

REINVENTION PROPOSALS

JANUARY 24, 1995



**Office of Inspector General
Railroad Retirement Board**

INTRODUCTION

The Office of Inspector General (OIG) and agency management are partners in the design of a railroad retirement system that provides the highest level of customer service at the lowest cost. In order to advance the process of change at the Railroad Retirement Board (RRB), the OIG has reviewed and evaluated the reorganization that was recently approved by the Board Members. This document presents the results of that analysis as well as recommendations that build upon the agency's restructuring actions.

***** ISSUE ONE *****

The revised organizational structure of the agency remains bureaucratic and reflects no significant reduction in the number of bureaus or offices that will alter daily operations. In order to comply with the reinvention principles and streamlining directives established by the Administration, agency management must recognize the critical need to reduce managerial and supervisory oversight and to align programs with similar functions and missions.

In addition, the RRB should radically reduce the number of field offices. The development and aggressive use of new computer and telecommunications technology offers a significant opportunity to improve services and reduce costs.

Background

From the 1930s through the 1960s, agencies of the Federal government followed the lead of corporate America in creating large, top-down, centralized bureaucracies. This type of structure had proven effective for organizations functioning in stable environments with routine technology. This methodology encourages a focus on individual goals and routine tasks, not on the basic mission of the organization. Conflict often results between bureaus and offices as each attempts to maximize its production without consideration of the impact upon others. These bureaucracies have proven to be extremely rigid and inflexible.

The RRB, too, developed an organizational structure that supported formal lines of communication, the separation of tasks assigned to independent bureaus and offices with individually defined rules and regulations. However, in today's environment, this operating design no longer meets the needs of the agency or its customers. Improvements in information technology are tremendous, and the power of personal computers is doubling almost every

eighteen months. Through the use of computers and telecommunications, the agency can eliminate layers of managers, reduce the number of supervisors and permit better information sharing among all employees.

Current Organizational Structure

The 1993 National Performance Review directed Federal agencies to shed their outdated structures, management practices and relationships. All government agencies are reviewing their organizational structures and implementing significant changes to adapt to the current environment. In December 1994, three cabinet departments (Transportation, Energy and Housing and Urban Development) and two major agencies (General Services Administration and the Office of Personnel Management) announced restructuring plans that will save approximately \$24 billion over five years. One agency is combining 60 programs into four and another plans to consolidate its facilities and restructure its management. In addition, the Department of Agriculture is eliminating 1200 field offices.

As a result of findings cited in Arthur Andersen's 1993 financial statement audit report, the Board Members recognized that the RRB's organizational structure was no longer effective. Arthur Andersen and Company identified the organization of the RRB as a major weakness in agency operations. The present structure does not align similar functions but perpetuates a fragmented environment. The existence of over twenty bureaus and offices results in an atmosphere that fosters individual operating bureau goals rather than the overall mission of the agency. Bureaus compete against each other for limited resources rather than identifying ways to improve coordination and cooperation for better customer service. The report stated that the agency lacked adequate lines of communication among bureaus to address problems or resolve current operational issues.

