

REINVENTION PROPOSALS  
PHASE II

SEPTEMBER 26, 1995



OFFICE OF INSPECTOR GENERAL  
RAILROAD RETIREMENT BOARD

## **INTRODUCTION**

**This report represents the second Reinvention Proposal submitted by the Office of Inspector General (OIG). The report addresses three areas in which the OIG believes changes must be made in order to improve the economy and efficiency of operations and the overall control environment at the Railroad Retirement Board (RRB).**

**First, the organizational structure should be revised to consolidate operations of the existing 22 bureaus into 5 major bureaus. Second, the network of field service offices should be reduced from 86 to 10. Third, the organizational culture should change from one of micromanagement to an entrepreneurial atmosphere which welcomes change. Specific reasons for these proposals are discussed in this report.**

## **BACKGROUND**

**The National Performance Review (NPR), the 1993 Government Performance and Results Act (GPRA) and increased public pressure require that Federal agencies review their operating strategies to provide improved services to their customers in the most efficient manner. Each of these initiatives envisions a results-oriented organization rather than one which is driven by internal processes and procedures.**

**The Financial Statement audits of the Railroad Retirement Board for fiscal years 1993 and 1994, performed by Arthur Andersen LLP, identified the organizational structure of the agency as a material weakness in the control environment. These reports stated that the structure created an atmosphere which emphasized individual bureau goals rather than overall agency objectives.**

**In response to the external demands and control weakness, the Board Members approved a reorganization plan for the agency at its November 1994 meeting to become effective January 3, 1995. The OIG reviewed the Board's reorganization plan and concluded that the agency should implement additional, more radical changes to streamline operations and create a more flexible and efficient environment focused on results.**

**The OIG submitted its Reinvention Proposals to the Chairman of the Board in January 1995. The proposals recommended changing the organizational structure of the RRB and improving the utilization of technology. The proposals also questioned the need for maintaining a network of 86 field offices despite a dramatic decline in the number of railroad employees covered by the Railroad Retirement Act. The recommendations, if implemented, would allow the agency to streamline its operations and reduce unnecessary managerial**

and supervisory oversight. The recommendations identified over 400 positions which, if eliminated, could provide savings in excess of \$21 million annually.

A task force of agency staff members selected by the Board reviewed the OIG proposals and related issues. The task force rejected the OIG's two main proposals as too radical, and proposed more modest reductions in the number of field offices and a minor consolidation of the agency's organizational structure. The task force also recommended studying the use of additional technology in its service delivery methods although they stated that the field office structure was to continue as the primary means of service delivery, as had been the prior practice.

