidance on their website, [Paymentaccuracy.gov](https://www.paymentaccuracy.gov).

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<sup>13</sup> OMB M-21, 19, pg. 52; Pub. L. No. 116-117, 134 Stat. 113 (2020), codified at 31 U.S.C. § 3351(2).

The RRB complied with this requirement by publishing payment integrity information in its PAR, including the link to OMB's PaymentAccuracy.gov website, and posting the RRB's PAR on their website. The RRB responded to OMB's Annual Data call and this response was the source of the RRB's payment integrity information included in PaymentAccuracy.gov. This information represents the RRB's accompanying materials to the annual financial statement.

**Payment Integrity Information Act of 2019 Requirements Sections 2 through 6 were Not Applicable to the RRB.**

If applicable, federal agencies must report on the following requirements:

- Requirement #2 - Under PIIA requirement 2a, the agency must conduct an improper payment risk assessment at least once every three years, for each program with annual outlays greater than \$10 million to determine whether the program is likely to make improper payments plus unknown payments that would be in total above the statutory threshold<sup>[1]</sup>. Under PIIA requirement 2b, the agency must ensure that the improper payment risk assessment methodology used adequately concludes whether the program is likely to make improper payments plus unknown payments above or below the statutory threshold.<sup>[2]</sup> For programs that are not deemed to be susceptible to significant improper payments, agencies are required to perform risk assessments at least once every three years. If a program has a significant change in legislation or significant increase in funding, a risk assessment may be needed in the next annual cycle.
- Requirement #3 – Publish improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement.
- Requirement #4 – Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- Requirement #5a – Publish improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- Requirement #5b – Demonstrate improvements to payment integrity or reach a tolerable improper payment and unknown payment rate.
- Requirement #5c – Develop a plan to meet the improper payment and unknown payment reduction target.
- Requirement #6 – Report an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.<sup>14</sup>

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<sup>14</sup> OMB M-21-19, pgs. 45-49; Pub. L. 116-117, 134 Stat. 113 (2020), codified at 31 U.S.C. § 3351(2).

Because of the latest risk assessments performed for the RRB’s four payment integrity programs, the RRB determined the programs were not susceptible to significant improper payments or unknown payments (these programs remained in Phase 1). Therefore, requirements three through six were not applicable to these programs.

### **Agency’s Efforts to Prevent and Reduce IPs and UPs**

OMB Circular A-123 Appendix C, section VI.C.3, requires the OIG to “...include an evaluation of agency efforts to prevent and reduce [improper payments] and [unknown payments].” In addition, “...the OIG must include recommendation(s) for action(s) to further improve prevention and reduction of [improper payments] and [unknown payments] within the program” for each agency program reporting an estimate above the statutory threshold.<sup>15</sup>

Additionally, the RRB was not required to report an RRA program improper payment rate or amount since fiscal year 2017. However, they did include these amounts in their fiscal year 2023 risk assessment. Estimated improper payments for fiscal year 2023 were \$76.66 million, or 0.54% of program outlays of \$14,196.40 million. This was a small increase in the amount of improper payments, but a small decrease in the improper payment rate from fiscal year 2022 (\$75.91 million, or 0.56% of outlays of \$13,436.23 million. RRA continues to maintain a rate of less than 1%, and improper payment amounts below the significant threshold of \$100 million as program outlays have increased from \$12,484 million in fiscal year 2017 to \$14,196 million in fiscal year 2023. The passage of the PIIA of 2019 required all programs with more than \$10 million in annual outlays to conduct an improper payment risk assessment at least once every three years. The RRB performed risk assessments for RUIA in fiscal year 2021 and fiscal year 2022 which included improper payment totals and rates. The improper payment rate and amount were 2.40 percent and \$8.72 million for the fiscal year 2021 RUIA risk assessment. In fiscal year 2022 these amounts increased to 2.92 percent and \$8.78 million. The results show RRB’s performance in preventing and reducing improper payment amounts in the RUIA program declined slightly from fiscal year 2021 to 2022. Following guidance contained in OMB M-21-19, RRB was not required to perform a risk assessment and report improper payment rates and amounts of RUIA for fiscal year 2024, however RRB is performing ongoing activities to target the two root causes of improper payments: failure to access data, and inability to access data. These efforts include: State Wage Matching programs with all fifty states and District of Columbia, quality assurance programs, validation reviews, and a prepayment verification process.

As Table 2 below demonstrates, RRA program recoveries of \$47.62 million in fiscal year 2023 represent a decrease from the 2022 amount of \$50.09 million. This decrease mirrors the decrease in RRA debts reported to the Debt Recovery Service (\$61.17 million in 2022 to \$54.82 million in 2023). Prior to fiscal year 2020, recoveries increased every year from fiscal year 2015 (\$45.90 million) to fiscal year 2019 (\$82.73 million). RUIA recovery amounts have generally increased in most years as can be seen in Table 2. Additionally, the RRB has identified the major causes of overpayments for both the RRA and RUIA benefit payment programs and implemented actions for improving the accuracy of the payments and reducing erroneous payments.

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<sup>15</sup> OMB M-21-19, pg. 51.

**TABLE 2. OVERPAYMENTS RECAPTURED OUTSIDE OF PAYMENT RECAPTURE AUDITS (\$ IN MILLIONS)**

Program	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
RRA	\$47.62	\$50.09	\$43.30	\$53.50	\$82.73	\$72.00	\$70.22	\$64.42
RUIA	\$32.06	\$31.13	\$26.32	\$22.89	\$26.12	\$25.49	\$25.95	\$23.19

*Source: RRB BFO-Debt Recovery Service.*

The RRB has determined that it would not be cost effective to recapture employee and vendor payments; therefore, we could not make a determination with regard to the RRB’s adequacy in this area.