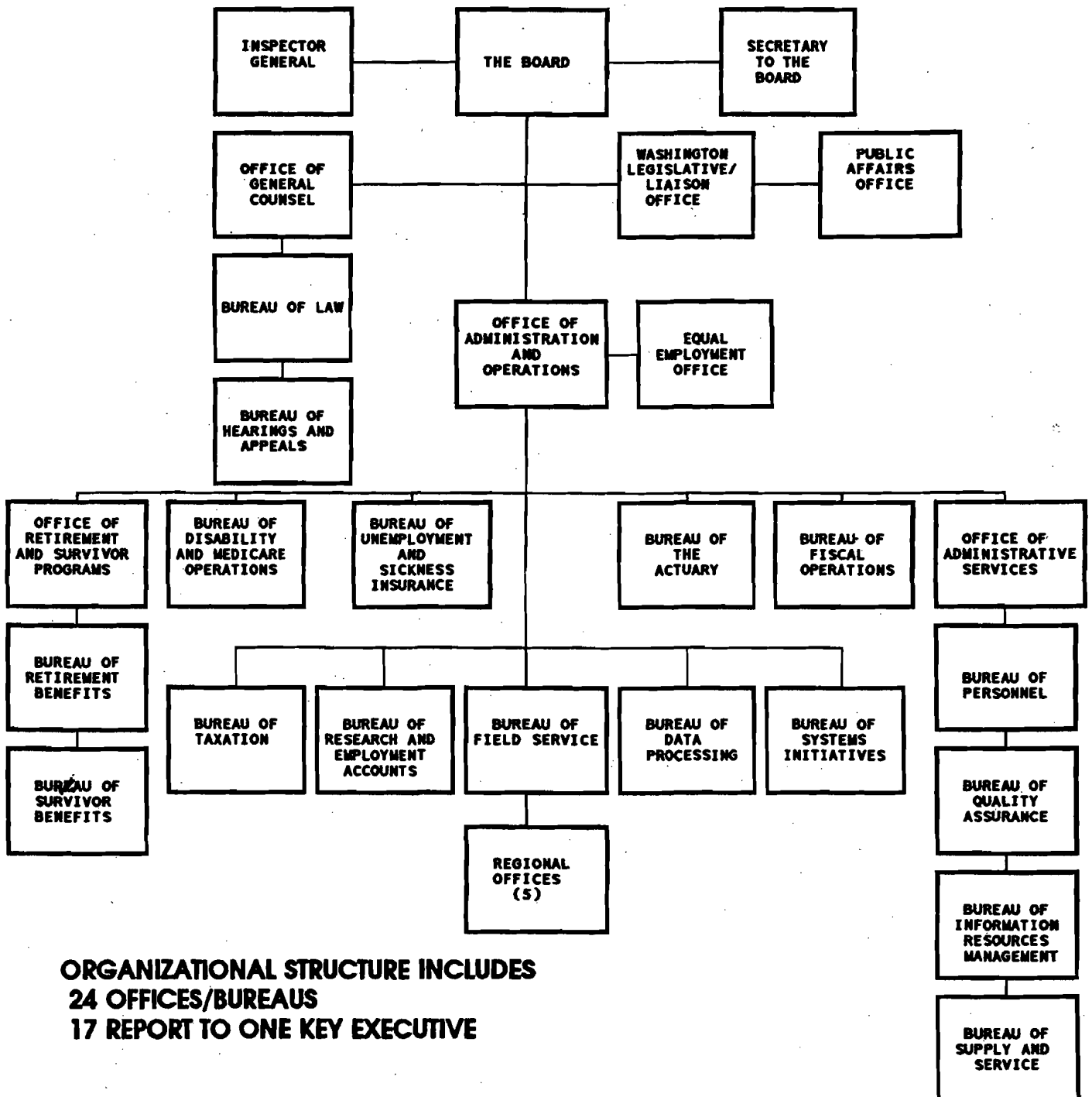
On November 15, 1994, The Board Members approved a reorganization of the agency, effective January 3, 1995, to address those weaknesses cited by the auditors.

Reorganization

The Office of Inspector General has reviewed the recent reorganization plan, and has concluded that the agency should implement additional, more radical changes to streamline operations and create a more flexible structure which will reduce unnecessary managerial and supervisory oversight.

