



February 2018

RAILROAD RETIREMENT BOARD

Actions Needed to Improve the Effectiveness and Oversight of Continuing Disability Reviews

Accessible Version

GAO Highlights

Highlights of [GAO-18-287](#), a report to congressional requesters

Why GAO Did This Study

RRB is an independent agency that administers disability benefits for railroad workers. In fiscal year 2016, about 31,000 railroad workers with disabilities received \$1.1 billion in disability benefits. RRB is generally required to periodically assess beneficiaries' medical condition or earnings through continuing disability reviews (CDRs) to verify that they remain eligible for disability benefits.

This report examines the extent to which RRB (1) conducts medical and earnings CDRs to ensure the continued eligibility of disability beneficiaries, and (2) oversees the CDR program. GAO analyzed data provided by RRB for CDRs completed in fiscal years 2014-2016, the only years for which complete data were available. GAO also reviewed RRB's policies and procedures, a nongeneralizable random sample of 14 CDR cases that were completed in fiscal year 2016, and relevant federal laws and regulations; and interviewed RRB officials.

What GAO Recommends

Congress should consider giving RRB access to the National Directory of New Hires, a national database of wage and employment information that would enable it to identify potential overpayments sooner. GAO is also making three recommendations to RRB, including that it reconsider the purpose and value of high-risk CDRs, and routinely compile and analyze CDR data to improve oversight. RRB agreed with these recommendations.

View [GAO-18-287](#). For more information, contact Elizabeth Curda at (202) 512-7215 or curdae@gao.gov.

February 2018

RAILROAD RETIREMENT BOARD

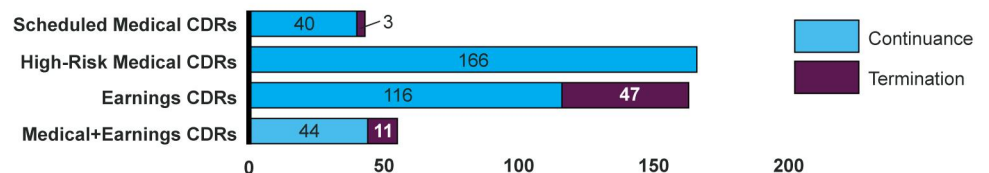
Actions Needed to Improve the Effectiveness and Oversight of Continuing Disability Reviews

What GAO Found

In fiscal years 2014-2016, the Railroad Retirement Board (RRB) completed continuing disability reviews (CDRs) of various types for 427 beneficiaries (see figure below), covering slightly more than 1 percent of the railroad workers who received disability benefits during that period. These reviews included:

- **Scheduled Medical Reviews** – These are scheduled at different intervals depending on the likelihood of medical improvement. RRB data suggest that most beneficiaries are not subject to these CDRs because they are older than 54½, which RRB defines as the age at which they are unlikely to return to work. Of 43 medical CDRs that were scheduled, RRB identified 3 ineligible beneficiaries and 1 overpayment of about \$28,000.
- **High-Risk Reviews** – In fiscal year 2015, RRB began conducting medical CDRs on cases it considered to be at high risk for fraud. It completed 166 of these reviews in fiscal years 2015 and 2016, but none identified any ineligible beneficiaries or overpayments.
- **Earnings Reviews** – During fiscal years 2014-2016, 163 earnings CDRs identified 47 ineligible beneficiaries and at least \$970,550 in overpayments. However, RRB uses earnings information that can be up to 2 years old, thereby delaying the detection of ineligible beneficiaries and increasing the potential for lost federal dollars. Other federal agencies have access to a national federal database with more recent earnings data. Providing RRB access to these data would enable it to identify overpayments sooner.
- **Medical + Earnings Reviews** – In some cases, RRB conducts both a medical and earnings CDR. RRB's data do not allow GAO to attribute the outcome to either type of CDR.

Continuing Disability Reviews (CDR) Completed by the Railroad Retirement Board for Fiscal Years 2014-2016, by Type and Outcome



Source: GAO analysis of Railroad Retirement Board (RRB) data. | GAO-18-287

RRB oversight has primarily been limited to conducting two internal reviews of high-risk medical CDRs, one of which concluded, consistent with the above results, that these CDRs demonstrated no return on investment. Nevertheless, RRB continues to do them. RRB does not routinely compile and analyze data for all of the CDRs it conducts, which limits its ability to identify potential gaps in oversight and to monitor program performance. For example, RRB lacks data that would help it determine how many medical CDRs it should expect to conduct. RRB officials said compiling data can be challenging because it uses multiple data systems. However, by more efficiently collecting and compiling key CDR data, RRB could enhance its capability to routinely assess program performance.

Contents

Letter	1
Background	3
Most Beneficiaries Are Not Subject to Medical CDRs, and Data Used to Identify Unreported Earnings and Potential Overpayments Are Outdated	11
RRB's Oversight of Its CDR Program Has Focused on High-Risk Reviews Rather Than Overall Program Data	18
Conclusions	21
Matter for Congressional Consideration	21
Recommendations for Executive Action	21
Agency Comments and Our Evaluation	22
Appendix I: Railroad Retirement Board Funding and Expenditures, Fiscal Years 2007 Through 2016	23
Appendix II: Comments from the Railroad Retirement Board	27
Appendix III: GAO Contact and Staff Acknowledgments	29
GAO Contact	29
Staff Acknowledgments	29
Appendix IV: Accessible Data	30
Data Tables	30
Agency Comment Letter	32
Related GAO Products	35
Tables	
Table 1: Railroad Retirement Board Funding Sources, Fiscal Years 2007-2016 (in billions)	23
Table 2: Railroad Retirement Board Major Expenses, Fiscal Years 2007-2016 (in billions)	25
Data table for highlights figure, Continuing Disability Reviews (CDR) Completed by the Railroad Retirement Board for Fiscal Years 2014-2016, by Type and Outcome	30

Data for Figure 1: Railroad Retirement Board's (RRB) Selection Process for Conducting Medical Continuing Disability Reviews (CDR)	30
Data for Figure 2: Railroad Retirement Board's (RRB) Selection Process for Conducting Continuing Disability Reviews (CDR) of Unreported Earnings	31
Data for Figure 3: Number of Continuing Disability Reviews (CDR) Completed by the Railroad Retirement Board (RRB) in Fiscal Years 2014-2016, by Type and Outcome	32
Data for Figure 4: Age of Beneficiaries Who Received a Railroad Retirement Board (RRB) Disability Payment in Fiscal Year 2016	

Figures

Figure 1: Railroad Retirement Board's (RRB) Selection Process for Conducting Medical Continuing Disability Reviews (CDR)	8
Figure 2: Railroad Retirement Board's (RRB) Selection Process for Conducting Continuing Disability Reviews (CDR) of Unreported Earnings	10
Figure 3: Number of Continuing Disability Reviews (CDR) Completed by the Railroad Retirement Board (RRB) in Fiscal Years 2014-2016, by Type and Outcome	12
Figure 4: Age of Beneficiaries Who Received a Railroad Retirement Board (RRB) Disability Payment in Fiscal Year 2016	13

Abbreviations

CDR	Continuing Disability Review
IRS	Internal Revenue Service
LIRR	Long Island Railroad
MIE	Medical Improvement Expected
MIP	Medical Improvement Possible
MINE	Medical Improvement Not Expected
OIG	Office of the Inspector General
PEMS	Program Evaluation and Management Services
RRA	Railroad Retirement Act of 1974
RRB	Railroad Retirement Board
RSBD	Retirement and Survivor Benefits Division
RUIA	Railroad Unemployment Insurance Act of 1938
SSA	Social Security Administration

T&P	total and permanent
-----	---------------------

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



February 21, 2018

The Honorable Ron Johnson
Chairman
The Honorable Claire McCaskill
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Thomas R. Carper
Ranking Member
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

The U.S. Railroad Retirement Board (RRB) is responsible for administering retirement, disability, and survivor benefits for the nation's railroad workers and their families under the Railroad Retirement Act of 1974, as amended. RRB's disability program provides financial benefits to workers who are unable to perform their railroad jobs. In fiscal year 2016, about 31,000 railroad workers with disabilities received \$1.1 billion in disability benefits from RRB.

To ensure ongoing eligibility for benefits, RRB conducts continuing disability reviews (CDR). These reviews assess the extent to which a beneficiary's medical condition has improved, or the extent to which a beneficiary is earning above program limits, either of which could make them ineligible for disability benefits. While recent reviews by our office and RRB's Office of Inspector General (OIG), as well as an investigation by the Department of Justice, have examined RRB's oversight and

administration of its disability program, GAO has not previously focused on the role of CDRs in RRB's internal controls of its disability program.¹

You asked us to examine the RRB's CDR processes for its disability program. This report examines the extent to which RRB (1) conducts medical and earnings CDRs to ensure the continued eligibility of disability beneficiaries, and (2) oversees the CDR program.

