

# FY 2009 BUDGET JUSTIFICATION

---

---



Office of Inspector General  
Railroad Retirement Board





UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

February 1, 2008

The Honorable Jim Nussle  
Director  
Office of Management and Budget  
Eisenhower Executive Office Building  
725 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20503

RE: Office of Inspector General at the Railroad Retirement Board FY 2009 Budget Justification

Dear Mr. Nussle:

We are respectfully submitting the budget justification for the Office of Inspector General (OIG) at the Railroad Retirement Board (RRB), for fiscal year (FY) 2009. This justification, prepared in compliance with Office of Management and Budget Circular No. A-11, is being submitted concurrently to the Congress.

OIG focuses their audit and investigative efforts on protecting the integrity of the RRB's trust funds and improving the delivery of benefits to the railroad community. The Office of Audit (OA) performs audits, inspections and management reviews to improve the economy, efficiency and effectiveness in the administration of RRB programs. Through its work, OA identifies operational problems and program weaknesses, and provides recommendations for corrective actions as well as cost savings. The Office of Investigations (OI) conducts investigations to identify fraud, waste, and abuse in agency programs and refers cases for prosecution or monetary recovery. OIG keeps the RRB Chairman and the Congress informed of any agency operational problems or deficiencies.



OIG's FY 2008 funding level was considerably reduced during the final budget negotiations. The following table provides a brief overview of OIG's FY 2008 appropriations history:

The President's Mark	\$7,606,000
House Appropriations Figure	\$7,606,000
Senate Appropriations Figure	\$8,000,000
Conference Appropriations Figure	\$7,803,000
Enacted Appropriations Amount	\$7,173,000
Less 1.747 Rescission	- 125,312
Available Appropriations Amount	\$7,047,688

Based upon the net funding level of \$7,047,688 provided by the Consolidated Appropriations Act, 2008 (P.L. 110-161), OIG faces a substantial funding shortfall. Unless additional funding is provided, OIG will have to furlough its entire staff for a period of ten days. Such action would significantly impact our ability to conduct mandated reviews and perform investigations of fraudulent activities. Accordingly, on January 25, 2008 OIG requested FY 2008 supplemental funding in the amount of \$500,000.

To continue our oversight operations, we respectfully request your support for the FY 2009 funding level of \$7,806,000. In FY 2009, we will continue to conduct money saving audits of agency programs, management reviews, and fraud investigations. The mandated annual audit of agency financial statements and evaluation of information security require substantial personnel resources because they are performed in-house by OIG staff. We are also requesting funding for actuarial support services contracts required for the audit of the RRB's statements of social insurance (part of the financial statement audit) and to fund our disaster recovery plan.

We are also requesting the following changes to both our appropriations law and oversight authority:

- We have identified the agency's oversight of the National Railroad Retirement Investment Trust as a serious management challenge for the RRB. We request oversight and enforcement authority be granted to the OIG to conduct audits and investigations of this body which holds investments of approximately \$32.7 billion in trust funds.



- Current appropriations laws require this office to reimburse the RRB for indirect costs that include office space, equipment, communications, supplies, maintenance and administrative services. This process requires the use of agency and OIG resources for reconciliation and accounting that could be better utilized for improving agency operations. Removal of the current language would permit negotiations between the RRB and OIG for a more efficient way to address the issue of support costs.

This office will use all available resources to improve agency program operations, to reduce fraud against agency benefit programs, and to ensure the OIG provides the highest level of service to its constituents. Thank you for your consideration.

Sincerely,



Martin J. Dickman  
Inspector General

Enclosure





UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

January 31, 2008

The Honorable Richard B. Cheney  
President of the Senate  
276 Dwight D. Eisenhower Executive Office Building  
1650 Pennsylvania Avenue, NW  
Washington, D.C. 20501

RE: Office of Inspector General at the Railroad Retirement Board FY 2009 Budget Justification

Dear Mr. President:

We are respectfully submitting the budget justification for the Office of Inspector General (OIG) at the Railroad Retirement Board (RRB), for fiscal year (FY) 2009. This justification, prepared in compliance with Office of Management and Budget Circular No. A-11, is being submitted concurrently to the Congress.

OIG focuses their audit and investigative efforts on protecting the integrity of the RRB's trust funds and improving the delivery of benefits to the railroad community. The Office of Audit (OA) performs audits, inspections and management reviews to improve the economy, efficiency and effectiveness in the administration of RRB programs. Through its work, OA identifies operational problems and program weaknesses, and provides recommendations for corrective actions as well as cost savings. The Office of Investigations (OI) conducts investigations to identify fraud, waste, and abuse in agency programs and refers cases for prosecution or monetary recovery. OIG keeps the RRB Chairman and the Congress informed of any agency operational problems or deficiencies.