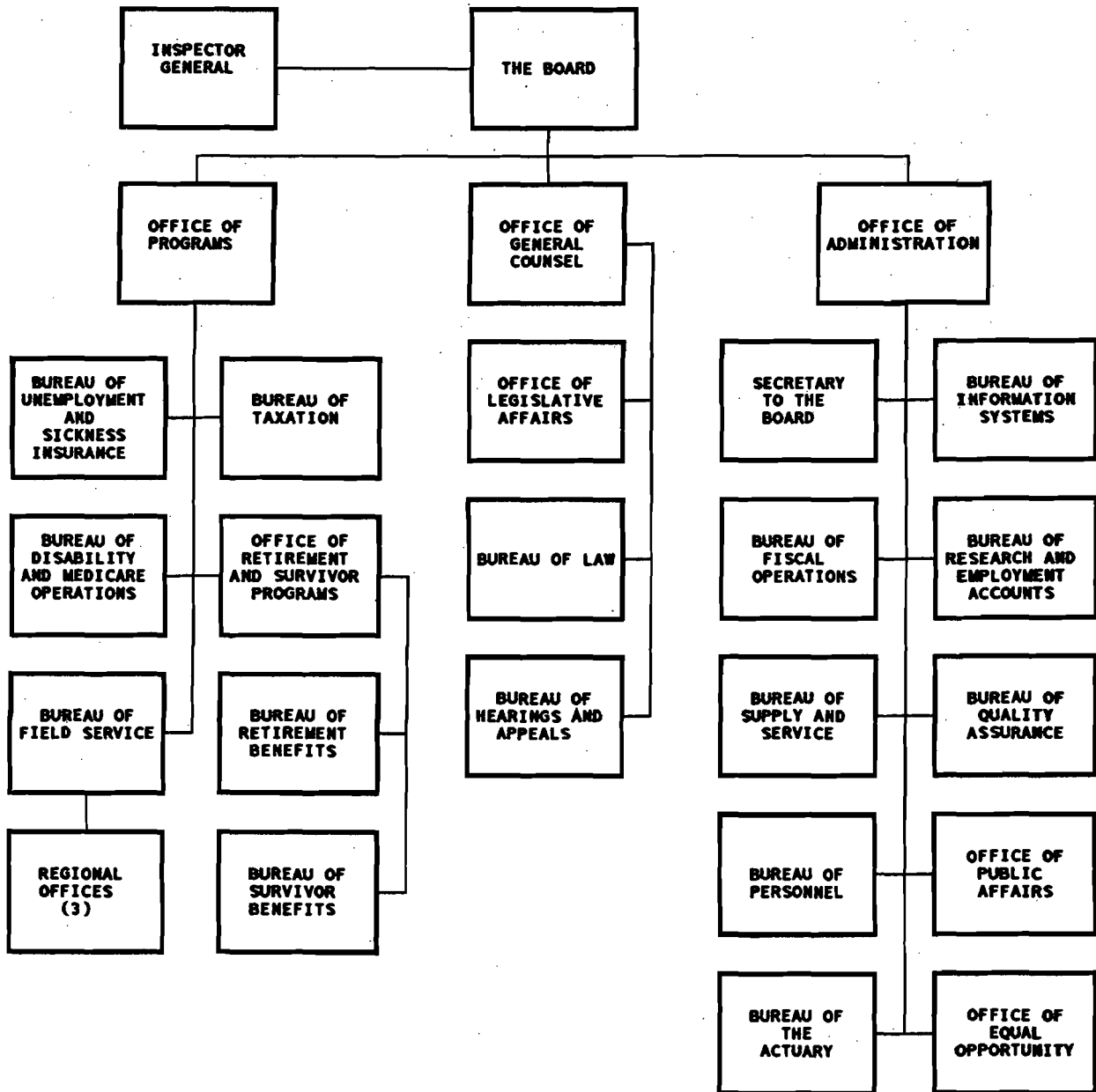
The organizational charts that follow clearly indicate that the recently approved plan is more cosmetic than substantive. The revised structure remains bureaucratic and fragmented, and reflects no significant changes that will alter day-to-day operations. Continued reductions in staffing and funding mandate that agency management identify new and more efficient ways to operate. The goal must be to eliminate layers of management, not to simply shift managers among bureaus.

RRB ORGANIZATION EFFECTIVE SEPTEMBER 23, 1991



**ORGANIZATIONAL STRUCTURE INCLUDES
24 OFFICES/BUREAUS
17 REPORT TO ONE KEY EXECUTIVE**

REVISED ORGANIZATION EFFECTIVE JANUARY 3, 1995

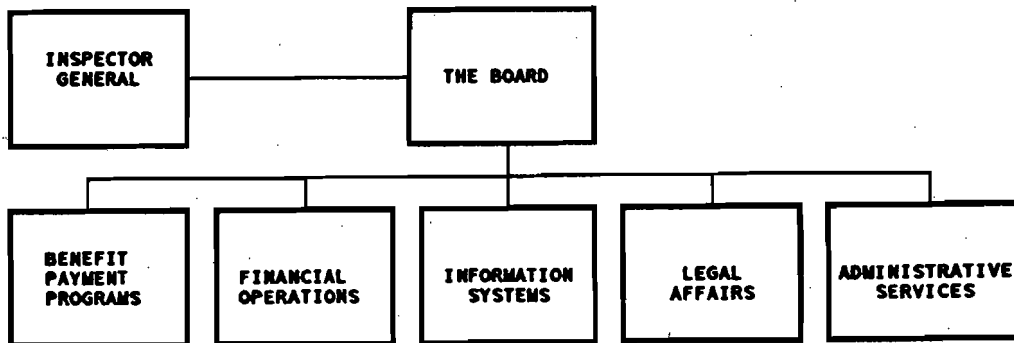


REVISED STRUCTURE INCLUDES 22 OFFICES/BUREAUS (EXCLUDING SECRETARY TO THE BOARD) AND TWO KEY EXECUTIVES (DIRECTOR OF PROGRAMS AND DIRECTOR OF ADMINISTRATION) VERSUS PRIOR ONE

Recommendation

The Office of Inspector General recommends an organizational structure that groups programs with similar functions and missions into five independent bureaus. These bureaus are (1) Benefit Payment Programs, (2) Financial Operations, (3) Information Systems, (4) Legal Affairs, and (5) Administrative Services.