To address the first objective, we obtained and analyzed data from RRB for the universe of CDRs completed for railroad workers during fiscal years 2014-2016, the most recent data available, to determine the number, types, and outcomes of CDRs completed.² RRB also uses CDRs to target certain disability beneficiaries whom they consider to be at high risk of potential fraud based on several characteristics. A subset of the CDR universe, we analyzed these high-risk CDRs to assess RRB's ability to determine a recipient's continued eligibility for benefits and to identify potential instances of fraud. To obtain more detail about the CDRs RRB conducted, we analyzed CDR records for reviews completed in fiscal year 2016 from a nongeneralizable sample of 14 randomly selected case files.

We assessed the reliability of the CDR data provided by RRB for fiscal years 2014-2016 by reviewing existing information about the data and the systems that produced them, interviewing knowledgeable agency officials, performing basic electronic data testing for missing data, outliers, or obvious errors, and tracing information for selected variables to source documents for the nongeneralizable random sample of 14 case files.³ We

¹For related GAO work, see *Railroad Retirement Board: Actions Needed to Reduce Continued Risk of Fraud and Improper Payments*, [GAO-15-535T](#) (Washington, D.C.: May 2015); *Railroad Retirement Board: Total and Permanent Disability Program at Risk of Improper Payments*, [GAO-14-418](#) (Washington, D.C.: June 2014); and *Railroad Retirement Board: Review of Commuter Railroad Occupational Disability Claims Reveals Potential Program Vulnerabilities*, [GAO-09-821R](#) (Washington, D.C.: September 2009). Also see Office of Inspector General, *Systemic Deficiencies within the Railroad Retirement Board's Occupational Disability Program: Hearing before the Committee on Oversight and Government Reform, Subcommittee on Government Operations* (May 1, 2015), and U.S. Department of Justice, *Former U.S. Railroad Retirement Board Representative Sentenced in Manhattan Federal Court To Five Years In Prison For Her Role In LIRR Fraud Scheme* (April 4, 2014).

²RRB did not have complete data on CDRs completed prior to fiscal year 2014. RRB also conducts CDRs for children and widows, but these groups of beneficiaries were excluded from the scope of our review.

³We selected eight medical CDRs and six earnings CDRs.

determined that the data were sufficiently reliable for purposes of this report, and we describe certain limitations with the data in the report, as applicable.⁴

To address the second objective, we reviewed management strategies and tools used to oversee CDR processes and assessed them against federal internal control standards.⁵ We also analyzed medical improvement category data provided by RRB. We describe certain limitations with these data in the report.

To address both objectives, we examined prior relevant reviews by RRB, GAO, and RRB's Office of Inspector General, and interviewed managers and staff in RRB headquarters. We also reviewed relevant federal laws, regulations, and guidance as well as agency policies and procedures for conducting CDRs. To provide information on RRB's finances, we examined detailed internal financial records of RRB revenues and expenditures from fiscal years 2007 to 2016.

We conducted our work from May 2016 to February 2018 in accordance with generally accepted government auditing standards. 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.

Background

RRB administers retirement, survivor, disability, unemployment, and sickness benefits for railroad workers and their families under the provisions of the Railroad Retirement Act of 1974, as amended (RRA) and the Railroad Unemployment Insurance Act of 1938, as amended

⁴We did not assess whether RRB's initial determinations to award disability benefits or its decisions to continue or terminate benefits as a result of a CDR were accurate.

⁵GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

(RUIA).⁶ Individuals who work for railroads engaged in interstate commerce, for railroad associations, and for railroad labor organizations are among those covered by RRB's benefits system instead of Social Security or the federal-state unemployment insurance system. During fiscal year 2016, RRB received approximately \$12 billion in funding, about half of which came from payroll taxes levied on railroad workers and their employers.⁷ Almost all of the funding was used to pay benefits, including unemployment benefits. In addition, RRB administers Medicare coverage for railroad workers.⁸

The railroad retirement system and Social Security system are separate but linked with regard to benefit payments and taxes. Railroad workers and their employers pay the same payroll taxes as other workers covered by Social Security for comparable retirement, disability, unemployment insurance, and Medicare benefits.⁹ RRB also collects taxes to cover additional benefits.¹⁰ A financial interchange between the two systems allows funds to be transferred between RRB and Social Security accounts

⁶See 45 U.S.C. §§ 231-231v, 45 U.S.C. §§ 351-369. Disability benefits are provided for qualified railroad workers who were disabled due to an injury or illness and can no longer work either in their regular occupation (occupational disability) or in any regular employment (total and permanent disability). Sickness benefits are provided for railroad workers who are unable to work because of injury, illness, sickness, disease, pregnancy, miscarriage, or child birth.

⁷Appendix I provides more detailed information on RRB's financing for fiscal years 2007-2016, including the sources of its funding.

⁸The Medicare program covers railroad workers in the same way it covers workers under Social Security. The program provides health insurance to persons ages 65 and older, as well as persons under age 65 who have been entitled to monthly benefits based on total disability for at least 24 months or who suffer from chronic kidney disease requiring hemodialysis or transplant.

⁹The "Tier I" tax of the railroad system is equal to the Social Security payroll tax and provides qualified railroad retirees (and their spouses, dependents, and widow(er)s) with benefits that are roughly equal to Social Security. Covered railroad workers pay this tax instead of the Social Security payroll tax, and most railroad retirees receive their benefits from RRB instead of Social Security.

¹⁰"Tier II" benefits of the railroad retirement system operate much like traditional multiemployer pension systems, with employers and employees contributing a certain percentage of pay toward the system to finance defined benefits to eligible railroad retirees (and qualified spouses, dependents, and widow(er)s) upon retirement. However, while most multiemployer plans are run by a group of cooperating employers in the same industry, the federal government collects Tier II payroll taxes and pays out benefits. RRB also provides other unique benefits to railroad workers, including the ability to retire at 60 years of age and 30 years of service with unreduced benefits, as well as sickness benefits.

based on the amount of Social Security benefits that workers would have received if they were covered by Social Security, as well as the payroll taxes that would have been collected if the railroad workers were covered by Social Security instead of their own system. According to RRB data, the railroad retirement, survivor, and disability system is projected to remain solvent over at least the next 25 years.

Railroad Retirement Act Disability Benefits

Under the RRA, RRB provides two distinct disability benefits for railroad workers—total and permanent (T&P) disability and occupational disability. For T&P disability, RRB makes determinations about railroad workers' disability claims independent of but using the same general criteria that the Social Security Administration (SSA) uses to administer its Disability Insurance program. That is, a worker must have a medically determinable physical or mental impairment that (1) has lasted (or is expected to last) at least 1 year or is expected to result in death, and (2) prevents them from engaging in substantial gainful activity, defined as work activity that involves significant physical or mental activities performed for pay or profit. In other words, these workers are essentially deemed unable to engage in any regular employment. According to RRB's 2017 Annual Report, at the end of fiscal year 2016, the agency was paying 10,300 T&P disability beneficiaries an average of \$1,911 each per month for a total of about \$236 million annually. In fiscal year 2016, data provided by RRB indicate that the agency approved about 78 percent of the 843 applications for T&P disability benefits it received.

Occupational disability is a unique benefit for railroad workers. RRB provides these benefits to workers who have physical or mental impairments that prevent them from performing their specific railroad job, even though they may be able to perform other kinds of work. For example, a railroad engineer who cannot frequently climb, bend, or reach, as required by the job, may be found to be occupationally disabled. To be eligible for occupational disability benefits, workers must meet certain labor- and management-negotiated disability criteria as well as certain age and service requirements. Railroad workers age 60 and older with at least 10 years of service are eligible to apply, as well as workers of any age with at least 20 years of service.¹¹ Workers determined to be eligible

¹¹Workers must also have a "current connection" with the railroad industry in order to be eligible, which is generally met if the employee worked for a railroad in at least 12 of the last 30 consecutive months immediately preceding the start date for the disability benefit.

for occupational disability benefits may be able to return to the workforce, but generally not to their original occupation. According to RRB, at the end of fiscal year 2016, the agency was paying 21,000 occupational disability beneficiaries an average of \$3,053 each per month for a total of about \$769 million annually. In fiscal year 2016, data provided by RRB indicate that the agency approved about 98 percent of the 984 applications for occupational disability benefits it received.

Continuing Disability Reviews

Federal law generally requires RRB to conduct CDRs to determine if beneficiaries continue to meet the disability requirements of the law.¹² RRB conducts two overall types of CDRs: medical and earnings. In a medical CDR, disability examiners review a beneficiary's medical records and may order additional examinations to determine whether the individual's medical condition has improved to the point where it is no longer considered disabling. In an earnings CDR, disability examiners review earnings to determine whether beneficiaries are earning income that exceeds program limits, which could make them ineligible for benefits.¹³ If the agency, while conducting an earnings review, obtains information that indicates the beneficiary's medical condition has improved, RRB can initiate a medical CDR as well. Similarly, if RRB discovers earnings above program limits while developing evidence for a medical review, the agency may initiate an earnings CDR.