OIG's FY 2008 funding level was considerably reduced during the final budget negotiations. The following table provides a brief overview of OIG's FY 2008 appropriations history:

The President's Mark	\$7,606,000
House Appropriations Figure	\$7,606,000
Senate Appropriations Figure	\$8,000,000
Conference Appropriations Figure	\$7,803,000
Enacted Appropriations Amount	\$7,173,000
Less 1.747 Rescission	- 125,312
Available Appropriations Amount	\$7,047,688

Based upon the net funding level of \$7,047,688 provided by the Consolidated Appropriations Act, 2008 (P.L. 110-161), OIG faces a substantial funding shortfall. Unless additional funding is provided, OIG will have to furlough its entire staff for a period of ten days. Such action would significantly impact our ability to conduct mandated reviews and perform investigations of fraudulent activities. Accordingly, on January 25, 2008 OIG requested FY 2008 supplemental funding in the amount of \$500,000.

To continue our oversight operations, we respectfully request your support for the FY 2009 funding level of \$7,806,000. In FY 2009, we will continue to conduct money saving audits of agency programs, management reviews, and fraud investigations. The mandated annual audit of agency financial statements and evaluation of information security require substantial personnel resources because they are performed in-house by OIG staff. We are also requesting funding for actuarial support services contracts required for the audit of the RRB's statements of social insurance (part of the financial statement audit) and to fund our disaster recovery plan.

We are also requesting the following changes to both our appropriations law and oversight authority:

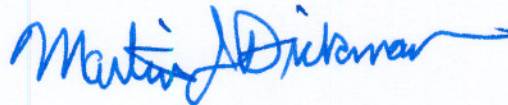
- We have identified the agency's oversight of the National Railroad Retirement Investment Trust as a serious management challenge for the RRB. We request oversight and enforcement authority be granted to the OIG to conduct audits and investigations of this body which holds investments of approximately \$32.7 billion in trust funds.



- Current appropriations laws require this office to reimburse the RRB for indirect costs that include office space, equipment, communications, supplies, maintenance and administrative services. This process requires the use of agency and OIG resources for reconciliation and accounting that could be better utilized for improving agency operations. Removal of the current language would permit negotiations between the RRB and OIG for a more efficient way to address the issue of support costs.

This office will use all available resources to improve agency program operations, to reduce fraud against agency benefit programs, and to ensure the OIG provides the highest level of service to its constituents. Thank you for your consideration.

Sincerely,



Martin J. Dickman  
Inspector General

Enclosure





UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

January 31, 2008

The Honorable Nancy Pelosi  
Speaker of the U.S. House of Representatives  
Office of the Speaker  
H-232, U.S. Capitol  
Washington, D.C. 20515-6501

RE: Office of Inspector General at the Railroad Retirement Board FY 2009 Budget Justification

Dear Madam Speaker:

We are respectfully submitting the budget justification for the Office of Inspector General (OIG) at the Railroad Retirement Board (RRB), for fiscal year (FY) 2009. This justification, prepared in compliance with Office of Management and Budget Circular No. A-11, is being submitted concurrently to the Congress.

OIG focuses their audit and investigative efforts on protecting the integrity of the RRB's trust funds and improving the delivery of benefits to the railroad community. The Office of Audit (OA) performs audits, inspections and management reviews to improve the economy, efficiency and effectiveness in the administration of RRB programs. Through its work, OA identifies operational problems and program weaknesses, and provides recommendations for corrective actions as well as cost savings. The Office of Investigations (OI) conducts investigations to identify fraud, waste, and abuse in agency programs and refers cases for prosecution or monetary recovery. OIG keeps the RRB Chairman and the Congress informed of any agency operational problems or deficiencies.



OIG's FY 2008 funding level was considerably reduced during the final budget negotiations. The following table provides a brief overview of OIG's FY 2008 appropriations history:

The President's Mark	\$7,606,000
House Appropriations Figure	\$7,606,000
Senate Appropriations Figure	\$8,000,000
Conference Appropriations Figure	\$7,803,000
Enacted Appropriations Amount	\$7,173,000
Less 1.747 Rescission	- 125,312
Available Appropriations Amount	\$7,047,688

Based upon the net funding level of \$7,047,688 provided by the Consolidated Appropriations Act, 2008 (P.L. 110-161), OIG faces a substantial funding shortfall. Unless additional funding is provided, OIG will have to furlough its entire staff for a period of ten days. Such action would significantly impact our ability to conduct mandated reviews and perform investigations of fraudulent activities. Accordingly, on January 25, 2008 OIG requested FY 2008 supplemental funding in the amount of \$500,000.