### **ISSUE NUMBER ONE - ORGANIZATIONAL STRUCTURE**

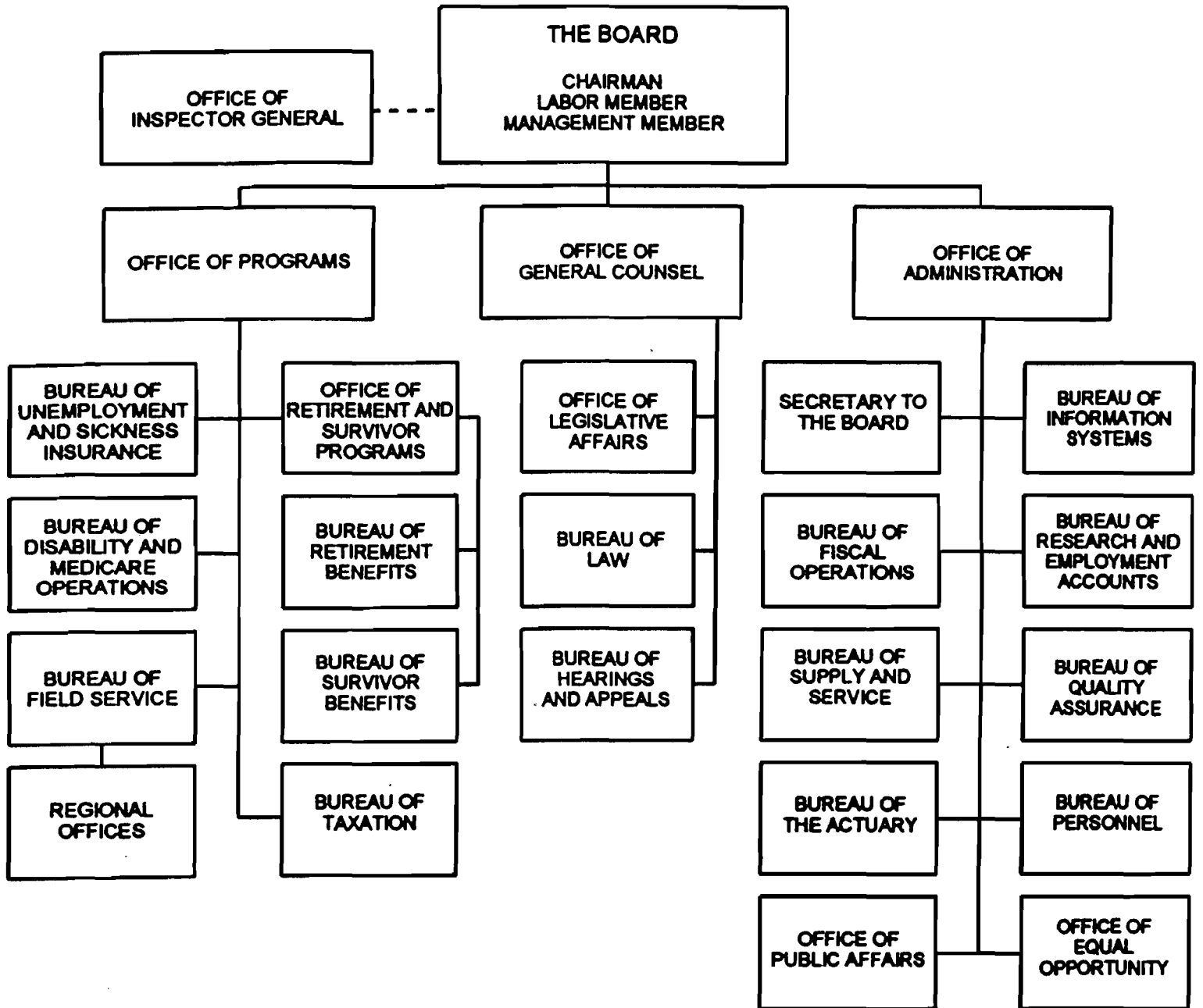
The OIG believes that the proposals regarding organizational structure set forth by the Reinvention Task Force, and approved by the Board Members, will not provide a significant level of change. The OIG's recommendation to establish five independent bureaus was made to appropriately align functional specialties, allow clearer focus on the major issues facing these bureaus and reduce layers of supervision between senior managers and employees within these bureaus.

Although the RRB Reinvention Task Force Report identified several areas to reduce the number of positions, much more needs to be done, as several long-term problems remain. The agency will be required to make substantial reductions in staffing to meet the Administration's proposed budget figures for the next four years. To meet the customer service demands without significantly changing the service delivery methods, the cuts will have to come from administrative positions.

The Board's reorganization (see the following page) aligned the agency's organizational units into two primary areas; Programs and Administration. The Office of Administration includes the bureaus responsible for financial operations, actuarial reporting and statistical compilation and information systems in addition to the more general support functions. The Office of Programs is responsible for the processing of all benefit entitlements.

As of March 30, 1995, a total of 959 employees were reporting to the Director of Programs (DP) while the number reporting to the Director of Administration (DA) totalled 465 employees. This represents a ratio of support to line personnel of 1 to 2.1. Greater emphasis must be placed on accurate processing of benefit payments in a timely manner. The agency should concentrate its resources on customer service, not administrative tasks.