Medical Continuing Disability Reviews

RRB generally conducts medical reviews with a frequency determined by the beneficiary's likelihood of medical improvement, which may fall into one of three categories:

¹²The statute requires RRB to evaluate an employee's disability "from time to time as prescribed by the Board." 45 U.S.C. § 231a(a)(3). RRB's general requirements for conducting CDRs are provided at 20 C.F.R. § 220.186.

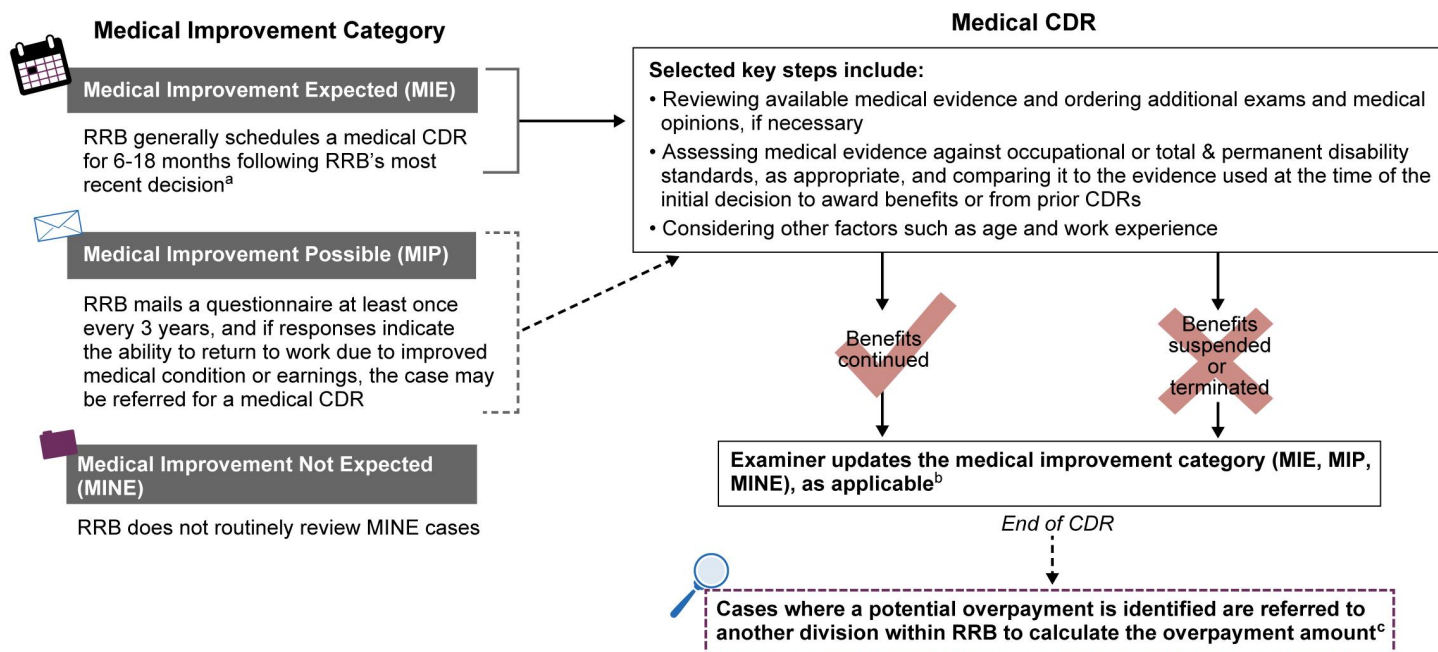
¹³In 2018, a disability benefit is not payable for any month in which an occupational or T&P beneficiary earns income of \$920 or more, after deducting disability-related work expenses. According to RRB guidance, work for earnings is any activity performed by a disability beneficiary for money or other form of benefit or compensation. In addition, RRB may consider certain activities work regardless of whether or not a beneficiary receives compensation. Compensation includes salary, fees, commissions, gratuities, dividends, royalties, residuals, and a value in lieu of salary or wages, such as in the form of a service. For more information and examples, see RB-1D.1 (07-16) *How Work and Earnings Can Affect Employees Initially Awarded Disability Annuities*.

-
- medical improvement expected (MIE)—when a beneficiary’s impairment demonstrates medical improvement, when improvement is unpredictable, or when medical intervention may change the impairment’s severity, among other reasons;
 - medical improvement possible (MIP)—when a beneficiary’s disability may improve, or the likelihood of medical improvement within 3 years is not probable; or
 - medical improvement not expected (MINE)—when a beneficiary’s impairment meets certain listings such as blindness or hearing loss and generally when a beneficiary has attained 54 ½ years of age.

If a beneficiary’s disability is classified as MIE, RRB generally reviews the beneficiary’s continuing eligibility for disability benefits at intervals from 6 months to 18 months. For MIP cases, RRB mails a questionnaire at least once every 3 years that asks a beneficiary to update medical and earnings information. If the self-reported information indicates medical improvement or a return to work, RRB may conduct a CDR. For MINE cases, RRB’s regulations state that it will not routinely review the beneficiary’s continuing eligibility.¹⁴ (See fig. 1.) According to RRB’s guidance, factors such as age and work experience may also affect how and when RRB classifies a beneficiary as MINE, or whether it should schedule (or “diary”) a CDR. RRB maintains a list of scheduled CDRs in its CDR Call-Up program. It uses this program to both identify CDRs that require completion and to schedule CDRs based on the likelihood of medical improvement.

¹⁴20 C.F.R. § 220.186(d).

Figure 1: Railroad Retirement Board's (RRB) Selection Process for Conducting Medical Continuing Disability Reviews (CDR)



Source: GAO analysis of Railroad Retirement Board (RRB) documents, regulations, and interview responses. | GAO-18-287

^aWhile a continuing disability review for a Medical Improvement Expected case could be scheduled for a date as short as 6 months or as long as 18 months following the most recent decision, it will not be scheduled for earlier than 12 months after the disability onset date.

^bIn some cases, RRB may assign a different category, such as for administrative appeals, or no diary may be required.

^cAn overpayment may occur as a result of a medical CDR if RRB discovers that a beneficiary has medically improved to the point where the beneficiary can return to their railroad job or regular work, depending on the disability criteria. There are instances when a past overpayment may be identified due to medical improvement, but benefits are continued due to other conditions or vocational factors, for example.

RRB also started conducting CDRs in 2015 that target cases at high risk of potential fraud and which officials said could result in the termination of benefits.

Earnings Continuing Disability Reviews

In addition to medical reviews, RRB conducts earnings CDRs for beneficiaries detected with earnings that exceed disability program

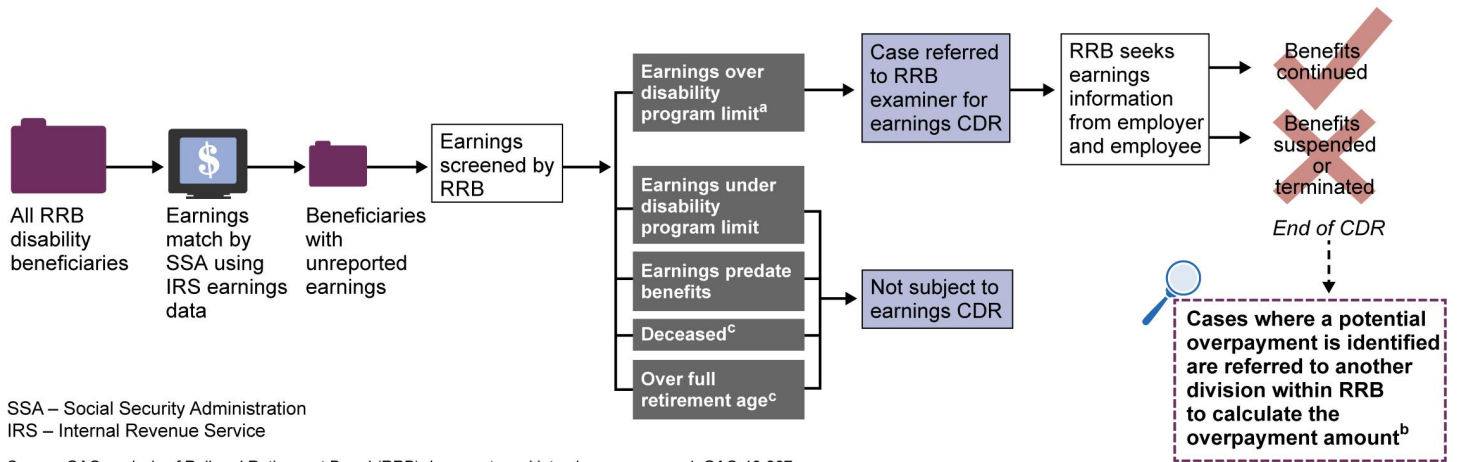
limits.¹⁵ Most earnings CDRs are triggered by unreported earnings detected through RRB's policing operation. Policing for earnings involves an annual data match by SSA in which it uses RRB's disability beneficiary database and Internal Revenue Service (IRS) earnings data to detect unreported earnings. (See fig. 2.) In this process, RRB provides SSA with a record of all disability beneficiaries, and SSA matches these beneficiaries against IRS earnings data.¹⁶ For those cases in which earnings are identified, RRB has an earnings reconciliation process to determine which beneficiaries may be excluded from an earnings CDR and which should receive one. For example, RRB considers whether a beneficiary has any disability-related work expenses, such as the cost of special transportation or medication, which are deducted from any earnings, or if the beneficiary has reached full retirement age.¹⁷ (See fig. 2.) In addition, a beneficiary who returns to work or has earnings from employment is required to report that information to RRB, and the agency may initiate a CDR depending on the circumstances. If a potential overpayment is identified as a result of a CDR, the Disability Benefits Division refers the case to another division within RRB to calculate the overpayment amount.