PROPOSED ORGANIZATONAL STRUCTURE



1. Benefit Payment Programs

This office would serve as the agency's principal bureau and include retirement, survivor, disability, medicare, unemployment and sickness insurance benefit programs and field services.

2. Financial Operations

This office directed by the Chief Financial Officer, would include the current Bureau of Fiscal Operations, Research and Employment Accounts and the Actuary. This realignment would centralize all financial and statistical operations.

3. Information Systems

This bureau would combine the functions of the Bureaus of Data Processing, Systems Initiatives, and Information Resources Management, with the exception of the Freedom of Information Act activities which would move to Legal Affairs.

4. Legal Affairs

All matters relating to legal issues would be consolidated, and would include the Offices of General Counsel and Legislative Affairs, the Bureaus of Law and Hearings and Appeals, and Freedom of Information Act activities.

5. Administrative Services

The support functions of the agency would be included in this bureau: Personnel, Supply and Service, Equal Employment Opportunity, and Public Affairs.

The realignment of bureaus into a smaller number of functional areas will permit employees to work more closely, identify ways to operate more efficiently and eliminate overlap between similar systems. The elimination of unnecessary layers of management oversight will increase employee motivation and productivity. This restructuring will also promote cooperation among employees and permit them to be the decision makers in their respective areas of responsibility. This environment will provide front-line employees with a greater sense of job security and personal accomplishment. These employees are best positioned to identify improved methods to deliver the best customer service.

Both the Administration and Congress have directed Federal agencies to reduce the number of government managers and supervisors, particularly at the GS-14, GS-15 and Senior Executive Service levels.

The recommended organizational structure will increase the span of control above the level proposed in the agency's streamlining plan. Fewer organizational boundaries will result in a focus on agency goals rather than competition for diminishing agency resources.

Adoption of the OIG's proposed organizational structure could result in savings of approximately \$9.7 million in salaries and benefits through the reduction of 167 FTEs. The majority of the personnel reductions would involve mid-level management positions and administrative support staff. The consolidation of similar functions would eliminate the need for these positions. Appendix 1 presents a list of positions suggested for elimination by organizational component.

Because Federal regulations regarding reductions in force are complex, this analysis does not include an estimated cost related to eliminating the positions. Costs would vary by the method of reduction use, and the specific individuals involved. The agency could consider proposing various methodologies to fully accomplish the reorganization to the Administration and Congress.

***** ISSUE TWO *****

The RRB must reengineer the field office structure and service delivery methods to reflect its current customer base and fully utilize current and new computer and telecommunications technology.

Background

The current field structure can be traced to its design in the late 1930s. At that time, the field offices were created in main rail communities to handle the claims filed under the Railroad Unemployment Insurance Act. From the 1940s until today, the structure has remained relatively unchanged except for a reduction in the number of regions from nine in 1942 to five in 1994. During this time, the nature of the field offices' work, the customer base, the methods of transportation, the types and availability of communications have changed dramatically.

In 1942, the RRB had 93 field offices to service almost 2.5 million active railroad workers. The RRB currently has a headquarters field office staff, five regional offices and 86 field offices to service 270,000 active railroad workers and 930,000 beneficiaries. The agency has one field office for every 14,000, one of the highest ratios in the Federal government.

The work performed at the district offices has changed from predominantly processing unemployment claims to processing retirement and maintenance work for all benefit programs. In 1949, the RRB paid unemployment/sickness insurance benefits to over 435,000 beneficiaries. In 1993, approximately 42,000 beneficiaries received these benefits. The number of retirement applications declined from almost 67,000 in 1949 to 43,000 in 1993.