**Recommendations for Improving Processes and Internal Controls for Preventing and Detecting Improper Payments**

**Documentation of Compensating Controls**

Improper payments made by the RUIA program can be caused by adjudicative errors, unavailable or inaccessible information, or invalid or incorrect claims made by beneficiaries. The RUIA Program has developed and implemented processes and controls to identify improper payments, and the root causes of these improper payments as follows:

- To detect estimated improper payments due to adjudicative error, the agency conducts quality assurance programs and validation reviews. These reviews identify compliance and payment errors. Training and procedural reminders are distributed, and process improvements are suggested to prevent further errors.
- To detect improper payments due to information that is not readily available or is inaccessible, the agency conducts comprehensive monitoring and program integrity efforts, including conducting state wage matches, annual wage record audit, and physician verification.
- The RRB’s OIG conducts frequent audits of the RUIA benefit payment processes.
- The agency maintains an active ERM review process where responsible officials perform risk assessments and identify and report weaknesses in annual certifications required under the Federal Managers’ Financial Integrity Act.
- The RRB requires verification from rail employers and other sources to ensure payments are made only to those that are verified to be entitled under the RUIA.
- The RRB has a pre-payment verification process for RUIA claims, involving notice to rail employers to be matched against their payroll databases and provide any relevant data to



the RRB. Employers can report results through electronic means prior to RRB certification for payment.

- Prior to payment, each potential payment is electronically checked against the RRB’s database of outstanding accounts receivable for offset and recovery.
- The agency continues to explore the cost effectiveness and feasibility of using the National Directory of New Hires to obtain information not available through our current matching programs.
- The Sickness and Unemployment Benefits Section (SUBS) has a Recovery Debt Section (RDS) dedicated to processing claimant debts. In fiscal year 2024, RDS had five staff members involved in adjudicating Claimant Recoverable cases. During fiscal year 2024, approximately 1,800 debts were established, totaling \$6.8 million in recoverables. This was an increase of \$1.3 million in recoverables as compared to fiscal year 2023.
- The RRB is diligent in its recovery efforts through offset of future benefits and direct payment from debtors. Fraudulent payments and activities are referred to the RRB’s OIG.

We determined that the Office of Programs did not perform the quarterly quality assurance reviews, one of the controls designed to prevent and detect improper payments over unemployment and sickness benefit payments, for three (3) of the four (4) quarters for the fiscal year 2024 review. As a result, this particular control was not fully effective to detect and prevent improper unemployment and sickness payments caused by adjudicative error, unavailable or inaccessible data, and fraudulent claims.

OMB Circular A-123, Appendix C, Requirements for Payment Integrity Information, issued March 5, 2021, requires the following

“H. Examples of Prevention Strategies

Prevention of IPs (Improper Payments) requires a multi-pronged approach that is continually evolving. For example, a program will often have multiple mitigation strategies and corrective actions in place to prevent IPs and UPs (Unknown Payments) from occurring and it can take extraordinary patience and thought to develop prevention capabilities that are both cost-effective and successful.”

We found that the quarterly quality assurance review control did not operate as designed during our initial conversation with the RUIA program leadership. We then asked for additional evidence of the controls that were in place to detect and prevent improper payments in the RUIA program. We received documentation of controls performed throughout fiscal year 2024 which were designed to detect and prevent improper unemployment payments, and documentation that these controls were performed as designed during the fiscal year. This documentation also included reports, including the Fiscal Year 2024 Debt Report, which provided five years of detail on identified debts by cause, and the Program Integrity Report, which identifies the total cost, units worked, recoverables, benefit saving, and OIG referrals for the RUIA program.

The quarterly quality assurance reviews for RUIA were not completed for all quarters because the Office of Programs faced competing priorities and staffing shortages during fiscal year 2024. In addition, the Office of Program management and staff told us that they believed that quarterly

quality assurance reviews for RUIA were not necessary for all four quarters because they had other controls in place to detect and prevent improper unemployment and sickness improper payments, and because fiscal year 2024 was not a mandated reporting year under the improper payments law. In addition, during the five-year period beginning with fiscal year 2020 and ending with fiscal year 2024, debts created by RRB employees, which is what the quarterly quality assurance reviews were designed to identify were, on average, less than 1 (one) percent of total debts.

By not performing the quality assurance review as designed, PEMS could fail to identify compliance and payment errors timely. Without timely information, the Board cannot promptly identify the root causes of errors which could result in improper payments, and perform corrective actions, including training or procedure reminders.

While debts and improper payments by RRB employees represent a small percentage of improper payments within the RUIA program, the quarterly quality assurance process is an important input to RUIA's determination of improper and unknown payments. Failure to perform timely quality assurance procedures could impact detecting and preventing future improper payments.

We recommend that the Office of Programs amend its policies and procedures to capture the following points if the RUIA quality assurance review internal control will not be performed as designed:

1. Document its consideration of potential risks of not performing the quarterly Railroad Unemployment Insurance Act quality assurance review procedures. This documentation should include both quantitative and qualitative risks.
2. Document the compensating controls or alternative procedures which will be performed timely to mitigate the risks of not performing the quarterly assurance review procedures, as designed.
3. Ensure that the other compensating controls for detecting and preventing unemployment and sickness improper payments are operating effectively.

### **Improvements to Design of Controls over Employee Payroll Improper Payments Process**

Our audit found that the internal control in place over bi-weekly employee pay is not designed effectively to prevent or detect improper payments. Control 2.1, Responsible Official's Certification of Payroll is designed to identify gross differences in payroll, not improper payments at the employee level.

OMB Circular A-123, Appendix C, Requirements for Payment Integrity Information, issued March 5, 2021, requires the following

#### **"H. Examples of Prevention Strategies**

Prevention of IPs (Improper Payments) requires a multi-pronged approach that is continually evolving. For example, a program will often have multiple mitigation strategies and corrective actions in place to prevent IPs and UPs (Unknown Payments) from occurring and it can take extraordinary patience and thought to develop prevention capabilities that are both cost-effective and successful."

The control, as designed, identifies differences between total certified hours and total payroll cost from the HR Links system and the total payroll amount from the General Services Administration (GSA) Payroll Trend report, not total amounts paid, both payroll and benefits, by individual employee. It is not designed to test payroll and benefit inputs, such as what is evidenced on source documentation available to the BFO. The GSA Payroll Trend Report is generated from the same source data as the bi-weekly labor cost report.