To continue our oversight operations, we respectfully request your support for the FY 2009 funding level of \$7,806,000. In FY 2009, we will continue to conduct money saving audits of agency programs, management reviews, and fraud investigations. The mandated annual audit of agency financial statements and evaluation of information security require substantial personnel resources because they are performed in-house by OIG staff. We are also requesting funding for actuarial support services contracts required for the audit of the RRB's statements of social insurance (part of the financial statement audit) and to fund our disaster recovery plan.

We are also requesting the following changes to both our appropriations law and oversight authority:

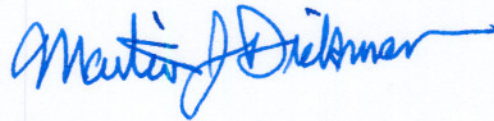
- We have identified the agency's oversight of the National Railroad Retirement Investment Trust as a serious management challenge for the RRB. We request oversight and enforcement authority be granted to the OIG to conduct audits and investigations of this body which holds investments of approximately \$32.7 billion in trust funds.



- Current appropriations laws require this office to reimburse the RRB for indirect costs that include office space, equipment, communications, supplies, maintenance and administrative services. This process requires the use of agency and OIG resources for reconciliation and accounting that could be better utilized for improving agency operations. Removal of the current language would permit negotiations between the RRB and OIG for a more efficient way to address the issue of support costs.

This office will use all available resources to improve agency program operations, to reduce fraud against agency benefit programs, and to ensure the OIG provides the highest level of service to its constituents. Thank you for your consideration.

Sincerely,



Martin J. Dickman  
Inspector General

Enclosure



**OFFICE OF INSPECTOR GENERAL  
RAILROAD RETIREMENT BOARD**

**TABLE OF CONTENTS**

Executive Summary .....	1
Proposed Appropriation Language .....	2
Authorizing Legislation .....	3
Budget Authority and Staffing by Activity .....	4
Budget Authority by Object Class Schedule .....	5
Consulting Services .....	6
Personnel Summary .....	7
Amounts Available for Obligation.....	8
Appropriations History Table .....	9
Staffing History .....	10
Explanation of Fiscal Year 2009 Budget Request.....	11
Fiscal Year 2009 Annual Performance Plan .....	17

February 1, 2008



**OFFICE OF INSPECTOR GENERAL  
RAILROAD RETIREMENT BOARD**

**EXECUTIVE SUMMARY**

The mission of the Office of Inspector General (OIG) at the Railroad Retirement Board (RRB) is to: (1) conduct independent audits and investigations relating to agency programs and operations; (2) promote economy, efficiency and effectiveness; (3) detect fraud and abuse; and (4) keep the Board Members and Congress informed about problems and recommended corrective actions concerning RRB operations.

OIG's fiscal year (FY) 2008 funding level was considerably reduced during the final budget negotiations. The following table provides a brief overview of OIG's FY 2008 appropriations history:

The President's Mark	\$7,606,000
House Appropriations Figure	\$7,606,000
Senate Appropriations Figure	\$8,000,000
Conference Appropriations Figure	\$7,803,000
Enacted Appropriations Amount	\$7,173,000
Less 1.747 Rescission	- 125,312
Available Appropriations Amount	\$7,047,688

Based upon the net funding level of \$7,047,688 provided by the Consolidated Appropriations Act, 2008 (P.L. 110-161), OIG faces a substantial funding shortfall. Unless additional funding is provided, OIG will have to furlough its entire staff for a period of ten days. Such action would significantly impact our ability to conduct mandated reviews and perform investigations of fraudulent activities. Accordingly, on January 25, 2008 OIG requested FY 2008 supplemental funding in the amount of \$500,000.

The OIG is respectfully requesting \$7,806,000 in fiscal year 2009 to continue audit and investigative coverage of the RRB benefit programs, to identify program weaknesses, and reduce fraud in agency programs. The office will focus resources on operational areas with the greatest impact on RRB activities and related customer service. Investigative resources will be devoted to maintaining the integrity of RRB programs through investigation of fraud, waste and abuse.



## **JUSTIFICATION OF ESTIMATES**

### **PROPOSED APPROPRIATION LANGUAGE**

#### Limitation on The Office of Inspector General

For expenses necessary for the Office of Inspector General for audit, investigatory and review activities, as authorized by the Inspector General Act of 1978, not more than \$7,806,000 to be derived from the railroad retirement accounts and railroad unemployment insurance account.