¹⁵Under the Railroad Retirement Act and its implementing regulations, both occupational and T&P disability beneficiaries are subject to limitations on how much they can earn while receiving benefits. For 2018, the monthly disability earnings limit is \$920.

¹⁶According to RRB, the record it provides to SSA includes recently suspended or terminated disability beneficiaries.

¹⁷For both RRB and SSA, full retirement age ranges from age 65 to age 67, depending on year of birth. RRB's Disability Claims Manual states that at full retirement age, a disability benefit ends and the individual is deemed to have filed an application for a retirement benefit. This is a continuous entitlement with no disruption in payments, and RRB does not have to police these cases for earnings.

Figure 2: Railroad Retirement Board's (RRB) Selection Process for Conducting Continuing Disability Reviews (CDR) of Unreported Earnings



^aAccording to RRB officials, RRB polices for earnings that exceed program limits after deducting any disability-related work expenses, and those cases in which the earnings cannot be reconciled are referred for CDRs.

^bAn overpayment may occur as a result of an earnings CDR in certain cases where RRB discovers that a beneficiary has had earnings that exceeded program limits, as applicable. There are instances when a past overpayment may be identified but benefits are continued.

^cIn some situations, RRB may initiate a CDR for a deceased beneficiary or a beneficiary over full retirement age if the earnings discovered by RRB predate the beneficiary's death or attainment of full retirement age.

Most Beneficiaries Are Not Subject to Medical CDRs, and Data Used to Identify Unreported Earnings and Potential Overpayments Are Outdated

RRB Completed CDRs for Slightly More Than 1 Percent of Disability Beneficiaries in Fiscal Years 2014-2016

Over the 3 years for which RRB was able to provide us with complete data, the agency completed 427 CDRs.¹ This number represents CDRs for slightly more than 1 percent of the railroad workers who received disability benefits during that period, an average of about 35,000, including both occupational and T&P beneficiaries. Most of the reviews it completed from fiscal years 2014 through 2016 were medical CDRs, but earnings CDRs identified most of the ineligible beneficiaries and overpayments. Of the 427 CDRs completed, 209 were medical CDRs and 163 were earnings CDRs. In 55 cases, both a medical and an earnings CDR were completed.²

Forty-three of the scheduled medical CDRs completed were based on medical improvement criteria. Another 166 of the medical CDRs completed were based on “high-risk” selection criteria that were developed after fraudulent activities came to light among Long Island Rail Road (LIRR) beneficiaries in the late 1990s through 2008.³ RRB uses the high-risk selection criteria to target occupational disability beneficiaries who share certain characteristics that are common to the employees who participated in the LIRR fraud scheme. Overall, RRB determined that

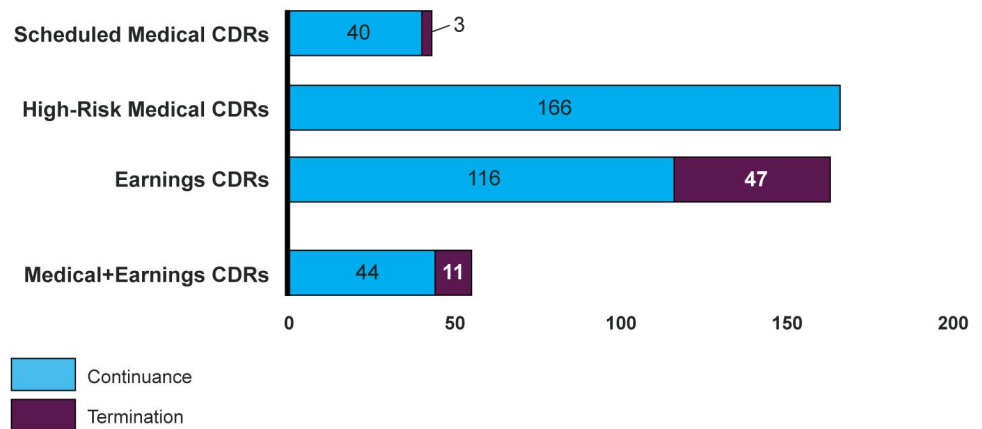
¹This number excludes 5 CDRs that were conducted in response to a referral from the OIG. It also excludes other CDR activities, such as mailers for certain cases that ask a beneficiary to update medical and earnings information.

²For purposes of our review, we later exclude the 55 medical+earnings CDRs from our analysis due to limitations with determining which CDR led to any terminations or identified overpayments.

³GAO has reported in the past that between the late 1990s and 2008, as many as 1,500 former LIRR workers, with the assistance of several medical doctors, a former union official, and a former RRB field office manager, were suspected of falsely claiming RRB benefits. See [GAO-14-418](#).

about 86 percent of beneficiaries remained eligible for benefits as a result of all of the CDRs completed in fiscal years 2014-2016. (See fig. 3.)

Figure 3: Number of Continuing Disability Reviews (CDR) Completed by the Railroad Retirement Board (RRB) in Fiscal Years 2014-2016, by Type and Outcome



Source: GAO analysis of Railroad Retirement Board (RRB) data. | GAO-18-287

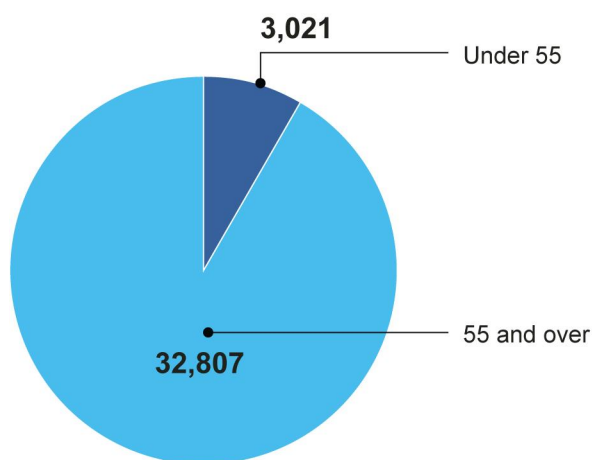
Note: RRB did not begin conducting high-risk medical CDRs until 2015.

Medical CDRs Identified Few Ineligible Beneficiaries and Overpayments

During fiscal years 2014-2016, RRB completed a total of 43 medical CDRs for beneficiaries—about 0.1 percent of disability beneficiaries—that were scheduled based on beneficiaries' medical improvement category. Our analysis of RRB's data and policies suggests that RRB completes few medical CDRs relative to the total number of disability beneficiaries because it has a high percentage of older disability beneficiaries who may not be subject to a medical CDR. According to the data provided by RRB, about 90 percent of individuals who received a disability payment in fiscal year 2016 were age 55 or older (see fig. 4), and RRB's Disability Claims Manual states that at age 54½, a combination of medical and vocational factors, such as medical condition, age, and work experience, may

preclude a return to work.⁴ More specifically, the manual instructs disability examiners to classify beneficiaries over age 54½ as “medical improvement not expected” because of the remote likelihood that they will be able to engage in medium or heavy work.⁵

Figure 4: Age of Beneficiaries Who Received a Railroad Retirement Board (RRB) Disability Payment in Fiscal Year 2016



Source: GAO analysis of Railroad Retirement Board (RRB) beneficiary data. | GAO-18-287

⁴This analysis was based on disability beneficiary data provided by RRB for fiscal year 2016, which indicate that about 36,000 individuals received at least one disability payment in that year. RRB officials said there are instances when it establishes a MIE or MIP diary for an individual over age 54½ if their medical condition is expected to improve or there is the possibility for improvement, taking the evidence in their file into consideration. However, we were unable to determine the percentage of beneficiaries age 55 and older who were classified as MIE, MIP, or MINE due to RRB’s lack of comprehensive data on medical improvement category.