The controls in place over employee pay will not prevent or detect improper payments, including payments made in the wrong amount, or unsupported payments made to employees.

We recommend that the Bureau of Fiscal Operations:

4. Develop and document compensating controls to determine if employee pay is calculated using the correct gross pay amount and is supported with source documentation available to the Bureau of Fiscal Operations. If improper gross pay amounts are identified, determine the root cause, and take action to resolve the improper pay amounts.

### **Potential Improvements in Railroad Medicare Reporting Transparency**

The Railroad Retirement Board (RRB) and HHS Centers for Medicare and Medicaid Services (CMS) signed a new MOU to document the relationship between RRB and CMS and identify the responsibilities of each entity for the Railroad Medicare program and continues to reflect language stating that CMS has responsibility for calculating and reporting the Medicare Fee-for-Service (FFS) program improper payment rate. This MOU was signed in February of 2025, and supersedes the previous MOU signed in 2022. The new MOU more clearly defines the responsibilities of both entities in the operation of Railroad Medicare and continues to reflect language stating that CMS has responsibility for calculating and reporting the Medicare Fee-for-Service (FFS) program improper payment rate.

OMB Circular A-123, Appendix C, Requirements for Payment Integrity Improvement, March 5, 2019, requires the following

#### **II. C.1. Statutory Threshold and Phases of Assessment**

“The statutory threshold is determined by statute. Programs are considered to be above the statutory threshold if they are reporting an annual Improper Payment (IP) and Unknown Payment (UP) estimate that is either above \$10 million and 1.5% of the program’s total annual outlays or above \$100 million regardless of the associated percentage of the program’s total annual outlays that the estimated IP and UP amount represents.

#### **Overview-Prevention**

To be effective, programs should prioritize efforts toward preventing IPs and UPs from occurring so that they can avoid operating in a “pay-and-chase” environment. All programs should have a structured and systematic approach to recognizing where the potential for IPs and UPs can arise and subsequently addressing the risk, as appropriate.”

However, the new MOU does not address transparency of reporting Railroad Medicare improper payments within Medicare Fee-for-Service reporting by CMS. Transparent reporting would include external reporting of the Railroad Medicare improper payment rate, independent of the overall Medicare Fee-for-Service program.

The new MOU, which replaces the MOU signed in fiscal year 2022, does not establish a requirement for either RRB or CMS to report the Railroad Medicare improper payment rate or estimated improper and unknown payments for the program, independent of the consolidated MACs and SMACs which together comprise Medicare Fee-for-Service.

Neither RRB nor CMS externally report the improper payment rate or estimated improper payments for the Railroad Medicare program in their PAR/Agency Financial Report, or as an RRB program on OMB's [paymentaccuracy.gov](https://www.paymentaccuracy.gov) website. As a result, the improper payment rate for Railroad Medicare, estimated at 19.9%, with projected improper payments of approximately \$185.8 million, for fiscal year 2024, according to an internal report provided to RRB by CMS, is not transparent to the readers of improper payment reports.

That is, those reading improper payment reporting would not be able to discern the improper payment rate for Railroad Medicare by reading either the RRB's PAR Report or CMS' Financial Report. This projected improper payment estimate for Railroad Medicare for fiscal year 2024 exceeded the threshold for significant improper payments of \$100 million by \$85.8 million.

We recommend that the Office of Programs:

5. Reach out to Centers for Medicare & Medicaid Services to discuss how Railroad Medicare improper payment reporting could be more transparent.

### **Proposed Improvements in Enterprise Risk Management of Payment Integrity Process**

Our audit found that RRB did not have one assessable unit to identify and certify all of the BFO and Office of Programs' controls for the prevention and detection improper payments. RRB's Management Control Review framework included assessable units for both BFO and the Office of Programs which assessed improper payment risks; however, it is important that all controls for payment integrity be included in a single assessable unit.

Section IV.A.3 Enterprise Risk Management for Payment Integrity of Appendix C, describes the role of Enterprise Risk Management in an agency's response to payment integrity:

“The Agency's Risk Profile, as required by OMB Circular No. A-123, should include an evaluation of payment integrity risks. To effectively manage payment integrity risk, agency senior management must perform an assessment in which they identify and evaluate the potential payment integrity risks the agency faces, analyze the potential likelihood and impact of those risks, and finally, prioritize the risks. The payment integrity risks should be prioritized based on the results of the assessment and the program's tolerable IP rate. When prioritizing payment integrity risks it is important to consider the extent to which control activities currently in place mitigate the likelihood and impact of risks and whether

the remaining risk after considering those control activities result in the program exceeding their tolerable IP rate.

When performing the assessment, the ERM model, should be used to identify, assess, prioritize, and respond to payment integrity risks. Once results of this assessment have been finalized, agency senior management should escalate significant payment integrity risks to the agency designated risk official for inclusion in the Risk Profile. When considering root causes, mitigation activities, and corrective action plans for payment integrity risks, senior agency officials should work with the designated risk official to take an enterprise approach to better identify whether similar challenges exist across other parts of the enterprise and to identify most effective mitigation and corrective action.”<sup>16</sup>

At the RRB, payment integrity risks were identified and analyzed separately by the assessable units of the organizations where the programs were owned. Each assessable unit identified, assessed, prioritized and planned its response to payment integrity risks within its own program(s).

RRB did not have an enterprise-wide assessment and response to payment integrity risks. Prioritizing risk and developing response without a uniform approach could result in: a failure to identify all relevant payment integrity risks, a failure to identify common risks or causes of improper payments across programs within the Board, or inefficient responses to enterprise-wide improper payment risks.

We recommend that the Bureau of Fiscal Operations:

6. Work with the Office of Programs to establish one assessable unit for payment integrity. This assessable unit should address payment integrity risks and controls across both organizations. Both the certifying official for Bureau of Fiscal Operations and the Office of Programs should certify their organization’s improper payment controls within the new assessable unit.