**AUTHORIZING LEGISLATION**

**FY 2009**

---

**Legislation**

**Authorized**

**Appropriation  
Requested**

Inspector General Act of 1978,  
as amended

Indefinite

\$ 7,806,000

**Authorizing Legislation**

---

\$ 7,806,000



**BUDGET AUTHORITY AND STAFFING BY ACTIVITY**

	<u>FY 2007</u>		<u>FY 2008</u>		<u>FY 2009</u>	
	<u>FTES</u>	<u>BUDGET AMOUNT</u>	<u>FTES</u>	<u>BUDGET AMOUNT</u>	<u>FTES</u>	<u>BUDGET AMOUNT</u>
<b><u>Program by Activity</u></b>						
<b>Office of Inspector General</b>						
Authorizing Legislation - President's Budget	53	7,124,040	53	7,173,000	53	7,806,000
Additional Funding		48,646				
Mandated Rescissions		0		-125,312		0
		<hr/>		<hr/>		<hr/>
<b>Authorizing Legislation</b>		7,172,686		7,047,688 <u>a/</u>		7,806,000
Unappropriated Expenses		0		0		0

a/ Reflects the level of funding provided by the Consolidated Appropriations Act, 2008 (P.L. 110-161). To meet this level of funding the OIG will have to furlough the entire staff for a period of ten days.



### BUDGET AUTHORITY BY OBJECT CLASS SCHEDULE

<u>Obligation by Object Class</u>	<u>FISCAL YEAR 2007 ACTUAL AMOUNTS (\$)</u>	<u>FISCAL YEAR 2008 ESTIMATED AMOUNTS (\$)</u>	<u>FISCAL YEAR 2009 ESTIMATED AMOUNTS (\$)</u>	<u>FY 2009 vs FY 2008 INCREASE OR DECREASE (\$)</u>
<b>Personnel Compensation:</b>				
Full-time permanent	4,775,245	4,901,688	5,362,000 <b>b/</b>	460,312
Other than full-time permanent	0	0	0	0
Other personnel compensation	129,357	75,000	106,000	31,000
<b>Total Personnel Compensation</b>	<b>4,904,602</b>	<b>4,976,688</b>	<b>5,468,000</b>	<b>491,312</b>
<b>Personnel Benefits: Civilian</b>				
Benefits for former personnel	0	1,000	10,000 <b>b/</b>	9,000
Travel and transportation of persons	165,531	167,000	210,000	43,000
Transportation of things	3,480	0	0	0
Rental Payments to GSA	267,949	272,000	275,000	3,000
Communications, utilities, and miscellaneous charges	89,979	92,000	107,000	15,000
Printing and reproduction	1,208	2,000	2,000	0
Consulting Services	153,101	83,000	111,000	28,000
Other Services	103,774	84,000	145,000	61,000
Supplies and materials	31,687	33,000	35,000	2,000
Equipment	16,134	5,000	20,000	15,000
<b>Total Direct Obligations</b>	<b>7,033,890</b>	<b>7,047,688</b>	<b>7,806,000</b>	<b>758,312</b>
<b>Unobligated Balance</b>	<b>138,796</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Budget Obligations</b>	<b>7,172,686</b>	<b>7,047,688</b>	<b>7,806,000</b>	<b>758,312</b>
<b>Authorizing Legislation-President's Budget</b>	<b>7,124,040</b>	<b>7,173,000 <u>a/</u></b>	<b>7,806,000</b>	
<b>Mandated Rescission</b>	<b>0</b>	<b>(125,312)</b>	<b>0</b>	
<b>Additional Funding</b>	<b>48,646</b>			
<b>Authorizing Legislation</b>	<b>7,172,686</b>	<b>7,047,688</b>	<b>7,806,000</b>	
<b>Total Full-Time Equivalent (FTE) Usage</b>	<b>53</b>	<b>53 <u>a/</u></b>	<b>53</b>	

**a/** Reflects the level of funding provided by the Consolidated Appropriations Act, 2008 (P.L. 110-161). To meet this level of funding the OIG will have to furlough the entire staff for a period of ten days.

**b/** Salary and benefit estimates for FY 2009 reflect assumptions provided by the Office of Management and Budget for cost of living/locality increases of 3.0% in January 2009.



**CONSULTING SERVICES**

(in thousands of dollars)

<b><u>Program by Activity</u></b> <b><u>Contractual Services</u></b>	<b><u>FY 2007</u></b> <b><u>ACTUAL</u></b>	<b><u>FY 2008</u></b> <b><u>ESTIMATE</u></b>	<b><u>FY 2009</u></b> <b><u>ESTIMATE</u></b>
<b><u>Consultations</u></b>			
OIG Disaster Recovery Assessment	55	55	60
Federal Information Security Management Act (FISMA)	0	0	0
Audit of Statement of Social Insurance	25	25	27
	<hr/>	<hr/>	<hr/>
<b>Contract Program Total</b>	80	80	87