⁵See 20 C.F.R. § 220.186 for when and how often RRB will conduct a CDR. According to RRB, a 6-year schedule is set to track cases that are categorized as “medical improvement not expected” (MINE), but officials said that when these cases are due, they are not prioritized for review. According to SSA officials, the agency schedules a CDR for a MINE case at least once every 7 years but no more frequently than once every 5 years. SSA officials said they use self-reported information from a questionnaire that is mailed to beneficiaries to review most of these cases. Based on the responses from the mailer, SSA may decide to conduct a full medical CDR if the data collected is inconsistent with the disabled individual’s impairments.

Applying Occupational Disability Criteria During a Continuing Disability Review

RRB's guidance indicates that in evaluating continued eligibility for occupational disability benefits, there must be significant medical improvement related to a beneficiary's ability to return to their railroad job.

The guidance cites an example of someone who has had a hip or knee replacement, but "may be forever precluded from work that requires kneeling, crawling, and other movements requiring acute flexion of the joint."

In this example, improvement in the individual's impairment still would not enable the employee to return to the original railroad job.

Source: Railroad Retirement Board's (RRB) Disability Claims Manual. I GAO-18-287

Scheduled medical CDRs resulted in few terminations and identified few overpayments. Data provided by RRB indicate that of the 43 medical CDRs completed during fiscal years 2014-2016, 3 ineligible beneficiaries were identified and 1 overpayment of \$28,000 was identified and calculated.⁶ RRB determined that 40 of the 43 beneficiaries (93 percent) continued to meet the appropriate disability criteria for occupational or T&P disability, as applicable, and qualify for benefits (see sidebar). These results largely mirror RRB's initial approval rates for disability benefits. In fiscal year 2016, 89 percent of all disability applicants were approved for benefits.

RRB Developed Criteria for Conducting Additional Medical CDRs to Target Cases at Risk for Fraud, but These CDRs Identified No Ineligible Beneficiaries in Two Years

In fiscal year 2015, RRB expanded the use of medical CDRs to include certain high-risk occupational disability cases that would previously only have been selected for a CDR if RRB received a report of medical recovery or identified earnings that could affect entitlement to benefits. As part of its Disability Program Improvement Plan, RRB developed selection criteria to target cases at high risk for potential fraud that could result in termination of benefits. According to RRB officials, the criteria for targeting these cases are based on characteristics common to the employees who participated in the LIRR fraud scheme. In order to fall within the high-risk group, a beneficiary must (1) have an occupational disability, (2) have an orthopedic or psychological impairment, (3) be under age 55, and (4) not have a disability freeze.⁷

Despite these targeted criteria, the 166 high-risk CDRs completed in fiscal years 2015 and 2016 identified no ineligible beneficiaries and no

⁶Due to delays in the calculation of overpayments, additional overpayments may have been identified but not calculated for the CDRs completed in fiscal years 2014-2016.

⁷To prevent the reduction or loss of future benefits, a disability freeze eliminates the years of low earnings due to disability in computing benefit amounts.

overpayments.⁸ According to a senior RRB official, the agency is not yet ready to abandon its high-risk CDR effort, and it continues to consider these reviews as potentially effective. However, high-risk CDR outcomes raise questions about the value and benefit of RRB dedicating resources to conduct these additional reviews.

Earnings CDRs Identified the Greatest Number of Ineligible Beneficiaries and Overpayments, but Outdated Earnings Information Limits Their Effectiveness

Earnings CDRs resulted in a higher percentage of terminations and identified more overpayments than scheduled and high-risk medical CDRs combined. During fiscal years 2014-2016, RRB completed 163 earnings CDRs. Most of these earnings CDRs (127) were initiated as a result of RRB's annual earnings policing effort, in which RRB's beneficiary database is matched against Internal Revenue Service earnings data. Other CDRs were initiated as a result of self-reported earnings information from beneficiaries. Over this 3-year period, earnings CDRs identified 47 ineligible beneficiaries and terminated their benefits.⁹ During this same time period, earnings CDRs identified at least \$970,550 in overpayments that had been calculated for CDRs completed during fiscal years 2014-2016.¹⁰

However, earnings CDRs that were conducted may identify additional overpayments but RRB is slow to calculate overpayments. We

⁸RRB is currently in its third year of conducting the high-risk CDRs. As of July 2017, with over 200 high-risk CDRs completed since RRB began conducting them in 2015, two cases had been terminated, both in fiscal year 2017. The agency conducts CDRs on one-third of the cases meeting the high-risk criteria and plans to mail questionnaires each year to the other two-thirds, asking beneficiaries to report any changes to their earnings or medical condition. The questionnaire developed by RRB was recently approved for use by the Office of Management and Budget.

⁹We separately analyzed the 46 cases in which RRB completed a medical CDR in addition to the earnings CDR. These 46 dual CDRs identified 11 ineligible beneficiaries, but we could not determine which CDR—the medical CDR, the earnings CDR, or both—led to the termination of benefits.

¹⁰Due to delays in the calculation of overpayments, additional overpayments may have been calculated for these CDRs after RRB provided us with these data. In addition, at least \$283,000 was identified by CDRs completed as a result of OIG referrals or in cases in which both an earnings CDR and a medical CDR were completed for a beneficiary. For these cases, we could not determine which CDR—the medical CDR, the earnings CDR, or both—identified the overpayment.

determined that the overpayment data RRB provided for CDRs completed during 2014-2016 were incomplete. For example, a case file review of six randomly selected earnings CDRs completed in fiscal year 2016 found that in three of the cases, the Retirement and Survivor Benefits Division (RSBD), the office responsible for calculating overpayments, had not calculated the overpayments identified by those 2016 reviews as of July 2017. RRB officials acknowledged delays of a year or more in calculating overpayments for disability beneficiaries identified by CDRs, and that RRB lacks a standard time frame for doing so. The officials attributed the delays to competing priorities and staffing shortages within RSBD. RRB has no plans to establish a standard time frame for processing overpayments identified through CDRs.

Identifying and calculating overpayments in a timely manner are important to RRB's long-term performance goal related to payment accuracy, as outlined in its strategic plan. Further, federal internal control standards state that transactions should be recorded promptly to maintain their relevance and value to management in controlling operations.

In addition, although RRB's annual earnings policing effort has identified numerous beneficiaries with earnings over program limits as well as overpayments, the data RRB uses for its policing effort can be up to 2 years old. The data RRB uses to identify unreported earnings and determine whether it should initiate a CDR are based on outdated IRS earnings information. For example, income earned in calendar year 2014 that is filed with the IRS in 2015 would not become available for earnings policing until 2016.

Further, the earnings discovered during the course of a CDR may be even older than 2 years. Our review of the six earnings CDRs completed in fiscal year 2016 found the earned income in question ranged from 2011 through 2013.¹¹ RRB officials acknowledged that the data it currently uses for its policing effort cause delays in identifying earnings. When overpayments are not identified in a timely manner, RRB's ability to detect when a beneficiary is not eligible for benefits is hindered, thereby increasing the potential for lost federal dollars. In addition, the delay may also cause larger overpayments since undetected overpayments can accrue over several years.

¹¹For one case we reviewed, the earnings in question were from 2007; however, RRB's OIG was involved in investigating the earnings.

We previously recommended that RRB explore options to obtain more timely earnings data for use in making disability benefit eligibility determinations, which includes CDRs.¹² In response, RRB officials said one step they have recently taken is to use The Work Number, which includes payroll data from over 5,500 employers nationwide, on a case-by-case basis for CDRs to obtain more recent earnings information from employers for a specific beneficiary.¹³ In addition, RRB contacts employers directly to obtain earnings information needed for CDRs. However, according to a RRB official, IRS earnings data are currently the only source to which RRB has access for earnings policing that includes all of its disability beneficiaries.

RRB has considered conducting earnings policing using the Department of Health and Human Services' quarterly earnings data from the National Directory of New Hires, which includes the most recent eight quarters of wages reported from all states.¹⁴ In its budget submissions for fiscal years 2017-2019, RRB included a legislative proposal seeking access to these quarterly earnings data, since access is limited by statute. Several federal agencies, including the Departments of the Treasury, Education, Housing and Urban Development, and the Social Security Administration, are currently authorized by law to use data from the National Directory of New Hires to verify program eligibility and detect and prevent overpayments.¹⁵ Providing RRB with similar access to more recent earnings data would enable it to identify potential overpayments sooner than is currently possible.

SSA has legal authority to access quarterly wage data from the National Directory of New Hires for the purpose of making disability benefit

¹²This recommendation was related to obtaining more timely earnings information for purposes of ensuring that claimants are working within allowable program limits prior to being awarded benefits. See [GAO-14-418](#).

¹³*The Work Number* is a commercial service provided by Equifax that allows social service organizations and others to locate an individual's current place of employment or uncover unreported income, based on the most recent payroll data from over 5,500 employers nationwide. The information is limited to employers who participate in the system.