### **Other Issues Potentially Impacting Payment Integrity Information Reporting**

RRB OIG identified transparency issues with the Railroad Medicare program, concerns with the CMS’s sampling and estimation plans for Railroad Medicare improper payment data, and those concerns remain valid, but were not part of our audit. Findings related to Railroad Medicare in prior year improper payment reports have been closed without implementation in September of 2024. The Principal Deputy Performing the Duties of the Inspector General has indicated that prior year recommendations closed without implementation may be subject to audits in the future.

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<sup>16</sup> OMB M-21-19, pg. 29.

## **Railroad Medicare Improper Payment Information was Not Transparent in HHS's Fiscal Year 2024 Agency Financial Report**

Congress, the public taxpayers, and the railroad community have been denied access to Railroad Medicare's payment integrity performance for six consecutive years.<sup>17</sup> The Railroad Medicare improper payment rate and estimated amount of improper payments are not transparent in HHS' AFR or RRB's PAR.

The MOU between CMS and RRB was signed on August 31, 2022 and was effective for fiscal year 2024. According to the terms of the MOU, CMS must calculate and report Railroad Medicare improper payment data for fiscal year 2024. Therefore, the RRB is not responsible for reporting Railroad Medicare in its PAR or accompanying materials to the financial statement for fiscal year 2024 and beyond. As a result, we have not cited the RRB with noncompliance with the PIIA for fiscal year 2024.

However, Railroad Medicare improper payment information was not separately published in HHS' or CMS' AFR or on PaymentAccuracy.gov. In addition, Railroad Medicare improper payment information was not reported in HHS' 2024 Medicare Fee-for-Service Supplemental Improper Payment Data supplement to HHS's AFR<sup>18</sup>. Therefore, published Railroad Medicare information was not transparent and the Railroad Medicare's improper payment information is effectively masked in HHS' reporting. We reviewed HHS' fiscal year 2024 AFR and CMS' fiscal year 2024 AFR and there was no mention of the RRB's Railroad Medicare program as a separate program when discussing improper payment information. Finally, there was no mention of Railroad Medicare by HHS or CMS on the fiscal year 2024 dataset on PaymentAccuracy.gov.

This is in direct opposition to OMB's intent for transparency and illustrates the failings and risk inherent with the extended enterprise (i.e., a smaller program being overshadowed by a larger program). Railroad Medicare should be considered as one program for improper payment reporting as its annual outlays are greater than \$10 million and its improper payments have historically exceeded the statutory threshold deeming it susceptible to significant improper payments. Appendix C to OMB Circular No. A 123 requires that, "...agencies should not put programs or activities into groupings that may mask significant improper payment rates by the large size or scope of a grouping."

The RRB and OIG have historically disagreed on the reporting of Railroad Medicare improper payment information. The OIG believed that without approval from OMB or a formal agreement with CMS and HHS to the contrary, RRB should report Railroad Medicare payment integrity information. The RRB argued that CMS was calculating an improper payment rate and estimated the amount of improper payments for Railroad Medicare and that these amounts were included in HHS' overall Medicare program improper payment reporting. Therefore, if they reported Railroad Medicare improper payment information it would result in duplicative reporting

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<sup>17</sup> The RRB did not report Railroad Medicare payment integrity in its Performance and Accountability Report for fiscal years 2019, 2020, 2021, 2022, 2023 and 2024, even though it previously had reported in fiscal year 2018.

<sup>18</sup> CMS' website (<https://www.cms.gov/data-research/monitoring-programs/improper-payment-measurement-programs/comprehensive-error-rate-testing-cert/cert-reports/2024-medicare-fee-service-supplemental-improper-payment-data-1>) was accessed on February 3, 2025.

with HHS. The OIG observed that in none of the prior years was the Railroad Medicare improper payment information transparent in either CMS' or HHS' reporting. Even though the MOU clarifies that RRB is not responsible for Railroad Medicare reporting, Railroad Medicare improper payment information is still not transparent in HHS' AFR or dataset on PaymentAccuracy.gov.<sup>19</sup>

With no transparency of the Railroad Medicare improper payment rate and estimated amount of improper payments, Congress, and the public taxpayers have been disallowed access to Railroad Medicare's payment integrity performance over the years, including its SMAC's fiscal year 2024 performance in processing approximately 7.5 million claims totaling over \$923 million paid to national providers.

In Audit Report 23-04, RRB OIG made recommendation numbers 2023-01 and 2023-02 in response to these findings. These findings and recommendations are included in Appendix II: *Status of Previous Office of Inspector General Audit Recommendations for Improper Payment Reporting*. These findings were closed without implementation in September of 2024. The Principal Deputy Performing the Duties of the Inspector General has indicated that prior year recommendations closed without implementation may be subject to audits in the future.

### **Concerns About the Sampling and Estimation Plans for Railroad Medicare**

In Audit Report 19-09, the OIG identified concerns with the sampling and estimation plan used for Railroad Medicare. The PIIA requires that improper payment estimation plans be statistically valid, for susceptible programs in Phase 2, and comply with the requirements of OMB Circular A-123, Appendix C. The prior OIG report determined that the Railroad Medicare improper sampling and estimation plan did not conform to the guidance for a statistically valid and rigorous plan.

For example, the nonpublic internal report provided to the RRB on November 2024, indicated a total sample size of 144, or 12 claims sampled per month. This represents an increase from fiscal year 2023, when the CERT auditor reviewed 93 claims, or less than 8 claims per month. However, the population size for Railroad Medicare was 7.5 million claims. The Railroad Medicare CERT sample represents only 0.0019 percent of its claims and was determined to be not statistically valid and rigorous as defined by OMB. At the time of our audit, CMS continues to sample its MACs differently than the RRB's SMAC. While not at the optimal level, the Railroad Medicare program continues to rely on the statistically invalid CMS CERT sample reports and estimations for monitoring their improper payments.

In Audit Report 23-04, RRB OIG made recommendation number 2023-03 in response to this finding. This finding and recommendation is included in Appendix II: *Status of Previous Office of Inspector General Audit Recommendations for Improper Payment Reporting*. This finding was closed without implementation in September of 2024. The Principal Deputy Performing the Duties of the Inspector General has indicated that prior year recommendations closed without implementation may be subject to audits in the future.