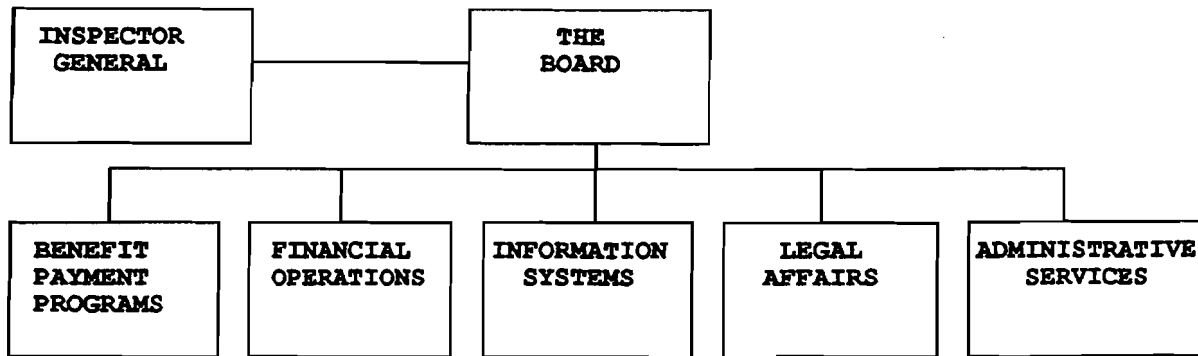
# CURRENT ORGANIZATION CHART



## OIG Proposal

The initial proposal made by the OIG called for a more radical change to the organizational structure by grouping similar functional areas into five larger bureaus.

### PROPOSED ORGANIZATIONAL STRUCTURE



The OIG proposal for reorganization was made in consideration of the following factors:

- Too many bureaus had been created and the fragmentation of operating units promoted the interests of individual bureaus rather than overall agency goals.
- Micromanagement is encouraged by creating numerous and narrowly defined organizational units.
- The delivery of services through a network of field offices is outdated in terms of technological changes and ignores the demographic changes occurring throughout the railroad industry.
- External pressures require that the RRB reconsider the mechanisms it uses to deliver services to its customers. The requirements of the NPR do not contemplate a fine-tuning of operations but rather a radical reinvention of the processes used by the agency.

Reducing the number of bureaus will permit the consolidation of supervisory, managerial and administrative employees. It will also decrease the number of GS-14,15 and Senior Executive Service positions as recommended by the NPR and mandated by the Administration.

### **Benefit Programs**

The Bureau of Benefit Payments combines eight offices and bureaus from the existing organization structure:

- Office of Programs
- Bureau of Unemployment and Sickness Insurance
- Bureau of Disability and Medicare Operations
- Bureau of Field Service
- Bureau of Taxation
- Office of Retirement and Survivor Programs
- Bureau of Retirement Benefits
- Bureau of Survivor Benefits

The organizational advantages to having a combined Bureau of Benefit Programs include:

- Eliminating barriers between bureaus.
- Providing a single source for benefit information.
- Promoting more efficient use of human resources.

Currently, the agency has five program bureaus which share the same basic mission of providing service to those individuals entitled to benefits under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. The primary tasks are to adjudicate and authorize claims for benefits, and to provide information and assistance to covered workers and their beneficiaries.

Despite having a common mission, the current headquarters structure encourages behavior which emphasizes achieving individual bureau goals rather than focusing on the larger issue of providing the best possible service to the primary customers of the RRB, covered workers and benefit recipients.

Current practice for the RRB is to have individuals contact their local field office to answer questions about their benefits. A similar call to headquarters would result in the call being transferred to several different bureaus. There is no reason that service representatives in the Bureau of Benefit Programs cannot handle inquiries in the same manner without having calls transferred to several different bureaus. A central benefits unit will also provide for the most economical method of utilizing automated information technology.

In addition to the common objectives shared by the existing bureaus, the underlying data to determine benefit eligibility and the procedures necessary to process claims and deliver the benefits are also consistent for each bureau. The commonality of purpose and activity strongly support the proposal for combining the bureaus.

As identified by the field service representatives on the agency's task force, the current information systems are focused on the needs of the individual bureaus at headquarters. To provide answers to beneficiary questions, field service staff must get information from three or more different systems which is slow and inefficient. The task force recommended development of new applications which will consolidate this data to meet the field service's needs. This type of initiative should be expanded for use throughout the entire agency.

A single benefits function will provide management with the flexibility to allocate personnel to those areas where the greatest need occurs. Broader career paths should also develop as individuals can be trained in a variety of benefit areas rather than concentrate on a more narrow specialization. This type of training and development is currently provided to field service staff and could easily be adapted to the headquarters.

As stated earlier, consolidating the bureaus will reduce the number of managerial, supervisory and administrative personnel. As an example, the elimination of the Office of Retirement and Survivor Programs (ORSP) will enable the Director of Programs to review the existing thirteen defined units within ORSP and determine how the overall bureau can be streamlined to reduce administrative oversight.