¹⁴The National Directory of New Hires was established in part to help states enforce child support orders against noncustodial parents and contains quarterly state wage information. The directory also includes data from state directories of new hires, state records of unemployment insurance benefits paid, and federal agency payroll data.

¹⁵See, e.g., 42 U.S.C. §§ 653(i)(3), 653(j)(4), 653(j)(9).

eligibility determinations, which includes CDRs. In March 2017, SSA implemented the Quarterly Earnings Project in which it matched certain Social Security Disability Insurance beneficiaries against these earnings data with the goal of reducing overpayments. According to SSA officials, the project identified beneficiaries with substantial earnings, on average, 1 year earlier when using quarterly wage data instead of earnings data from the IRS—the data RRB currently uses to conduct its annual earnings match. SSA officials project that the Quarterly Earnings Project will achieve an estimated \$10.3 million in savings and benefit terminations in 22 percent of the roughly 10,000 cases selected for review in fiscal year 2017.

RRB's Oversight of Its CDR Program Has Focused on High-Risk Reviews Rather Than Overall Program Data

RRB Has Reviewed High-Risk CDRs, but Outcomes Call This Effort into Question

RRB's Program Evaluation and Management Services (PEMS), which is tasked with conducting reviews to ensure efficient program performance, has conducted two internal reviews of the high-risk medical CDRs since they were first implemented in 2015. PEMS concluded in its 2016 report that conducting high-risk CDRs based solely on the likelihood of medical improvement demonstrated no return on investment. PEMS officials recommended that the Disability Benefits Division focus its resources on investigating non-reported work and earnings rather than on developing medical evidence; however, RRB continues to dedicate resources to developing medical evidence for high-risk CDRs, and a senior RRB official said the agency is not ready to abandon its high-risk CDR effort. RRB officials said they plan to track certain annual measures for high-risk CDRs, such as the number of cases referred to the OIG for potential fraud, CDR outcomes (continuances, suspensions, and terminations), and any overpayments identified.

Our findings and PEMS's 2016 conclusions indicate that these high-risk medical CDRs have not been effective in identifying ineligible beneficiaries, or identifying potential fraud. High initial approval rates for occupational disability benefits—over 96 percent for fiscal years 2008-2016—may be an indication that high-risk CDRs for occupational

beneficiaries would result in most beneficiaries continuing to qualify for benefits, since the same disability criteria are used to evaluate medical condition for initial decisions and CDRs. By continuing to conduct high-risk CDRs, RRB may be expending resources that could be used for other purposes that are more effective in identifying ineligible beneficiaries.

RRB Does Not Routinely Compile and Analyze CDR Program Data for All CDRs

Aside from RRB's efforts to oversee its high-risk medical reviews, it does not routinely analyze program data for its CDR operations as a whole. The lack of routine data collection and analysis limits its ability to identify potential gaps in oversight and monitor program performance. RRB officials said compiling comprehensive information for the CDR program can be challenging because CDR data are housed in multiple systems, some of which use outdated software and are not compatible with each other. For example, information related to CDR overpayments is housed in at least three separate systems. Further, according to RRB officials, some case information is only available in paper files.

RRB has taken some steps to improve its ability to access information, such as converting its paper files to electronic images, but the information in the images cannot easily be analyzed. RRB was able to compile data for fiscal years 2014-2016 for our review that made it possible for us to analyze different aspects of the CDR program, such as the number of medical and earnings CDRs completed each year, the amount of overpayments identified as a result of CDRs, and CDR outcomes. However, RRB was unable to provide complete historical data for CDRs completed before fiscal year 2014. If RRB routinely compiled and analyzed these data for its own purposes, it could better monitor CDR program performance. This would be consistent with federal internal control standards, which state that management should use program data for effective program monitoring.

Routinely compiling and analyzing CDR program data would also allow RRB to identify potential gaps in oversight. For example, our analysis of the data provided by RRB indicated that 10 percent of the 427 cases for which it completed a CDR during fiscal years 2014-2016 lacked a valid initial medical improvement category—medical improvement expected, possible, or not expected—which is assigned when beneficiaries are first awarded benefits. Since RRB schedules medical CDRs based on medical

improvement category information, and we found that medical improvement category data are incomplete for 10 percent of the CDRs completed during fiscal years 2014-2016, this raises questions as to whether RRB is scheduling and conducting medical CDRs for everyone it should be.¹⁶ RRB officials said the only way to verify a beneficiary's medical improvement category is to perform an individual query in the CDR Call-Up program or check the paper files, which could be very time-consuming and labor-intensive to do for all beneficiaries.

RRB also lacks data on the total number of beneficiaries currently in each medical improvement category. Without these data, RRB cannot anticipate how many medical CDRs it should expect to conduct and when. Federal internal control standards state that management should use quality information to make informed decisions, and that quality information is current, complete, and accurate.

RRB's ability to monitor the performance of its CDR program is also limited because it does not track all costs or benefits of conducting CDRs. For example, RRB officials told us they do not analyze certain program data, such as administrative costs and recovered overpayments for CDRs. Analyzing these program data would enable RRB to compare any savings produced by CDRs against the cost of administering them. RRB's strategic plan states that the agency measures the efficiency of its agency-wide program integrity efforts by comparing any savings they produce against the cost of administering the activities.¹⁷ According to the plan, program integrity efforts that can identify savings include computer matching to prevent payments to deceased beneficiaries and referring suspected fraud to the OIG. In its fiscal year 2017 Performance and Accountability Report, RRB reported a return on investment of \$4.18 for each dollar spent on combined program integrity efforts in fiscal year 2016.¹⁸ However, we do not know how CDRs contributed to this return on investment or the savings resulting from CDRs specifically.

¹⁶Regardless of medical improvement category, all beneficiaries are subject to an earnings CDR based on annual policing.

¹⁷U.S. Railroad Retirement Board, Strategic Plan 2014-2018.

¹⁸This is the ratio of the sum of the dollar recoveries and savings to labor dollars spent. This figure represents the results of program integrity activities for all RRB programs (disability, retirement, unemployment, and sickness) combined.

Conclusions

As a steward of tax dollars, it is important that RRB take all necessary steps to operate and manage its disability program effectively and efficiently, while minimizing overpayments. RRB's continued reliance on outdated earnings information to identify beneficiaries who, at the time a CDR is conducted, may no longer be eligible for benefits, increases the likelihood of making improper benefit payments and having to try to recover the money in the future. In addition, even for those overpayments that RRB identifies, it lacks a standard for processing them in a timely manner, which increases the potential loss of federal dollars. Furthermore, despite a RRB report that high-risk medical CDRs have not been effective, the agency expends resources on these reviews that could be used for other purposes that are more effective in identifying ineligible beneficiaries.

RRB's lack of routine data collection and analysis hampers its ability to monitor program performance and determine what changes, if any, should be made to improve the CDR program, including determining the number of beneficiaries in each medical improvement category and the costs and benefits of conducting the various types of reviews. While paper files and disparate data systems present challenges to collecting and analyzing program data and may hinder oversight efforts, RRB could be doing more with the data it has to identify potential gaps in oversight.

Matter for Congressional Consideration

To improve RRB's ability to make accurate disability benefit eligibility determinations, including CDRs, and to decrease the potential for making improper payments, Congress should consider granting RRB access to the Department of Health and Human Services' quarterly earnings information from the National Directory of New Hires database. (Matter for Consideration 1)

Recommendations for Executive Action

To enhance RRB's ability to manage and oversee its CDR program, we are making the following three recommendations to the Railroad Retirement Board:

RRB should develop a standard for the timely processing of disability program overpayments identified through CDRs. (Recommendation 1)

RRB should consider whether to reallocate resources used for high-risk CDRs to other CDR efforts that produce more effective outcomes. (Recommendation 2)

RRB should routinely compile and analyze CDR program data, such as the number of cases selected for review, the number of beneficiaries in each medical improvement category, outcomes, and the costs and benefits of conducting CDRs, to improve program oversight. (Recommendation 3)

Agency Comments and Our Evaluation

We provided a draft of this report to RRB for review and comment. RRB provided written comments, which are reproduced in appendix II. The agency also provided additional technical comments, which have been incorporated as appropriate. RRB agreed with all three of the recommendations and noted that it has already taken initial steps to implement them.

We are sending copies of this report to the appropriate congressional committees, the Railroad Retirement Board, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or curdae@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

Sincerely yours,



Elizabeth H. Curda
Director, Education, Workforce and Income Security

Appendix I: Railroad Retirement Board Funding and Expenditures, Fiscal Years 2007 Through 2016

Railroad Retirement Board (RRB) Funding

In fiscal years 2007 through 2016, RRB received, on average, approximately \$11.6 billion annually from multiple sources to fund its programs. RRB's budget in fiscal year 2016, the most recent year for which data are available, was \$12.4 billion. (See table 1.)