**PERSONNEL SUMMARY**

	FY 2007 ACTUAL	FY 2008 ESTIMATE	FY 2009 REQUEST
Executive Level IV	1	1	1
Subtotal	<hr/> 1	<hr/> 1	<hr/> 1
ES-00	1	1	1
Subtotal	<hr/> 1	<hr/> 1	<hr/> 1
GS/GM-15	3	3	3
GS/GM-14	6	7	7
GS/GM-13	13	13	13
GS-12	18	19	19
GS-11	3	0	2
GS-10	0	0	0
GS-09	2	4	2
GS-08	2	2	2
GS-07	3	2	2
GS-06	1	1	1
GS-05	0	0	0
GS-04	0	0	0
GS-03	0	0	0
GS-02	0	0	0
GS-01	0	0	0
Subtotal	<hr/> 51	<hr/> 51	<hr/> 51
End of Year: total full-time permanent employment	53	53	53
Full-time equivalent (FTE) usage	53	53	53
<b><u>END OF YEAR</u></b>			
Average ES Salary	\$154,600	\$158,500	\$163,200
Average GS/GM Grade	11.87	12.00	12.08
Average GS/GM Salary without Premium Pay	\$73,300	\$76,700	\$79,100
Average GS/GM Salary with Premium Pay	\$108,400	\$110,600	\$113,900



**AMOUNTS AVAILABLE FOR OBLIGATION**

**Office of Inspector General**

<u>Financing</u>	<u>FY 2007 actual</u>	<u>FY 2008 estimate</u>	<u>FY 2009 estimate</u>
Obligations from new authority	\$7,033,890	\$7,047,688	\$7,806,000
Plus: Unobligated balance	<u>138,796</u>	<u>0</u>	<u>0</u>
<b>Limitation:</b>	\$7,172,686 <b>a/</b>	\$7,047,688 <b>b/</b>	\$7,806,000
∞ <u>Relation of obligations to outlays</u>			
Obligations incurred	\$7,033,890	\$7,047,688	\$7,806,000
Obligated balance, start of year	0	468,979	468,979
Obligated balance, end of year	<u>(468,979)</u>	<u>(468,979)</u>	<u>(468,979)</u>
<b>Outlays:</b>	\$6,564,911	\$7,047,688	\$7,806,000

**a/ Reflects an appropriation of \$7,124,040 made available by P.L. 110-5, the full-year continuing resolution for fiscal year 2007, plus \$48,646 reimbursement for half the January 2007 pay raise provided by Section 111 of P.L. 110-5.**

**b/ Reflects an appropriation of \$7,173,000 provided by the Consolidated Appropriations Act, 2008 (P.L. 110-161), less a rescission of \$125,312 in accordance with P.L. 110-161.**



## APPROPRIATIONS HISTORY TABLE

<u>FISCAL YEAR</u>	<u>PRESIDENT'S BUDGET TO CONGRESS</u>	<u>HOUSE ALLOWANCE</u>	<u>SENATE ALLOWANCE</u>	<u>APPROPRIATION</u>
1998	\$5,400,000	\$5,000,000	\$5,394,000	\$5,794,000 a/
1999	\$5,400,000	\$5,400,000	\$5,600,000	\$5,600,000 b/
2000	\$5,400,000	\$5,400,000	\$5,400,000	\$5,380,000 c/
2001	\$5,700,000	\$5,380,000	\$5,700,000	\$5,700,000 d/
2002	\$6,480,000	\$6,042,000	\$6,480,000	\$6,261,000 e/
2003	\$6,300,000	\$6,300,000	\$6,300,000	\$6,321,640 f/
2004	\$6,600,000	\$6,600,000	\$6,300,000	\$6,561,060 g/
2005	\$7,200,000	\$6,561,000	\$7,200,000	\$7,195,968 h/
2006	\$7,195,968	\$7,196,000	\$7,196,000	\$7,124,040 i/
2007	\$7,606,000	\$7,606,000	\$7,606,000	\$7,172,686 j/
2008	\$7,606,000	\$7,606,000	\$8,000,000	\$7,047,688 k/
2009	\$7,806,000			

- a/ Represents the House and Senate Conference amount of \$5,794,000, mandated by (Public Law 105-78).
- b/ Represents the Omnibus Consolidated Appropriations amount of \$5,600,000 less \$3,400 rescinded, mandated by (Public Law 105-277).
- c/ Represents the Consolidated Appropriations Act, 2000 amount of \$5,400,000 less \$20,000 rescinded, mandated by (Public Law 106-113).
- d/ Represents the Consolidated Appropriations Act, 2001 amount of \$5,700,000, as enacted by (section 1(a)(1) of Public Law 106-554).
- e/ Represents the Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriations Act, 2002 (Public Law 107-116) less \$4,500 rescinded in accordance with (Public Law 107-206).
- f/ Represents the Consolidated Appropriations Resolution, 2003 amount of \$6,363,000 less \$41,360 rescinded, mandated by (Public Law 108-7).
- g/ Represents the Consolidated Appropriations Act, FY 2004 amount of \$6,600,000 less \$38,940 rescinded, mandated by (Public Law 108-199).
- h/ Represents the Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, FY 2005 amount of \$7,254,000 less \$58,032 rescinded, mandated by (Public Law 108-447).
- i/ Represents the Department of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006 amount of \$7,196,000 (Public Law 109-149) less \$71,960 rescinded, mandated by (Public Law 109-148).
- j/ Represents the Revised Continuing Appropriations Resolution, 2007 amount of \$7,124,040 (Public Law 110-5) plus additional funds of \$48,646 mandated by (Section 111 of Public Law 110-5).
- k/ Represents the Consolidated Appropriations Act, 2008 amount of \$7,173,000 less \$125,312 rescinded, mandated by (Public Law 110-161).