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<sup>19</sup> RRB MOU22-191, pg. 6.

**Management's Comments and Our Response**

The Office of Programs and the Bureau of Fiscal Operations concurred with recommendations one through six. No modifications to our report were made in response to Management's comments.



## Appendix I – Management Comments



UNITED STATES GOVERNMENT  
MEMORANDUM

FORM G-115F (1-92)  
Railroad Retirement Board

May 22, 2025

**TO:** Kevin A. Grillo  
Harper, Rains, Knight & Company, P.A.

**FROM:** Arturo Cardenas  
Director of Programs

**SUBJECT:** Management Response - Office of Programs  
U.S. Railroad Retirement Board Performance Audit over Compliance with the  
Payment Integrity Information Act for the Fiscal Year 2024

Thank you for the opportunity to comment on the referenced draft report we received on May 21, 2025. The following is management's response to your recommendations.

**Recommendations 1, 2 and 3:** *We recommend that the Office of Programs amend its policies and procedures to capture the following points if the RULA quality assurance review internal control will not be performed as designed:*

- 1. Document its consideration of potential risks of not performing the quarterly RULA quality assurance review procedures. This documentation should include both quantitative and qualitative risks.*
- 2. Document the compensating controls or alternative procedures which will be performed timely to mitigate the risks of not performing the quarterly assurance review procedures, as designed.*
- 3. Ensure that the other compensating controls for detecting and preventing unemployment and sickness improper payments are operating effectively.*

Management Response: Management concurs with these recommendations.

Target Implementation Date: September 30, 2025

cc: Jebby Rasputnis, Deputy Director of Office of Programs  
Shawna Weekley, Chief Financial Officer  
Danielle Clark, Director of Audit Affairs & Compliance Division  
Janet Hallman, Director of Program Evaluation and Management Services

U.S. Railroad Retirement Board  
Payment Integrity Information Act Performance Audit For Fiscal Year 2024



UNITED STATES GOVERNMENT  
**MEMORANDUM**

FORM G-1157 (1-02)  
RAILROAD RETIREMENT BOARD

May 22, 2025

**TO:** Shanon E. Holman  
Assistant Inspector General for Audit

**FROM:** Shawna R. Weekley  
Chair of the Executive Committee  
Chief Financial Officer

**SUBJECT:** Bureau of Fiscal Operations Management Response – U.S. Railroad Retirement Board Performance Audit over Compliance with the Payment Integrity Information Act for the Fiscal Year 2024

SHAWNA WEEKLEY  
Digitally signed by SHAWNA WEEKLEY  
Date: 2025.05.22 12:10:04 -05'00'

Thank you for the opportunity to comment on the draft report for the “U.S. Railroad Retirement Board Performance Audit over Compliance with the Payment Integrity Information Act for the Fiscal Year 2024” that was issued on May 21, 2025. The following is management’s response to the recommendations that are directed to the Bureau of Fiscal Operations (BFO).

Recommendation 4: Develop and document compensating controls to determine if employee pay is calculated using the correct gross pay amount and is supported with source documentation available to BFO. If improper gross pay amounts are identified, determine the root cause and take action to resolve the improper pay amounts.

Management Decision: Management concurs with this recommendation.

The BFO will develop and document compensating controls to provide assurance that employee pay is calculated using the correct gross pay amounts. The controls will be designed to ensure that employee gross pay amounts are supported by source documentation available to the BFO. Management will also develop procedures to follow if improper gross pay amounts are identified. The procedures will include requirements to determine the root cause of improper gross pay amounts and prompt action to resolve the error.

Target Completion Date: April 2026

Recommendation 6: Work with the Office of Programs to establish one assessable unit for payment integrity. This assessable unit should address payment integrity risks and controls across both organizations. Both the certifying official for BFO and the Office of Programs should certify their organization’s improper payment controls within the new assessable unit.

Management Decision: Management concurs with this recommendation.

U.S. Railroad Retirement Board  
Payment Integrity Information Act Performance Audit For Fiscal Year 2024

The BFO will work with the Office of Programs and the Management Control Review Committee to establish a new assessable unit (AU) to document and monitor the agency's payment integrity risks and controls. The new Payment Integrity AU will have certifying officials from both the BFO and the Office of Programs who will each be responsible for certifying their organization's payment integrity controls.

Target Completion Date: December 2025

cc: Mario Moreno Jr., Deputy Chief Financial Officer  
Danielle M. Clark, Director, Audit Affairs and Compliance Division  
Latarisha Allen, Supervisory Auditor, Management Controls and Compliance Section

U.S. Railroad Retirement Board  
Payment Integrity Information Act Performance Audit For Fiscal Year 2024



UNITED STATES GOVERNMENT  
MEMORANDUM

FORM G-115F (1-92)  
Railroad Retirement Board

May 23, 2025

**TO:** Kevin A. Grillo  
Harper, Rains, Knight & Company, P.A.

**FROM:** Jebby Rasputnis  
Deputy Director of Programs

**JEBBY RASPUTNIS**

Digitally signed by JEBBY  
RASPUTNIS  
Date: 2025.05.23 08:41:35 -05'00'

**SUBJECT:** Management Response - Office of Programs  
U.S. Railroad Retirement Board Performance Audit over Compliance with the  
Payment Integrity Information Act for the Fiscal Year 2024

Thank you for the opportunity to comment on the referenced draft report we received on May 21, 2025. The following is management's additional response to your recommendations.

**Recommendation 5:** *Reach out to CMS to discuss how Railroad Medicare improper payment reporting could be more transparent.*

Management Response: Management concurs with this recommendation, noting that CMS bears responsibility for Medicare improper payment reporting.