The existing offices and bureaus reporting to the Director of Programs include 60 individuals who are responsible for the development, analysis, evaluation and training related to policies and procedures. Consolidation will reduce this number by one-half and integrate procedural manuals for the processing of benefit payments. Similarly, the individual offices of the bureau directors within Benefit Programs includes 33 positions. A substantial reduction in FTEs should be realized by consolidation in this area as well.

Efficiency in operations through greater integration of systems applications, combining policies and procedures and the reduction in supervisory personnel also support the OIG recommendation.

## **Financial Operations**

The Bureau of Financial Operations should include the following from the current structure:

Office of Administration  
Bureau of Fiscal Operations  
Bureau of Research and Employment Accounts  
Bureau of the Actuary

The consolidation is proposed to reflect the accounting, financial and statistical needs of the RRB and the reporting requirements inherent in these functions. The functions shared by these separate organizations include the compilation of financial and demographic data, analysis of financial trends and the impact of these on the financial stability of the RRA and RUIA trust funds. In addition, many of the current tasks performed by the Office of Administration are directly related to financial and statistical activities.

Each of the bureaus noted above has direct responsibility or is directly impacted by coverage issues, financial interchange activity, railroad employment levels, the budgetary process and general economic conditions. Closer coordination of the related activities will occur as these bureaus are combined. The consolidated Bureau of Financial Operations will become focused on long-term financial concerns and not confined to a more narrowly defined portion of each issue. Emphasis will shift to results which are in the best interests of the RRB's customers. This organization should report to a senior manager who is also designated as the Chief Financial Officer.

Administrative tasks can be combined and supervisory levels reduced as part of this consolidation. For example, the existing Bureau of Fiscal Operations (BFO) is one of the largest support offices in the RRB and has one of the highest number of employees in grades GS-14 and above. BFO has defined seventeen organizational units encompassing 88 positions. By reducing the number of divisions from seven to three the supervisory ratio should be substantially improved and the administrative functions combined to avoid any overlap. The divisions reporting to the position of Controller should be :

Accounting and Financial Management Division  
Treasury and Debt Recovery Division  
Audit & Compliance Division

The revised structure would enable the current Deputy Financial Officers to head the larger divisions and substantially reduce the number of sections defined under the existing structure. The Audit & Compliance division would report to the Controller.



## **Information Systems**

The Board's reorganization consolidated the Bureau of Data Processing, the Bureau of Systems Initiatives and the Bureau of Information Resources Management into the Bureau of Information Systems (BIS) reporting to the Director of Administration. The OIG proposed that the consolidated bureau report directly to the Board to ensure BIS would support all agency bureaus, especially Benefit Programs.

Additional coordination of the planning for and implementation of new systems applications is particularly important if the RRB expects to take advantage of technological improvements in the area of benefit processing. Particular emphasis is needed to ensure that an integrated approach to systems planning is used instead of single purpose applications for each of the benefit programs. An independent BIS working with a single benefits bureau can best achieve this type of coordination.

Overall service to the RRB will also improve through an independent BIS. Currently, BIS is one of the largest bureaus in the agency with nearly 200 FTEs; however, many bureaus support their own automation efforts through local area networks and individual software applications. The Chief Information Officer should determine the extent to which duplication exists and the best method of providing services to the agency. The organization of BIS should also be reviewed especially in the Data Processing Group where 24 separate units have been defined .

## **Legal Affairs**

The Bureau of Legal Affairs combines the following organizations:

- Office of General Counsel
- Office of Legislative Affairs
- Bureau of Law
- Bureau of Hearings and Appeals

The reporting relationships for this organization remain the same as in the Board's reorganization plan. The OIG proposes that the individual bureau structure be eliminated to reflect the common features of each function and promote the highest level of coordination and cooperation by allowing the General Counsel greater centralized control over these related activities. The combined entity also provides the opportunity to consolidate routine administrative tasks, and reduce the number of senior executives and managers.

## **Administrative Services**

The combination of a Bureau of Administrative Services merges five entities:

- Bureau of Supply and Service
- Bureau of Personnel
- Bureau of Quality Assurance
- Office of Public Affairs
- Office of Equal Opportunity

The bureau consolidates the smallest organizational units in the agency with less than 100 employees in total. Although these current bureaus have divergent functions, the primary objective of each of these units is to provide specific advice or services to the entire agency. Providing centralized control for these support functions will assist the RRB in maximizing the utilization of its human and physical resources.