## STAFFING HISTORY

<u>Fiscal Year</u>	<u>Total FTEs</u>
1986	18
1987	23
1988	55
1989	58
1990	83
1991	93
1992	101
1993	99
1994	93
1995	88
1996	74
1997	62
1998	59
1999	59
2000	54
2001	51
2002	51
2003	53
2004	51
2005	50
2006	51
2007	53
2008	53
2009	53



## **OFFICE OF INSPECTOR GENERAL RAILROAD RETIREMENT BOARD**

### **EXPLANATION OF FISCAL YEAR 2009 REQUEST**

The Office of Inspector General (OIG) at the Railroad Retirement Board (RRB) is responsible for promoting economy, efficiency and effectiveness; and for identifying and preventing fraud, waste and abuse in agency programs. The RRB administers comprehensive retirement-survivor and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families. It is the Railroad Retirement Board's (RRB) central mission to pay accurate and timely benefits. During fiscal year (FY) 2007, the RRB paid approximately \$9.7 billion in retirement and survivor benefits to 600,000 beneficiaries. It also paid \$73 million in net unemployment and sickness insurance benefits to almost 28,000 claimants during the benefit year ending July 30, 2007. The Railroad Medicare Part B carrier, Palmetto GBA, paid approximately \$897 million in medical insurance benefits for more than 496,000 beneficiaries.

The OIG conducts audits, management reviews, inspections of RRB program operations, and provides recommendations for improvement to agency management. The OIG also identifies and investigates cases of waste, fraud and abuse in RRB programs; and makes referrals for prosecution and monetary recovery actions.

The Annual Performance Plan for FY 2009, including the President's proposed administrative budget and projected performance statistics for FYs 2007-2009, is incorporated in this budget request.

The OIG is requesting \$7,806,000 for FY 2009 to conduct its independent oversight of agency operations. The OIG will continue its efforts to perform fraud investigations, identify operational weaknesses and detect internal control deficiencies in RRB benefit programs. OIG will also continue its work with agency managers to ensure implementation of corrective actions.



## **Requested Changes in Operational Authority**

### **Oversight of the National Railroad Retirement Investment Trust (NRRIT)**

The NRRIT was established by the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) to manage and invest Railroad Retirement assets. As of September 30, 2007, the RRB's investment in the NRRIT was valued at approximately \$32.7 billion. Although the Trust is a tax-exempt entity independent of the Federal Government, RRSIA requires the Trust to report to the RRB. This office has previously reported concerns about the RRB's passive relationship with the NRRIT and has identified the RRB's oversight in this area as a critical issue. However, RRSIA did not provide the OIG with oversight authority to conduct audits and investigations of the NRRIT. This office believes that independent oversight of the Trust's operations is necessary to ensure sufficient reporting mechanisms and to ensure that the Trustees are fulfilling their fiduciary responsibilities. The OIG respectfully requests oversight and enforcement authority to conduct audits and investigations of the NRRIT.

### **Reimbursement of Indirect Costs to the Railroad Retirement Board**

This office is the only federal Office of Inspector General that cannot negotiate a service level agreement with its parent agency. The current mandate has resulted in a burdensome accounting and reconciliation process for both the agency and the OIG. The OIG respectfully requests the removal of appropriation language that mandates OIG reimbursement to the agency for indirect costs such as office space, equipment, communications, office supplies, maintenance and administrative services. Removal of the current language would permit negotiations between RRB and OIG for a more efficient way to address the issue of support costs.



The Office of Inspector General conducts its operations through two major components: the Office of Audit and the Office of Investigations. A discussion of the priority areas in FY 2009 for audit and investigative activities follows.

## **OFFICE OF AUDIT**

The mission of the Office of Audit (OA) is to conduct reviews, identify operational weaknesses and potential cost savings, and recommend corrective actions to strengthen agency programs.

OA works to ensure that RRB's benefit programs are operating effectively and efficiently. OA also ensures that Congress and the Board members are informed of current and potential problems, as well as management's progress in implementing necessary corrective actions to address identified weaknesses. OA conducts financial, performance and compliance audits as well as evaluations of agency actions in response to the requirements of new legislation and regulations.