Current Structure

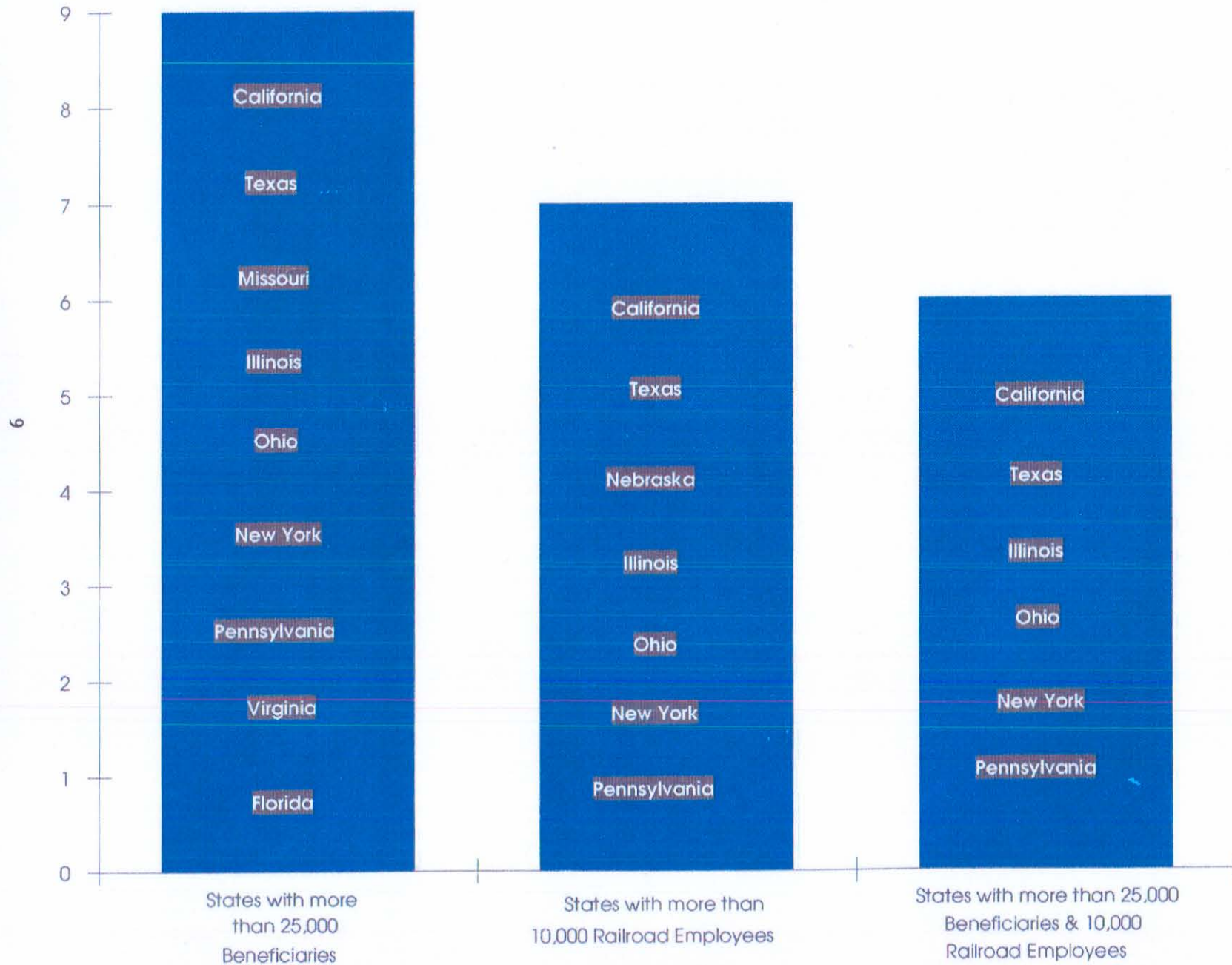
The agency currently maintains five regional offices, each with a regional director, and a deputy regional director, except region 5 which has no deputy. A review of the field offices shows 13 offices with two employees, generally a manager and one other employee and six offices with only one employee, two of which are managers with no staff. With few exceptions, most of the offices have a manager, with larger offices having clerical support staff.

The methods for performing field service work are changing dramatically. Computer and telecommunications developments in the 1960s and 1970s made more information available in the field offices. Further advancements in the 1990s are enabling employees to perform their work regardless of location - from government office space to a shopping mall, from a railroad employer's personnel office to a union local office.

