

GAO Highlights

Highlights of [GAO-15-535T](#), a testimony before the Subcommittee on Government Operations, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

Over time, GAO, the RRB Inspector General, and the U.S. Department of Justice have reviewed or investigated RRB's disability benefit programs and found them to be vulnerable to fraud and abuse which places the agency at risk of making improper payments. In 2008, the Department of Justice investigated and prosecuted railroad workers who were suspected of falsely claiming RRB benefits. As of September 30, 2014, these investigations and prosecutions have resulted in approximately \$614 million in restitution, forfeiture, and fines, raising concerns about RRB's administration of its disability claims process.

Implementing strong preventive controls can serve as a frontline defense against improper payments. Examples of preventive controls include 1) ensuring that key duties and responsibilities are divided or segregated among different people to reduce the risk of error, waste or fraud and 2) using timely earnings information to ensure claimants are eligible to receive program benefits. GAO did not make recommendations regarding the occupational disability program, and in 2014, made five recommendations regarding the total and permanent disability program.

This testimony provides information on (1) the critical program vulnerabilities of RRB's occupational disability program, and (2) the potential for fraud and threat of improper payments in RRB's total and permanent disability program.

GAO is not making any new recommendations in this testimony.

View [GAO-15-535T](#). For more information, contact Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov.

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RAILROAD RETIREMENT BOARD

Actions Needed to Reduce Continued Risk of Fraud and Improper Payments

What GAO Found

The Railroad Retirement Board (RRB) administers two disability programs—the occupational disability program and the total and permanent disability program. The occupational disability program provides benefits to railroad workers in situations where workers are unable to perform their railroad work, but may be able to return to the workforce in another occupation. The total and permanent disability program provides benefits to workers who have a medically determinable physical or mental impairment severe enough that they are generally unable to engage in any regular employment. As a steward of taxpayer dollars, the RRB is responsible for how it disperses billions of taxpayer dollars each year.

In recent years, the RRB has been the subject of Government Accountability Office (GAO) audits that have highlighted shortcomings in RRB's administration of its disability programs. RRB Inspector General audits and a U.S. Department of Justice investigation have found similar challenges. GAO found that RRB's continued reliance on a paper-based process and the agency's lack of a robust analytical framework to target potential fraud and abuse in the occupational disability program left the agency susceptible to making improper payments to individuals who did not qualify for benefits. For example, individual occupational disability claims were kept in paper-based files making it difficult for claims examiners to identify unusual patterns or instances where medical information may originate from a small number of doctors or hospitals. Similarly, RRB did not maintain information on doctors in a format that would allow the agency to detect and analyze potential instances of fraud. RRB had begun separately collecting data to detect unusual patterns in relation to a high-profile fraud incident involving employees of the Long Island Railroad, but had not expanded these analyses to other railroads or to other programs outside the occupational disability program.

GAO also found last year that RRB's total and permanent disability program was vulnerable to fraud and improper payments. A shortage of timely data, gaps in internal controls, a lack of a comprehensive system of quality assurance and performance monitoring, and insufficient focus on potential fraud all contributed to a need for fundamental program reform. For example, GAO found that RRB was using information to verify a claimant's self-reported work and earnings history that was up to 1 year old when newer data were available. Further, RRB's claims review process did not follow accepted internal controls by sufficiently separating claim reviews from approvals and, as a result, from one-quarter to one-third of total and permanent disability cases were approved without independent review by a second party. In addition, RRB's performance monitoring standards were focused primarily on payment timeliness and accuracy and less on whether claimants were properly qualified to receive benefits. Lastly, RRB's process lacked a fundamental awareness and sensitivity to instances of potential fraud. In a recent report examining the total and permanent disability program, GAO made several recommendations to improve the oversight of this program including ways to improve information, increase internal controls and foster fraud awareness. RRB officials agreed with all of GAO's recommendations and the agency has begun taking steps to implement them.