Table 1: Railroad Retirement Board Funding Sources, Fiscal Years 2007-2016 (in billions)

Funding Source	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Appropriations	\$0.55	\$0.44	\$0.53	\$0.55	\$0.76	\$0.83	\$0.70	\$0.66	\$0.76	\$0.79
Payroll Taxes	\$4.72	\$4.94	\$4.71	\$4.65	\$4.70	\$4.77	\$5.48	\$5.99	\$6.43	\$5.93
Financial Interchange	\$3.57	\$3.63	\$4.00	\$3.96	\$3.89	\$4.25	\$4.04	\$4.03	\$4.05	\$4.12
National Railroad Retirement Investment Trust	\$1.39	\$1.30	\$1.55	\$1.99	\$1.74	\$2.03	\$1.58	\$1.43	\$1.19	\$1.41
Other Funding Sources ^a	\$0.32	\$0.13	\$0.14	\$0.14	\$0.22	\$0.26	\$0.11	\$0.07	\$0.13	\$0.16
Total^b	\$10.55	\$10.44	\$10.94	\$11.29	\$11.31	\$12.13	\$11.90	\$12.18	\$12.56	\$12.41

Source: GAO analysis of RRB financial data. | GAO-18-287

Note: Funding amounts are in current year dollars that have not been adjusted for inflation.

^aOther funding sources include interest revenue, refunds of carrier principal, railroad unemployment insurance revenue, and imputed financing (the amount to be provided by the Office of Personnel Management to pay future retirement benefits to RRB employees).

^bTotals do not include the changes in National Railroad Retirement Investment Trust net assets or the gains or losses in contingencies (a set of circumstances involving uncertainty as to possible gain or loss that will ultimately be resolved when one or more future events occur or fail to occur).

Railroad retirement, survivor, disability, unemployment, and sickness benefit payroll taxes are the primary funding source for RRB and totaled \$5.9 billion in fiscal year 2016. In fiscal years 2007-2016, these taxes averaged \$5.2 billion annually. Railroad employers and employees pay Tier I taxes, which are the same as taxes levied on Social Security-covered employers and workers. The taxes fund benefits similar to Social Security retirement and disability. Employers and employees also pay Tier II taxes to finance additional railroad retirement benefits. According to RRB data, Tier I and Tier II taxes for fiscal year 2016 amounted to \$2.8

billion and \$3.1 billion, respectively. Railroad employers also paid approximately \$117.2 million in unemployment insurance taxes in fiscal year 2016.

The second major source of RRB funding consists of transfers from the Social Security trust funds under a financial interchange between the two systems. The financial interchange is intended to place the Social Security Old-Age and Survivors Insurance Trust Fund and the federal Hospital Insurance Trust Fund in the same condition they would have been in had railroad employees been covered by the Social Security Act and Federal Insurance Contributions Act, and the Railroad Retirement Act had not been enacted.¹ The financial interchange calculation involves computing the amount of Social Security taxes that would have been collected on railroad employment and computing the amount of benefits which Social Security would have paid to railroad retirement beneficiaries during the same fiscal year. When benefit reimbursements exceed payroll taxes, the difference, with an allowance for interest and administrative expenses, is transferred from the Social Security Trust Funds to RRB. If taxes exceed benefit reimbursements, which has not happened since 1951, a transfer would be made in favor of the Social Security Trust Funds. According to RRB data, the net financial transfer to the Social Security Equivalent Benefit Account during fiscal year 2016 amounted to about \$4.1 billion; in fiscal years 2007-2016, these transfers averaged \$4.0 billion annually.

The third major source of RRB funding is transfers from the National Railroad Retirement Investment Trust, the trust fund that holds assets to help pay a portion of RRB benefits. The Trust was established pursuant to Section 105 of the Railroad Retirement and Survivors' Improvement Act of 2001,² and is the vehicle for investing RRB retirement benefit assets in non-government securities. Under the Trust's investment guidelines, assets are invested in both government securities and private equities, unlike the Social Security Trust Funds, which are only invested in government securities. The Trust also provided for the transfer of excess RRB retirement, survivor, and disability benefit payroll taxes that are not needed to pay benefits to the Trust for investment, and for transfers from the Trust to the Treasury to assist the RRB in meeting its benefit obligations. The Trust has not received transfers from the RRB

¹45 U.S.C. § 231f(c)(2).

²Pub. L. No. 107-90, § 105(a), 115 Stat. 878.

since the end of fiscal year 2004. During fiscal year 2016, however, the Trust transferred a total of \$1.4 billion to the Treasury for payment of RRB benefit obligations; for fiscal years 2007-2016, these transfers averaged \$1.6 billion annually. According to RRB data, the value of Trust-managed assets at the end of fiscal year 2016 was \$25.1 billion.³

The fourth major source of RRB funding is appropriations. According to RRB officials, most of these appropriations are derived from the taxation of railroad retiree benefits and primarily fund benefit payments. These appropriations also fund specific efforts such as administrative costs. In fiscal year 2016, RRB received \$790.6 million in federal appropriations; for fiscal years 2007-2016, RRB's annual appropriation averaged \$655.4 million.

Railroad Retirement Board Expenditures

In fiscal years 2007-2016, RRB expended, on average, approximately \$11.6 billion annually to fund its programs. (See table 2.)

Table 2: Railroad Retirement Board Major Expenses, Fiscal Years 2007-2016 (in billions)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Interest Expense - Treasury Borrowing	\$0.18	\$0.18	\$0.16	\$0.14	\$0.13	\$0.12	\$0.11	\$0.10	\$0.10	\$0.10
Salaries and Expenses	\$0.12	\$0.12	\$0.12	\$0.13	\$0.13	\$0.13	\$0.13	\$0.14	\$0.15	\$0.16
Benefit Payments - RRB	\$9.92	\$10.16	\$10.86	\$10.98	\$11.08	\$11.43	\$11.77	\$12.05	\$12.30	\$12.49
Other Expenses	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.02	\$0.01	\$0.01	\$0.03
Total	\$10.23	\$10.47	\$11.15	\$11.26	\$11.35	\$11.69	\$12.02	\$12.31	\$12.56	\$12.77

Source: GAO analysis of RRB financial data. | GAO-18-287

Note: Funding amounts are in current year dollars that have not been adjusted for inflation.

RRB's expenditures in fiscal year 2016, the most recent year for which data are available, were \$12.8 billion, which included approximately \$12.5 billion for benefit payments, \$156.0 million for salaries and expenses, and

³This includes \$1.4 billion that the National Railroad Retirement Investment Trust transferred to the Treasury for payment of railroad retirement benefits during the year. The Trust can also grow in size because it keeps returns on investment.

\$98.0 million for interest expenses due to borrowing from Treasury for the financial interchange.

Railroad Retirement System Solvency

By law, RRB is required to prepare an annual report to the President and Congress containing a 5-year projection on revenues to and payments from the Railroad Retirement Account (RRA).^{4,5} In its June 2017 report, RRB projected that cash flow problems would not occur during the 25-year projection period (calendar years 2017-2041). The report also recommended no change in employer and employee tax rates and no diversion of taxes from the RRA to the Railroad Unemployment Insurance Account (RUIA).⁶

⁴45 U.S.C. § 231u(a)(1).

⁵Generally, the Railroad Retirement Account funds interest on uncashed checks and the transfer of income taxes on Tier I and Tier II railroad retirement benefits.

⁶As of June 2017, there were no loans outstanding from the Railroad Retirement Account to the Railroad Unemployment Insurance Account.

Appendix II: Comments from the Railroad Retirement Board



UNITED STATES GOVERNMENT
MEMORANDUM

FORM G-1151 (1-82)
RAILROAD RETIREMENT BOARD

January 31, 2018

TO: Elizabeth H. Curda
Director, Education, Workforce, and Income Security Issues

FROM: Daniel Fadden
Senior Executive Officer/Director of Field Service

Michael A. Tyllas, Ph.D.
Director – Office of Programs

Michael A. Tyllas, Ph.D.

SUBJECT: GAO Draft Report, RRB Continuing Disability Reviews – Management Response

Overall Management Response: The Railroad Retirement Board concurs with findings and recommendations cited in the Government Accountability Office's Continuing Disability Reviews report of audit. Responses to specific recommendations follow.

Recommendation 1: The RRB should develop a standard for the timely processing of disability program overpayments identified through Continuing Disability Review (CDR).

Management Response to Recommendation 1: Concur. On August 14, 2017, the Disability Benefits Division (DBD) established a new code within Universal System Tracking and Reporting (USTAR) system that is used for coordination with the Retirement and Survivor Benefit Division (division that processes payments) and to identify CDRs that result in overpayment. This electronic method of communication will improve communication between sections and lead to better processing of disability overpayments. Additionally, this process improvement will facilitate data collection necessary to develop a timeliness standard for processing overpayments identified through CDRs.

Recommendation 2: The RRB should consider whether to reallocate resources used for high-risk CDRs to other CDR efforts that produce more effective outcomes.

Management Response to Recommendation 2: Concur. The DBD will consider the effectiveness of continuing the use of high-risk CDRs to identify ineligible beneficiaries and potential fraud.