Certain aspects of these services such as folder preparation in the Bureau of Supply and Service and the measurement of benefit accuracy in the Bureau of Quality Assurance should be transferred to the Bureau of Benefit Payment Programs so that the focus of this bureau will be on agency-wide services. There also exists inherent interrelationships between the Bureau of Personnel and the Office of Equal Opportunity with respect to hiring, promotion and the implications of labor relations; the OIG recommends these functions be combined.

Similar to Legal Affairs, a separate organization of Administrative Services should allow for efficiencies in the performance of routine reporting and administrative tasks. This consolidation will allow the RRB to most effectively manage its human and physical resources and meet its customer service objectives.

## **RECOMMENDATION**

The Office of Inspector General recommends that the Board adopt the proposed organizational structure which includes five bureaus that combines functional responsibilities and emphasizes agency-wide objectives of customer service and efficiency.

## ISSUE NUMBER TWO - FIELD OFFICE STRUCTURE

### OIG Proposal

The OIG Proposal recommended a complete reengineering of the field service with a reduction in the number of offices from 86 to 10 and reducing the number of FTEs by 255. The recommendation concluded that the changing demographics within the railroad industry and the availability of automated processing technology negated the need for a wide network of field offices where the primary method of service delivery was individual interviews.

The proposal for 10 offices would provide:

- Sufficient geographic coverage to maintain a local perspective and knowledge base while providing for in-state coverage for over half of all annuitants and workers;
- Adequate availability and access to covered employees and beneficiaries so that if a personal interview was necessary a field representative could respond in a timely manner; and
- A concentration of resources located near the highest density of covered workers to allow for presentations to railroad employers and their employees. Video conferencing and similar automated methods could be used to service other more remote locations.

The most recent actuarial valuation projects a continued decline in the number of covered railroad employees and a substantial drop in the number of railroad retirement annuitants within the next ten years. The shift to serving more beneficiaries than active employees should have been accompanied by a shift to a more centralized maintenance of records effort rather than continuing the current emphasis on a network of field offices. The service requirements for an annuitant should be considerably less than that required to support the informational needs of employees as they are applying for benefits.

The RRB Reinvention Task Force recommended reducing the number of field offices to 53 by the end of fiscal year 1998 and concurred with the expanded use of automated application and benefit processing methods. The primary differences between the two proposals is the size of the field service to be maintained and where the centralization of processing should occur.

The RRB Task Force suggested that each remaining field office would be the preferred source of service delivery. The OIG believes that greater economies of scale and greater control can be achieved by a central processing facility located in the headquarters building. The trend to a centralized benefits processing unit is also consistent with current practices in private industry which has recognized that one on one servicing is the least efficient method of delivering service.

The Task Force consolidation of field offices suggests a reduction in FTEs from 425 to 375 including the headquarters staff. This reduction is insignificant because although the authorized level is 425 FTEs the current utilization is 388 as noted in the detail of the task force report. The net reduction would only be 13 below the current level. The OIG recommendation would reduce the number of positions to approximately 146 FTEs, a reduction of 242 FTEs from the current level.

## **RECOMMENDATION**

The Office of Inspector General recommends that the Board Members reengineer the field service delivery process by reducing the number of field offices to 10. The consolidation of offices should consider demographic changes and alternate methods of service delivery through more effective use of existing technology.

## **ISSUE NUMBER THREE - ORGANIZATIONAL CULTURE**

The culture of an organization encompasses not only what it does and how it performs its mission, but also includes the beliefs of its employees and the manner in which it relates to internal and external customers. Cultural change is usually required to respond to external pressures such as technological changes or in many business settings by competitive pressures. The culture of the RRB has evolved over nearly 60 years and in many respects has changed very little. Requirements to reduce the number of FTEs by 30% over the next five years necessitate changes in the organizational culture.

The NPR report recommended dramatically changing the way Federal government agencies operate. The Railroad Retirement Board has initiated any number of task force studies, but has responded in piecemeal fashion to recommendations from them. Material control weaknesses as noted in the previously referenced audited financial statements have been responded to by treating the symptoms rather than the root cause. Minor changes to the status quo have been the typical response.