Management would also like to draw attention to a section in the report which may cause confusion or concern for some readers:

*Neither RRB nor CMS externally report the improper payment rate or estimated improper payments for the Railroad Medicare program in their Performance and Accountability Report/Agency Financial Report, or as an RRB program on OMB's paymentaccuracy.gov website. As a result, the improper payment rate for Railroad Medicare, estimated at 19.9%, with projected improper payments of approximately \$185.8 million, for fiscal year 2024, according to an internal report provided to RRB by CMS, is not transparent to the readers of improper payment reports. That is, those reading improper payment reporting would not be able to discern the improper payment rate for Railroad Medicare by reading either the RRB's Performance and Accountability Report or CMS' Financial Report. This projected improper payment estimate for Railroad Medicare for fiscal year 2024 exceeded the threshold for significant improper payments of \$100 million by \$85.8 million.*

This paragraph implies that the claims data referenced in the internal report was from fiscal year 2024, but we note the report findings were based on reviewed claims data from a sampling period from July 2022 through June 2023. In addition, this paragraph does not reflect that the

U.S. Railroad Retirement Board  
Payment Integrity Information Act Performance Audit For Fiscal Year 2024

internal report contained multiple advisements regarding the extent of conclusions that could be drawn from the data: “Warning: Only 144 used for this report. Results may be sparse and some tables unpopulated;” and “The amounts and rates included in this report are unadjusted for the impact of Part A to B rebilling... Contractors should proceed with caution when interpreting these data due to the inclusion of service and error categories with small sample sizes in that particular jurisdiction.” The report also reflects that, due to the small sample size, the 95% confidence interval was 7.3% - 32.5%.

Management further observes that the internal report reflected that the biggest single contributor to the error rate was the sampled population of claims for hospital visits. Such claims are generally higher value claims that would have an out-sized impact on the projected error rate. In addition, during the sampling period, CMS changed/modified the coding guidelines for hospital visits. The paragraph in the draft audit report reflects a concrete conclusion regarding the projected improper payment estimate for Railroad Medicare but does not inform readers of pertinent details regarding the underlying data set. However, the RRB appreciates the OIG’s expressed commitment to transparency for the readers of improper payment reports. RRB management maintains open communications with CMS and will discuss Railroad Medicare improper payment reporting with CMS colleagues.

Target Implementation Date: September 30, 2025.

cc: Jack Schreibman, Director of Administration  
Arturo Cardenas, Director of Office of Programs  
Shawna Weekley, Chief Financial Officer  
Danielle Clark, Director of Audit Affairs & Compliance Division  
Janet Hallman, Director of Program Evaluation and Management Services

## Appendix II – Status of Previous Office of Inspector General Audit Recommendation for Improper Payment Reporting

<b>Report</b>	<b>Recommendation</b>	<b>Status</b>
15-06	Take all of the necessary steps to prepare and submit the required plans within the 90-day reporting requirement. (Recommendation 1)	Closed without implementation as of November 4, 2024
15-06	Ensure that the necessary policies and procedures are developed and documented for the agency’s use for the preparation of a risk assessment process that meets Improper Payment Elimination and Recovery Act of 2010 requirements. (Recommendation 2)	Closed without implementation as of November 4, 2024
15-06	Revise and document their definitions of improper underpayments for the Railroad Retirement Act program in compliance with Improper Payment Elimination and Recovery Act of 2010 guidance, and if similar definitions are used for other programs, revise them accordingly. (Recommendation 6)	Closed without implementation as of November 4, 2024
15-06	Develop and document the necessary policies and procedures for the review and validation of the Railroad Unemployment Insurance Act improper payment data to be reported in the Performance and Accountability Report. (Recommendation 9)	Closed without implementation as of November 4, 2024
15-06	Ensure that the proper controls are in place to make sure that the policies and procedures are followed to properly support the improper payment data reported for the Railroad Unemployment Insurance Act program. (Recommendation 10)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024

Appendix II  
 Previous Office of Inspector General Open Audit Recommendations

<b>Report</b>	<b>Recommendation</b>	<b>Status</b>
16-07	Revise its overall process for the Railroad Retirement Act program that supports improper payment reporting requirements to ensure the accuracy of the data. (Recommendation 1)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
16-07	Document policies and procedures to ensure that entire receivable balances are recorded in the agency's receivable system. (Recommendation 2)	Closed without implementation as of November 4, 2024
16-07	Revise its definitions of improper underpayments in the methodology used for the Railroad Unemployment Insurance Act program to ensure that it is in compliance with Improper Payment Elimination and Recovery Act of 2010 guidance. (Recommendation 3)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
17-05	Take the actions as required by Office of Management and Budget guidance in regard to noncompliance for third consecutive year for the same program to ensure that RRB programs for vendor payments and employee payments are brought into compliance. (Recommendation 1)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
17-05	Revise its computation for application of improper payment percentages for the Railroad Retirement Act program associated with initial and post underpayments to ensure that they are separately applied to the applicable components in Railroad Retirement Board calculations of the total improper payments. (Recommendation 2)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024

Appendix II  
 Previous Office of Inspector General Open Audit Recommendations

<b>Report</b>	<b>Recommendation</b>	<b>Status</b>
19-09	Submit a plan, within 90 days, to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and the Office of Management and Budget, describing the actions that the agency will take to become compliant. (Recommendation 1)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
19-09	Achieve a gross improper payment rate of less than 10 percent for Railroad Medicare. The Office of Programs through the Railroad Retirement Board's Specialty Medicare Administrative Contractor should continue to work with Medicare providers to communicate the documentation requirements and monitor the adherence to such requirements throughout the year. (Recommendation 2)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
19-09	Obtain and maintain the applicable Railroad Medicare sampling and estimation plan agency certification. It must be a Centers for Medicare and Medicaid Services' certification, Railroad Retirement Board Chief Financial Officer's certification, or other Railroad Retirement Board program official's certification. (Recommendation 4)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
19-09	Obtain the Railroad Medicare sampling and estimation plan for the fiscal year 2019 payment integrity reporting cycle. (Recommendation 5)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024