Recent customer satisfaction surveys and focus groups have shown that beneficiaries prefer to handle most of their contacts with the agency by telephone, except for filing the initial retirement application. In addition, the number of retirement applications filed each year is declining. Most of the active railroad employees who will be filing applications in the future are concentrated in specific geographic areas. Contact representatives working from approximately ten district offices could provide service to these future beneficiaries.

The chart on the following page shows that nine states have more than 25,000 beneficiaries, seven states have more than 10,000 workers, and six states have over 25,000 beneficiaries and over 10,000 workers.

Distribution of Railroad Employees and Beneficiaries



Recommendation

RRB management should develop a plan to reengineer the field service delivery processes and reduce the number of field offices. Based upon demographics, and through the use of alternative methods of service delivery, the agency should eliminate regional offices and significantly reduce the number of field offices from 86 to 10. These reductions will eliminate unnecessary offices and one layer of management, resulting in cost savings estimated in excess of \$10.6 million in salaries and benefits (255 FTEs) and \$1.3 million in rental charges annually.

Most of the reductions would be mid-level (district office) managers, regional office managers and administrative support staff in regional and district offices. These positions could be eliminated as a result of the consolidation of the field offices. Appendix 2 presents the number of positions which could be eliminated in each region.

As in the previous recommendation concerning agency organization, the projected cost savings do not include costs related to reductions in force. The agency should also consider submitting various strategies to the Administration and Congress to accomplish this streamlining proposal.

As part of its plan, the RRB should consider innovative methods of providing effective customer service that do not require the full-time offices. For example, more customer service representatives could provide itinerant service at various locations. A majority of the states with over 10,000 active railroad employees serve as the headquarters location for one or more major railroads. Contact representatives could schedule specific days to process retirement applications at these major railroad offices. Forming this type of partnership with railroad companies would benefit their employees and reduce the costs of the retirement program.

The RRB should also explore the possibility of locating terminals at Social Security Administration offices for use by contact representatives, sharing space with other Federal agencies, and using portable computers to maintain communication access with headquarters. The agency should study other technologies such as desktop video conferencing and electronic kiosks to provide service to more locations and significantly reduce the need for permanent office space. Based on the overall needs of the organization, the agency may be able to redirect some of the savings from streamlining the field service into a technology investment fund which could be used for purchasing new technology as it becomes available.

CONCLUSION

The Office of Inspector General is providing these recommendations to assist Board management in streamlining the RRB and improving the overall control environment.

A review of the recent agency reorganization indicates that the new structure is very similar to the previous one. Only one of the twenty-four bureaus and offices was eliminated, two key manager positions replace the previous one, and the only major consolidation was in the information systems area. The RRB has taken but a single step in the process to eliminate the bureaucracy that still exists.

RRB management must seize the opportunity to reinvent operations and implement changes that will be far-reaching. The RRB must also initiate action to significantly increase the involvement of agency personnel in reviewing policies and procedures and making decisions on proposed solutions. In simple terms, management must rethink the way agency benefit programs are administered.

Implementation of the recommendations contained in this document could yield annual savings of \$21.6 million and eliminate 422 full-time equivalent positions. These changes will not be easy to achieve, and will require much study and planning. However, the OIG believes that, through the recommended reorganization of the agency, particularly the field service, RRB management can demonstrate its commitment to genuine change and truly alter the way it conducts business.