In FY 2009, OA will focus on areas that support national initiatives and priorities as well as those operational areas with the greatest impact on RRB activities including goals set forth in the President's Management Agenda. Consistent with the agency's central mission to pay accurate and timely benefits, OA concentrates its efforts on the systems and processes that support the benefit payment programs and stewardship over the assets that fund those programs.

OA will continue to perform audits that support the agency's strategic goal of financial accountability and stewardship. Two major responsibilities of OA are the annual audit of the RRB's financial statements required by the Accountability of Tax Dollars Act of 2002 and the annual evaluation of information security required by the Federal Information Security Management Act of 2002.

In FY 2009, OA auditors will complete the audit of the RRB's FY 2008 financial statements and begin the audit of the FY 2009 statements. To perform these audits, OA will contract for the assistance of a consulting actuary in auditing the statement of social insurance which is now a basic financial statement.



OA will also work with agency management to ensure that the RRB's financial reporting responsibilities are adequately supported by detailed, verifiable information from the NRRIT. As discussed previously, this office seeks oversight authority for the activities of that entity to ensure sufficient reporting mechanisms and to ensure that the Trustees are fulfilling their fiduciary responsibilities. Such authority would also permit the OIG to more effectively coordinate the annual financial audit effort and thus ensure the accuracy and timeliness of the RRB's financial reporting.

OA will also focus on providing oversight to the RRB's efforts to ensure the privacy and security of its electronic and non-electronic information. We will evaluate agency performance in context of the goals established in its Strategic Plan and the mandates and challenges laid out in Federal law and related guidance including the Information Technology Management Reform Act, the E-Government Act of 2002, the Federal Information Security Management Act of 2002 (FISMA), and the Privacy Act. Our work will be targeted toward the identification and elimination of security deficiencies and system vulnerabilities including controls over sensitive personally identifiable information. OA personnel will perform the FY 2009 evaluation of information security required by FISMA.

## **OFFICE OF INVESTIGATIONS**

The Office of Investigations (OI) focuses its efforts on identifying, investigating and presenting cases for prosecution, throughout the United States, concerning fraud in RRB benefit programs. OI conducts investigations relating to the fraudulent receipt of RRB sickness, unemployment, disability or retirement benefits. OI also investigates railroad employers and unions when there is an indication that they have submitted false reports to the RRB. RRB Medicare oversight authority was reinstated to the OIG on December 25, 2007. This authority allows the OIG to investigate allegations of fraud, waste and abuse in the RRB Medicare program. Investigative efforts can result in criminal convictions, administrative sanctions, civil penalties and the recovery of program benefit funds.



OI initiates cases based on information from a variety of sources. The agency conducts computer matching of employment and earnings information reported to state governments and RRB benefits paid. Referrals are made to OI if a match is found. OI also receives allegations of fraud through the OIG Hotline, contacts with state, local and Federal agencies, and information developed through audits conducted by the OIG's Office of Audit.

OI's investigative results for FY 2007 are:

Civil Judgments	Indictments/Informations	Convictions	Recoveries/Collections
25	32	46	\$4,655,049

OI anticipates an ongoing caseload of approximately 450 investigations in FY 2009. During FY 2007, OI opened 297 new cases and closed 295. At present, OI has cases open in 47 states, the District of Columbia and Canada with estimated fraud losses totaling almost \$11 million.

OI will continue to concentrate its resources on cases with the highest fraud losses. Typically these cases related to the RRB's disability and retirement programs. Disability fraud cases currently constitute approximately 50% of OI's total caseload. These cases involve more complicated schemes and result in the recovery of substantial funds for the agency's trust funds. OI will continue to dedicate considerable time and resources in the investigation of nationwide schemes to defraud the RRB disability program. These cases require sizeable resources for travel by special agents to conduct surveillance, or more sophisticated investigative techniques and numerous witness interviews. The schemes are often complex and, in some cases, include conspiratorial involvement by attorneys. The cases also require very sophisticated financial analysis since the schemes are often cloaked in what could appear to be legitimate business practices.

OI has added RRB Medicare fraud investigations to its caseload and has identified eleven cases which involve losses to the RRB Medicare program. Medicare fraud cases are also document-intensive and extremely complex in nature.



OI will also continue to investigate fraud violations of railroad employees collecting unemployment or sickness insurance benefits while working and receiving wages from an employer. OI will also investigate retirement fraud which typically involves the theft and fraudulent cashing of U.S. Treasury checks or the withdrawal of electronically deposited RRB benefits. OI will also use the Department of Justice's Affirmative Civil Enforcement Program to recover trust fund monies from cases that do not meet U.S. Attorney's guidelines for criminal prosecution.