Appendix II  
 Previous Office of Inspector General Open Audit Recommendations

<b>Report</b>	<b>Recommendation</b>	<b>Status</b>
19-09	Establish a written policy to ensure subsequent Railroad Medicare sampling and estimation plans are obtained and readily available for review so that a qualified statistician would be able to replicate what was done or so that Office of Management and Budget, agency Inspector General, or Government Accountability Office personnel can evaluate the design. (Recommendation 6)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
19-09	Submit the Railroad Medicare sampling and estimation plan for fiscal year 2019 to the Office of Management and Budget by the June 30th deadline. (Recommendation 7)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
19-09	Obtain the Office of Management and Budget approval for Railroad Medicare's overall reduction target rate. (Recommendation 8)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
19-09	Update the Memorandum of Understanding (MOU13-61) to describe the applicable agency responsibilities as they pertain to Improper Payments Elimination and Recovery Act laws and Office of Management and Budget guidance for payment integrity reporting. (Recommendation 9)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
19-09	Include a brief narrative of the reduction in improper payments that is attributable to the Do Not Pay Initiative for Railroad Medicare and associated systems. (Recommendation 10)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
19-09	Identify, publish, and provide a justification for Railroad Medicare uncollectible amounts. (Recommendation 11)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024

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 Previous Office of Inspector General Open Audit Recommendations

<b>Report</b>	<b>Recommendation</b>	<b>Status</b>
19-09	Develop a payment recapture audit program for vendor and employee payments, or approved alternative method, if one is deemed cost effective. (Recommendation 13)	Closed without implementation as of November 4, 2024
19-09	If a payment recapture audit program is deemed not cost effective, provide a cost benefit analysis, in accordance with the Office of Management and Budget's best practices as outlined in OMB M-18-20, in writing to Office of Management and Budget and the Office of Inspector General, and include it in the fiscal year 2019 Performance and Accountability Report. (Recommendation 14)	Closed without implementation as of November 4, 2024
19-09	Adopt the Office of Management and Budget's recommended best practice and describe statutory or regulatory barriers in the fiscal year 2019 Performance and Accountability Report. (Recommendation 15)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
19-09	Update applicable performance appraisals with specific criteria for meeting applicable improper payment reduction targets and establish and maintain sufficient internal controls to reduce improper payments in accordance with Office of Management and Budget Circular A-136. (Recommendation 16)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
19-09	Develop and implement an internal control process (e.g. a checklist) to ensure all updates to OMB M-18-20 and Office of Management and Budget Circular A-136 relating to improper payments are sufficiently addressed for payment integrity reporting. (Recommendation 17)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024

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<b>Report</b>	<b>Recommendation</b>	<b>Status</b>
19-09	Work with the Centers for Medicare and Medicaid Services to meet the needs of Railroad Retirement Board's payment integrity reporting. If the Railroad Retirement Board is not able to obtain claims data that coincides with the fiscal year being reported, obtain Office of Management and Budget's approval for the delayed reporting timeframe. (Recommendation 18)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
19-09	Update the Memorandum of Understanding (MOU13-61) dated April 12, 2013 to ensure it reflects the applicable agency responsibilities as they pertain to improper payment reporting sampling and estimation plans. (Recommendation 19)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
20-06	Create and submit proposals to Office of Management and Budget during their next budget submission that will bring the agency into compliance. If the Director of Office of Management and Budget determines that additional funding would help the agency become compliant, the agency should obligate an amount of additional funding determined by the Director of Office of Management and Budget to intensify compliance efforts. (Recommendation 1)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
20-06	Update the corrective action plan that was published in the Railroad Retirement Board's fiscal year 2018 Performance and Accountability Report to reduce Railroad Medicare improper payments and publish it in the Railroad Retirement Board's fiscal year 2020 Performance and Accountability Report. (Recommendation 2)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024

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<b>Report</b>	<b>Recommendation</b>	<b>Status</b>
20-06	Publish Railroad Medicare overpayment recapture data in the Railroad Retirement Board's fiscal year 2020 Performance and Accountability Report. (Recommendation 3)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
20-06	Perform a reconciliation of Railroad Retirement Act overpayments recapture source data to the Financial Management Integrated System when preparing the payment recapture data worksheet to ensure accurate information is published in the Railroad Retirement Board's Performance and Accountability Report's payment integrity section. (Recommendation 4)	Closed without Implementation Criteria Used is No Longer in Effect as of March 5, 2025
20-06	Resume payment integrity reporting in the Railroad Retirement Board's Performance and Accountability Report, as required by applicable improper payment laws, until official approval from Office of Management and Budget is obtained and updated governing documents between the Railroad Retirement Board and the Department of Health and Human Services have been signed to reflect the extended enterprise relationship between the two agencies. (Recommendation 5)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
21-05	Publish Railroad Medicare program payment integrity information in accordance with the Payment Integrity Information Act of 2019 and the Office of Management and Budget's data call requirements until it formalizes an agreement with the Centers for Medicare and Medicaid Services to take over reporting for Railroad Medicare. (Recommendation 1)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024

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<b>Report</b>	<b>Recommendation</b>	<b>Status</b>
21-05	Publish improper payment estimates for the Railroad Medicare program in the Office of Management and Budget's data calls, until the Office of Management and Budget formally approves the Railroad Retirement Board's discontinuation of reporting or approves an agreement between the Centers for Medicare and Medicaid Services and the Railroad Retirement Board on how Railroad Medicare will be reported. (Recommendation 2)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
21-05	Develop and publish corrective action plan information in accordance with OMB directives. (Recommendation 3)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
21-05	Publish reduction targets for the Railroad Medicare Program in accordance with the annual Office of Management and Budget Data Call requirements. (Recommendation 4)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
21-05	Meet the published reduction targets for the Railroad Medicare Program. (Recommendation 5)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
21-05	Report an improper payment rate of less than 10 percent for the Railroad Medicare program in accordance with applicable laws and regulations. (Recommendation 6)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
21-05	Fully complete and publish all required payment integrity information as requested by the Office of Management and Budget's annual and supplemental data calls, until it formalizes an agreement with the Centers for Medicare and Medicaid Services to take over reporting for Railroad Medicare. (Recommendation 7)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024