One of the primary NPR principles is the philosophy of empowering government workers to make decisions and be more entrepreneurial in their approach to decision-making. As previously stated, delegation of authority and the empowerment of employees are integral to streamlining government and reducing bureaucracy. The RRB must change its organizational culture from one in which managers respond defensively to one in which risk taking is encouraged and results are rewarded.

In September 1993, the RRB Total Quality Management Study Group issued its final report which identified micromanagement by agency executives as one of the barriers to quality at the agency. The task force recommended an increase in both delegation of authority and empowerment.

Agency management has stated that it has embraced Total Quality Management (TQM) for the RRB although there is no evidence of this action. Key executives are not utilizing delegation and empowerment, which are integral components of TQM. Board Members are involved in many decisions which should be delegated to lower levels. For example, the Board Members must approve all relocations for Field Service positions. The Director of Programs, a Senior Executive Service position, could approve the relocations using a previously approved budget.

The Board is involved in too many personnel decisions which are four or more levels lower in the organizational structure, and in this situation, managers are asked to run their operations efficiently and effectively without being delegated the authority to make routine decisions.

The Board Members are also involved with program activities such as verifying the calculation of benefits on individual cases and providing information to beneficiaries at meetings and conferences. These activities require additional staff, which are typically at a higher grade than the agency staff whose tasks they are duplicating. In addition, expending resources on program activities diminishes the amount of time available for policy-type issues, which should be the primary focus of the Board.

Similar to their counterparts in industry, the Board should concentrate its efforts on an external orientation. Major strategic direction should be established by the Board and implementation left to those to whom such responsibility has been delegated. An external orientation in this context means influencing the legislative and budgetary processes to ensure that the agency receives the support necessary to carry out the RRB's basic mission, the administration of the Railroad Retirement and Railroad Unemployment Insurance Acts.

Another example of the current cultural environment is the practice of senior managers and Board Members circumventing the chain of command to obtain information. As long as this type of practice continues, the management structure becomes ineffective and the authority of individual managers is undermined.

To achieve a change in organizational culture, the Board must lead by example and develop a strategic plan for the reinvention of the agency. The logical starting point is the Strategic Plan presented to the Board in December of 1994 which has not yet been adopted.

The Plan for the agency should be amended and shared with employees. Key elements should include:

- Delegation of authority
- Employee empowerment
- Automation efforts
- Customer service
- Continuous quality improvement
- Rewards based upon performance

Creating an atmosphere conducive to changing the organizational culture is achieved through communication and training.

The Board should foster an atmosphere in which employees and managers are willing to take risks to improve the agency. This can only occur if the employees are not afraid of making mistakes. Otherwise, employees and managers will resort to inaction rather than take an action which may result in criticism.

Changes to the existing culture can assist in streamlining the agency. When managers are provided a specific performance measure to achieve, delegated the authority to get the tasks completed, empowered to make the day to day decisions, and do not feel threatened by making mistakes, they will cut through the red tape to accomplish their mission.

True commitment to modern management principles must be a top down initiative. The Board must demonstrate to employees that change is occurring through appropriate delegation of responsibility and the authority commensurate with that responsibility.

## **RECOMMENDATIONS**

To initiate a change in the organizational culture of the agency, the Board Members should:

- Communicate to employees how the agency will focus on the delivery of services to its customers in the future;
- Evaluate the management tasks performed in their office to identify staff reductions and decisions that can be delegated to a lower level and controlled through performance measurement;
- Direct each office and bureau in the agency to perform a similar evaluation to ensure that efficiency is achieved and customer focus is maintained; and
- Concentrate their efforts on policy issues and eliminate micromanagement thereby allowing the chain of command to operate effectively.

## **CONCLUSION**

The environment in which the RRB operates is changing dramatically. In order to continue to serve its constituencies as a viable and independent agency, the RRB must change the way in which it accomplishes its mission. Current operating methods and processes will not support the same level of customer service given the reduced level of staffing currently proposed for the agency. More importantly, customer service will not improve unless new methods of operating are employed.

The time frame in which to respond to the significant reductions in staffing is very short. In the past, as agency staffing decreased, incremental reductions were made in the operating bureaus. An analysis of the current and projected workloads indicates that the agency cannot continue to make small, incremental changes designed to simply meet the authorized staffing levels. Absent a significant proactive initiative by the Board, the RRB will not be able to maintain service levels and address its need to improve the overall control environment.



**This document was scanned for electronic  
distribution on April 20, 2009.**

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