Recommendation 3: The RRB should routinely compile and analyze CDR program data, such as the number of cases selected for review, the number of beneficiaries in each medical improvement category, outcomes, and the costs and benefits of conducting CDRs to improve program oversight.

Management Response to Recommendation 3: Concur. On October 11, 2017 DBD began providing weekly updates to the Director of Programs on all CDR cases pending along with completed workloads (including high risk CDRs). In addition, DBD began working with Policy

**Appendix II: Comments from the Railroad
Retirement Board**

and Systems to upgrade fields in the On-Line Disability Determination Sheet (OLDDS) to include diary information. This system enhancement will allow RRB to collect information regarding the number of beneficiaries in each medical improvement category and the outcome at the time of decision. After implementation, RRB can then consider ways to identify the number of cases selected for review and the number reviewed from the selection. Finally, as of May 22, 2017 DBD began using USTAR to code CDR outcomes with disposition codes. The use of USTAR (including the new code noted in response in recommendation one) is another tool that will provide data for analysis on CDR results.

Attachment

CC: Shawna Weekly – Deputy Chief Financial Officer
Ana Kocur – General Counsel
Jeff Baer – Director of Audit and Compliance

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Elizabeth Curda, (202) 512-7215 or curdae@gao.gov

Staff Acknowledgments

In addition to the contact named above, Mark Glickman (Assistant Director), Arthur T. Merriam Jr. (Analyst-In-Charge), Meredith Moore, and Jill Yost made significant contributions to this report. Also contributing to this report were Daniel Concepcion, Erin Godtland, Joel Green, Nicole Jarvis, David Lehrer, Emei Li, Olivia Lopez, Sheila McCoy, Phillip McIntyre, Jean McSween, Mimi Nguyen, James Rebbe, Anjali Tekchandani, Frank Todisco, and Kathleen van Gelder.

Appendix IV: Accessible Data

Data Tables

Data table for highlights figure, Continuing Disability Reviews (CDR) Completed by the Railroad Retirement Board for Fiscal Years 2014-2016, by Type and Outcome

	Continuance	Termination
Scheduled Medical CDRs	40	3
High-Risk Medical CDRs	166	
Earnings CDRs	116	47
Medical+Earnings CDRs	44	11

Data for Figure 1: Railroad Retirement Board's (RRB) Selection Process for Conducting Medical Continuing Disability Reviews (CDR)

- 1) Medical Improvement Expected (MIE) (proceed to step 4 Medical CDR)
 - RRB generally schedules a medical CDR for 6-18 months following RRB's most recent decision/a/
- 2) Medical Improvement Possible (MIP)) (Possible to proceed to step 4 Medical CDR)
 - RRB mails a questionnaire at least once every 3 years, and if responses indicate the ability to return to work due to improved medical condition or earnings, the case may be referred for a medical CDR
- 3) Medical Improvement Not Expected (MINE) (ends at this stage)
 - RRB does not routinely review MINE cases
- 4) Medical CDRs
 - Selected key steps include:
 - Reviewing available medical evidence and ordering additional exams and medical opinions, if necessary
 - Assessing medical evidence against occupational or total & permanent disability standards, as appropriate, and comparing it to

the evidence used at the time of the initial decision to award benefits or from prior CDRs

- Considering other factors such as age and work experience
- 5) Benefits continued or Benefits suspended or terminated
- 6) Examiner updates the medical improvement category (MIE, MIP, MINE), as applicable
- 7) End of CDR
- 8) Cases where a potential overpayment is identified are referred to another division within RRB to calculate the overpayment amount

Data for Figure 2: Railroad Retirement Board's (RRB) Selection Process for Conducting Continuing Disability Reviews (CDR) of Unreported Earnings

- 1) All RRB disability beneficiaries
- 2) Earnings match by SSA using IRS earnings data
- 3) Beneficiaries with unreported earnings
- 4) Earnings screened by RRB
- 5) Categories subject to CDR
 - a) Earnings over disability program limit/a/
 - b) Case referred to RRB examiner for earnings CDR
 - c) RRB seeks earnings information from employer and employee
 - d) Benefit determination
 - i) Benefits are either continued or
 - ii) Benefits are suspended or terminated,
 - e) Cases where a potential overpayment is identified are referred to another division within RRB to calculate the overpayment amount/b/
- 6) Categories Not subject to CDR
 - a) Earnings over disability program limit/a/

- b) Earnings under disability program limit
- c) Earnings predate benefits
- d) Deceased/c/

SSA – Social Security Administration

IRS – Internal Revenue Service

Source: GAO analysis of Railroad Retirement Board (RRB) documents and interview responses. | GAO-18-287

Data for Figure 3: Number of Continuing Disability Reviews (CDR) Completed by the Railroad Retirement Board (RRB) in Fiscal Years 2014-2016, by Type and Outcome

	Continuance	Termination
Scheduled Medical CDRs	40	3
High-Risk Medical CDRs	166	
Earnings CDRs	116	47
Medical+Earnings CDRs	44	11

Data for Figure 4: Age of Beneficiaries Who Received a Railroad Retirement Board (RRB) Disability Payment in Fiscal Year 2016

Under 55	55 and over
3,021	32,807

Agency Comment Letter

Text of Appendix II: Comments from the Railroad Retirement Board

Page 1

SUBJECT: GAO Draft Report, RRB Continuing Disability Reviews - Management Response

Overall Management Response: The Railroad Retirement Board concurs with 1 findings and recommendations cited in the Government Accountability Office's Continuing Disability Reviews report of audit. Responses to specific recommendations follow.

Recommendation 1: The RRB should develop a standard for the timely processing of disability program overpayments identified through Continuing Disability Review (CDR).

Management Response to Recommendation 1: Concur.

On August 14, 2017, the Disability Benefits Division (DBD) established a new code within Universal System Tracking and Reporting (USTAR) system that is used for coordination with the Retirement and Survivor Benefit Division (division that processes payments) and to identify CDRs that result in overpayment. This electronic method of communication will improve communication between sections and lead to better processing of disability overpayments. Additionally, this process improvement will facilitate data collection necessary to develop a timeliness standard for processing overpayments identified through CDRs.

Recommendation 2 The RRB should consider whether to reallocate resources used for high-risk CDRs to other CDR efforts that produce more effective outcomes.

Management Response to Recommendation 2: Concur.

The DBD will consider the effectiveness of continuing the use of high-risk CDRs to identify ineligible beneficiaries and potential fraud.

Recommendation 3: The RRB should routinely compile and analyze CDR program data, such as the number of cases selected for review, the number of beneficiaries in each medical improvement category, outcomes, and the costs and benefits of conducting CDRs to improve program oversight.

Management Response to Recommendation 3: Concur.

As of October 11, 2017 DBD began providing weekly updates to the Director of Programs on all CDR cases pending along with completed workloads (including high risk CDRs). In addition, DBD began working with Policy

Page 2

and Systems to upgrade fields in the On-Line Disability Determination Sheet (OLDDS) to include diary information. This system enhancement will allow RRB to collect information regarding the number of beneficiaries

in each medical improvement category and the outcome at the time of decision. After implementation , RRB can then consider ways to identify the number of cases selected for review and the number reviewed from the selection. Finally, as of May 22, 2017 DBD began using USTAR to code CDR outcomes with disposition codes. The use of USTAR (including the new code noted in response in recommendation one) is another tool that will provide data for analysis on CDR results.

Jeff Baer - Director of Audit and Compliance

CC: Shawna Weekly - Deputy Chief Financial Officer Ana Kocur -
General Counsel

Attachment

Related GAO Products

Social Security Disability: SSA Could Increase Savings by Refining Its Selection of Cases for Disability Review. [GAO-16-250](#). Washington, D.C.: February 11, 2016.

Railroad Retirement Board: Actions Needed to Reduce Continued Risk of Fraud and Improper Payments. [GAO-15-535T](#). Washington, D.C.: May 1, 2015.

Railroad Retirement Board: Total and Permanent Disability Program at Risk of Improper Payments. [GAO-14-418](#). Washington, D.C.: June 26, 2014.

Use of the Railroad Retirement Board Occupational Disability Program across the Rail Industry. [GAO-10-351R](#). Washington, D.C.: February 4, 2010.

Railroad Retirement Board: Review of Commuter Railroad Occupational Disability Claims Reveals Potential Program Vulnerabilities. [GAO-09-821R](#). Washington, D.C.: September 9, 2009.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<https://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <https://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <https://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).
Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#).
Visit GAO on the web at <https://www.gao.gov>.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <https://www.gao.gov/fraudnet/fraudnet.htm>
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Orice Williams Brown, Managing Director, WilliamsO@gao.gov, (202) 512-4400,
U.S. Government Accountability Office, 441 G Street NW, Room 7125,
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Strategic Planning and External Liaison

James-Christian Blockwood, Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814,
Washington, DC 20548