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<b>Report</b>	<b>Recommendation</b>	<b>Status</b>
21-05	Describe in its Performance and Accountability Report or Office of Management and Budget supplemental data call submission, the internal controls, human capital, its information systems and infrastructure needs, as well as its other program needs for reducing Railroad Medicare improper payments to the targeted levels, in accordance with OMB's supplemental data call requirements. (Recommendation 8)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
22-08	Post Railroad Medicare program payment integrity information in the annual financial statement and accompanying materials on the agency website, in accordance with the Payment Integrity Information Act of 2019 and Office of Management and Budget's data call requirements, until RRB formalizes an agreement with the Centers for Medicare and Medicaid Services to take over reporting for Railroad Medicare. (Recommendation 1)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
22-08	Publish unknown payment estimates for the Railroad Medicare Program in the Office of Management and Budget's data calls, until the Office of Management and Budget formally approves the Railroad Retirement Board's discontinuation of reporting or approves an agreement between the Centers for Medicare and Medicaid Services and the Railroad Retirement Board on how Railroad Medicare will be reported. (Recommendation 2)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
22-08	Develop and publish a Railroad Medicare corrective action plan in accordance with Office of Management and Budget directives. (Recommendation 3)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024

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<b>Report</b>	<b>Recommendation</b>	<b>Status</b>
22-08	Publish improper payment and unknown payment reduction targets for the Railroad Medicare Program in accordance with the annual Office of Management and Budget Data Call requirements. (Recommendation 4)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
22-08	Demonstrate improvement and develop a plan to meet the published improper payment and unknown payment reduction targets for the Railroad Medicare Program in accordance with Office of Management and Budget directives. (Recommendation 5)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
22-08	Report an improper payment and unknown payment rate of less than 10 percent for the Railroad Medicare program. (Recommendation 6)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
22-08	Accept responsibility and accountability for the Railroad Medicare program to further improve prevention and ensure that improper payments and unknown payments are minimized. (Recommendation 7)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
22-08	Establish procedure to ensure timely revision of improper payment methodology and procedure to reflect the most recent OMB guidance and requirements. (Recommendation 9)	Closed without Implementation - criteria used is no longer in effect as of September 30, 2024
23-04	Update the Railroad Retirement Board and Centers for Medicare and Medicaid Services' Memorandum of Understanding dated August 31, 2022 to ensure the Railroad Medicare payment integrity information complies the Payment Integrity Information Act of 2019 and the enterprise risk management framework. (Recommendation 1)	Closed without Implementation - Evaluation by the Board, the Executive Committee, or the applicable SES Resulted in a Decision that No Action is Necessary as of September 30, 2024

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<b>Report</b>	<b>Recommendation</b>	<b>Status</b>
23-04	Request that the Department of Health and Human Services provide a footnote in the Payment Integrity Information Act of 2019 reporting section of either the Department of Health and Human Services' or Centers for Medicare and Medicaid Services' Agency Financial Report to provide the Railroad Medicare program improper payment rate and estimated improper payments in their future years reporting. If the Department of Health and Human Services does not agree, the Railroad Retirement Board should include the improper payment rate and amount from the Comprehensive Error Rate Testing report for the Railroad Medicare program in future Railroad Retirement Board Performance and Accountability Reports to ensure transparency and compliance with the enterprise risk management framework. (Recommendation 2)	Closed without Implementation - Evaluation by the Board, the Executive Committee, or the applicable SES Resulted in a Decision that No Action is Necessary as of September 30, 2024
23-04	Update the Railroad Retirement Board and Centers for Medicare and Medicaid Services' Memorandum of Understanding dated August 31, 2022 to ensure the sampling and estimation methodology of the Railroad Medicare program complies with the requirements of Office of Management and Budget Circular A-123, Appendix C and the Payment Integrity Information Act of 2019. (Recommendation 3)	Closed without Implementation - Evaluation by the Board, the Executive Committee, or the applicable SES Resulted in a Decision that No Action is Necessary as of September 30, 2024



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<b>Report</b>	<b>Recommendation</b>	<b>Status</b>
23-04	<p>Coordinate with the Railroad Retirement Board's audit follow-up official to develop a plan to address Railroad Medicare payment integrity outstanding audit recommendations to ensure resolution and prompt corrective action in accordance with the requirements of Office of Management and Budget Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, the Government Accountability Office's Standards for Internal Control in the Federal Government, and Office of Management and Budget Circular A-50, Audit Follow Up. (Recommendation 4)</p>	<p>Closed without Implementation - Evaluation by the Board, the Executive Committee, or the applicable SES Resulted in a Decision that No Action is Necessary as of September 30, 2024</p>
23-04	<p>Update the Railroad Retirement Board and Centers for Medicare and Medicaid Services' Memorandum of Understanding dated August 31, 2022 to ensure past and future Railroad Retirement Board Office of Inspector General audit recommendations regarding Railroad Medicare payment integrity will be appropriately handled in accordance with the requirements of Office of Management and Budget Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, the Government Accountability Office Standards for Internal Control in the Federal Government, and Office of Management and Budget Circular A-50, Audit Follow Up. (Recommendation 5)</p>	<p>Closed without Implementation - Evaluation by the Board, the Executive Committee, or the applicable SES Resulted in a Decision that No Action is Necessary as of September 30, 2024</p>

## Appendix III – Abbreviations

BFO	Bureau of Fiscal Operations
CERT	Comprehensive Error Rate Testing
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CMS	Centers for Medicare and Medicaid Services
COR	Contracting Officer’s Representative
ERM	Enterprise Risk Management
GAGAS	Generally Accepted Government Auditing Standards
GSA	General Services Administration
HHS	Department of Health and Human Services
IP	Improper Payment
MOU	Memorandum of Understanding
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
PEMS	Program Evaluation and Management Services
PIIA	Payment Integrity Information Act
RRA	Railroad Retirement Act
RRB	Railroad Retirement Board
RUIA	Railroad Unemployment Insurance Act
SMAC	Specialty Medicare Administrative Contractor
SUBS	Sickness and Unemployment Benefits Section
UP	Unknown Payment