HEADQUARTER POSITIONS ELIMINATED/MODIFIED PER 12/31/94 POSITION INDEX

Office Number	Office / Bureau	No.	Title	Old Grade	New Grade	Old Salary	New Salary	Salary Savings
400	Office of Secretary to the Board	0						
500	Office of General Counsel	0						
600	Bureau of Hearings and Appeals	0						
700	Office of Legal Affairs	0						
800	Office of Public Affairs	0						
1100	Office of Director of Administration	1	Executive Assistant	GS-15		82,329		82,329
		1	Executive Assistant	GS-14		69,990		69,990
		1	Administrative Aide	GS-10		37,827		37,827
1170	Office of Equal Opportunity	0						
1200	Bureau of Quality Assurance	1	PC Technical Specialist	GS-12		49,808		49,808
1500	Bureau of Personnel	0						
1600	Bureau of Fiscal Operations	2	Deputy Financial Officer	GS-15		82,329		164,658
		1	Administrative Officer	GS-09		34,348		34,348
		1	Computer Specialist	GS-13		59,227		59,227
		1	Financial Management Specialist	GS-13	GS-12	59,227	49,808	9,419
		1	Computer Specialist	GS-12		49,808		49,808
		1	Debt Recovery Manager	GS-15	GS-14	82,329	69,990	12,339
		1	Computer Specialist	GS-12		49,808		49,808
		1	PC/LAN Technical Specialist	GS-12		49,808		49,808
1700	Bureau of the Actuary	1	Computer Programmer Analyst	GS-12		49,808		49,808
1800	Bureau of Information Resources Management	1	Administrative Specialist	GS-10		37,827		37,827
		1	Computer Specialist	GS-14		69,990		69,990
		1	Computer Specialist	GS-13		59,227		59,227
		1	Computer Specialist	GS-13		59,227		59,227
2100	Office of Retirement & Survivor Programs	1	Trust & Collections Analyst	GS-13		59,227		59,227
		1	Administrative Officer	GS-12		49,808		49,808
		2	Administrative Clerk	GS-05		22,670		45,340
		1	Management Analyst	GS-12		49,808		49,808
		1	Supervisory Railroad Retirement Claims Specialist	GS-13		59,227		59,227
		7	Railroad Retirement Claims Specialist	GS-11		41,557		290,899
		1	Railroad Retirement Claims Specialist	GS-11		41,557		41,557
		1	Railroad Retirement Claims Specialist	GS-09		34,348		34,348
		1	Investigations Clerk	GS-05		22,670		22,670
		1	Chief, Programs Procedures & Projects Analysis	GS-14		69,990		69,990
		1	Program Benefits Analyst	GS-13		59,227		59,227
1	Supervisory Railroad Retirement Claims Specialist	GS-13		59,227		59,227		

HEADQUARTER POSITIONS ELIMINATED/MODIFIED PER 12/31/94 POSITION INDEX

Office Number	Office / Bureau	No.	Title	Old Grade	New Grade	Old Salary	New Salary	Salary Savings
		4	Program Analyst	GS-12		49,808		199,232
		5	Claims Policy & Operations Specialist	GS-12		49,808		249,040
		1	Secretary (Office Automation)	GS-06		25,267		25,267
		1	Office Automation Clerk	GS-04		20,260		20,260
		6	Systems Applications Specialist	GS-12		49,808		298,848
2300	Bureau of Retirement Benefits	1	Deputy Director of Retirement Benefits	GS-14		69,990		69,990
		1	Administrative Officer	GS-12		49,808		49,808
		1	Customer Service Leader	GS-11		41,557		41,557
		4	Customer Service Representative	GS-10		37,827		151,308
		1	Supervisory Railroad Retirement Claims Specialist	GS-13		59,227		59,227
		5	Claims Policy and Operations Specialist	GS-12		49,808		249,040
		2	Claims Specialist (Training)	GS-12		49,808		99,616
		1	Supervisory Railroad Retirement Claims Specialist	GS-12		49,808		49,808
		1	Claims Policy and Operations Specialist	GS-12		49,808		49,808
		1	Management Analyst	GS-11		41,557		41,557
		2	Railroad Retirement Claims Specialist	GS-11		41,557		83,114
		1	PC Production Coordinator	GS-10		37,827		37,827
		1	Office Automation Clerk	GS-04		20,260		20,260
		2	Statement of Duties	GS-11		41,557		83,114
		1	Statement of Duties	GS-06		25,267		25,267
		1	Quality Control Analyst	GS-11		41,557		41,557
2400	Bureau of Survivor Benefits	1	Claims Processing Analyst	GS-12		49,808		49,808
		1	Administrative Officer	GS-11		41,557		41,557
		3	Customer Service Representative	GS-10		37,827		113,481
		1	Customer Service Representative	GS-10		37,827		37,827
		1	Supervisory Railroad Retirement Claims Specialist	GS-13		59,227		59,227
		4	Claims Policy and Operations Specialist	GS-12		49,808		199,232
		1	Railroad Retirement Claims Specialist	GS-12		49,808		49,808
		1	Railroad Retirement Claims Specialist	GS-11		41,557		41,557
		1	Quality Control Analyst	GS-10		37,827		37,827
		1	Quality Control Analyst	GS-11		41,557		41,557
2500	Bureau of Disability & Medicare Operations	1	Deputy Director of Disability & Medicare Operations	GS-14		69,990		69,990
		1	Systems Applications Specialist	GS-12		49,808		49,808
		1	Administrative Officer	GS-11		41,557		41,557
		1	Administrative Officer	GS-09		34,348		34,348
		1	Lead Clerk	GS-05		22,670		22,670
		1	Medicare Control Operations Specialist	GS-13		59,227		59,227