In FY 2009, OI will continue to coordinate its efforts with agency program managers to address vulnerabilities in benefit programs that allow fraudulent activity to occur and will recommend changes to ensure program integrity. OI plans to continue proactive projects to identify fraud matters that are not detected through the agency's program policing mechanisms. Findings will be conveyed to agency management through OIG systemic implication reports to alert officials of operational weaknesses that may result in fraud against RRB programs. OI will also continue to work with RRB program managers to ensure the appropriate and timely referral of all fraud matters to the OIG.

OI will also investigate complaints involving administrative irregularities and any alleged misconduct by agency employees.

## **Conclusion**

In FY 2009, the OIG will continue to focus its resources on the review and improvement of RRB operations and will conduct activities to ensure the integrity of the agency trust funds. This office will continue to work with agency officials to ensure the agency is providing quality service to railroad workers and their families. The OIG will also aggressively pursue all individuals who engage in activities to fraudulently receive RRB funds including RRB Medicare funds.



<b>Railroad Retirement Board – Office of Inspector General FY 2009 Annual Performance Plan</b>	2004 Actual (\$6.56m)	2005 Actual (\$7.196m)	2006 Actual (\$7.124m)	2007 Actual (\$7.173m)	2008 Estimate (\$7.048m)	2009 Request Level (\$7.806m)
<b>Performance Goal I: Add value to the agency's programs and operations through audits and evaluations.</b>						
The OIG will solicit suggestions for audits and reviews for the annual audit work plan from 100% of the agency's organizational components.	100%	100%	100%	100%	100%	100%
Seventy-five percent of audit reports will be issued within 240 days.	67%	91%	75%	56%	50%	60%
Eighty percent of audits, evaluations, and inspections are subjected to an internal quality assurance review.	60%	70%	75%	80%	80%	80%
Agency management agrees with 80% of recommendations made in audit, evaluation, and inspection reports.	97%	89%	94%	97%	80%	80%
<b>Performance Goal II: Provide accurate, objective and timely information to the RRB, Congress and other interested parties.</b>						
The OIG will file 100% of reports on time.	100%	100%	100%	100%	100%	100%
	100%	100%	100%	100%	100%	100%
<b>Performance Goal III: The OIG's work will deter fraud and abuse in agency programs and foster integrity in its operation.</b>						
The OIG will increase the number of convictions, civil judgements and administrative actions resulting from its investigative case work by 10% over the FY 2000 base of 112.	-29%	10%	10%	-	-	-
The OIG will increase the amount of monetary accomplishments by 10% over the FY 2000 base of \$3.9 million.	476%	10%	10%	-	-	-
The OIG will complete 4 projects to identify fraud cases that are not detected through agency policing procedures.	3	3	3	2	1	3
Percentage of allegations that are evaluated and submitted for disposition within 30 days of receipt.	-	90%	90%	80%	75%	85%



<b>Railroad Retirement Board – Office of Inspector General FY 2009 Annual Performance Plan</b>	2004 Actual (\$6.56m)	2005 Actual (\$7.196m)	2006 Actual (\$7.124m)	2007 Actual (\$7.173m)	2008 Estimate (\$7.048m)	2009 Request Level (\$7.806m)
Percentage of investigations that are accepted by a prosecutor or an agency for judicial or administrative action that result in a successful action, i.e., criminal conviction, civil judgment or administrative action.	-	95%	90%	80%	75%	85%
Percentage of systemic issue recommendations that are agreed to by the agency in the current year.	-	50%	80%	70%	95%	90%
<b>Performance Goal IV: Promote cooperative relationships with the RRB and other federal, state and local agencies and departments.</b>						
The OIG will work 10% on average, of its cases as joint investigations with other OIGs, and 8% as joint investigations with other Federal investigative agencies.	OIG 4% OLE 8%	OIG 4% OLE 8%	-	-	-	-
The OIG will conduct 4 training sessions during the year for RRB staff.	1	2	2	1	1	4
<b>Performance Goal V: Conduct timely follow-up on prosecutions and corrective actions.</b>						
Eighty percent of all OIG investigations will be referred for prosecution or administrative action no later than nine months after initiation.	82%	75%	-	-	-	-
Reports on the progress of corrective actions for audit recommendations will be issued to the RRB Chairman within 35 days of the six month reporting period.	27 days	26 days	34 days	35 days	30 days	35 days
<b>Performance Goal VI: The OIG will ensure an economical and efficient operation.</b>						
All auditors hold the appropriate credentials to satisfy government, PCIE and applicable standards.	100%	100%	100%	100%	100%	100%
All auditors will receive 80 hours of continuing professional education over 2 years.	100%	100%	100%	100%	100%	100%
Percentage of responses to completed case surveys indicating an evaluation of full satisfaction or higher regarding OIG investigative products.	-	100%	92%	94%	80%	90%