HEADQUARTER POSITIONS ELIMINATED/MODIFIED PER 12/31/94 POSITION INDEX

Office Number	Office / Bureau	No.	Title	Old Grade	New Grade	Old Salary	New Salary	Salary Savings
		1	Assistant Chief, Medicare Programs	GS-12		49,808		49,808
		1	Supervisory Claims Specialist (Health Insurance Benefit)	GS-10		37,827		37,827
		1	Supervisory Claims Specialist (Health Insurance Benefit)	GS-10		37,827		37,827
		1	Chief, Claims Policy & Procedures	GS-13		59,227		59,227
		5	Claims Policy & Operations Specialist	GS-12		49,808		249,040
		1	Claims Policy & Operations Specialist	GS-11		41,557		41,557
		3	Railroad Retirement Claims Specialist (Disability)	GS-12		49,808		149,424
		1	Office Automation Clerk	GS-04		20,260		20,260
3000	Bureau of Supply and Service	1	Administrative Officer	GS-11		41,557		41,557
		1	Lead Mail Clerk	GS-05		22,670		22,670
		1	Assistant Chief of Files Records & Supplies	GS-10		37,827		37,827
6000	Bureau of Research & Employment Accounts	1	Program Benefits Analyst	GS-14		69,990		69,990
		1	Assistant to the Director	GS-12		49,808		49,808
		1	Management Analyst	GS-12		49,808		49,808
		1	Financial Interchange Operations Analyst	GS-12		49,808		49,808
		1	Communications Specialist	GS-12		49,808		49,808
		2	Compensation Reporting Specialist	GS-12		49,808		99,616
		1	Chief, Methods and Procedures Section	GS-13		59,227		59,227
		1	Management Analyst	GS-12		49,808		49,808
		1	Methods & Procedures Analyst	GS-11		41,557		41,557
		1	Methods & Procedures Assistant	GS-08		31,094		31,094
8000	Bureau of Unemployment & Sickness Insurance	1	Director of Unemployment & Sickness Insurance	ES-04	GS-15	114,725	82,329	32,396
		1	Deputy Director of Unemployment & Sickness Insurance	GS-15		82,329		82,329
		1	PC Technical Specialist	GS-13		59,227		59,227
		1	Administrative Officer	GS-12		49,808		49,808
		1	Management Analyst	GS-11		41,557		41,557
		1	Administrative Officer	GS-09		34,348		34,348
		1	Administrative Clerk	GS-05		22,670		22,670
		1	Experience Rating Operations Analyst	GS-12		49,808		49,808
		1	Deputy Director of Program Operations	GS-13		59,227		59,227
		2	Claims Examiner (Unemployment)	GS-09		34,348		68,696
		1	Claims Examiner (Unemployment)	GS-08		31,094		31,094
		1	Director Program Policy Planning & Evaluation	GS-15		82,329		82,329
		1	Deputy Director - Program Policy Planning & Evaluation	GS-14		69,990		69,990
		1	Computer Specialist	GS-12		49,808		49,808
		1	Unemployment & Sickness Claims Specialist	GS-12		49,808		49,808
		1	Secretary (Office Automation)	GS-06		25,267		25,267

HEADQUARTER POSITIONS ELIMINATED/MODIFIED PER 12/31/94 POSITION INDEX

Office Number	Office / Bureau	No.	Title	Old Grade	New Grade	Old Salary	New Salary	Salary Savings
		1	Office Automation Assistant	GS-05		22,670		22,670
		2	Adjudication & Procedure Specialist	GS-12		49,808		99,616
		1	Deputy Director of Debt Management	GS-13		59,227		59,227
		1	Debt & Recovery Analyst	GS-12		49,808		49,808
		2	Recovery Management Specialist	GS-11		41,557		83,114
9000	Bureau of Data Processing	1	Deputy Director Bureau of Data Processing	GS-15		82,329		82,329
		1	Supervisory Management Analyst	GS-13		59,227		59,227
		3	Management Analyst	GS-12		49,808		149,424
		1	Computer Specialist	GS-13		59,227		59,227
		1	Computer Specialist (Instruction)	GS-12		49,808		49,808
		1	Administrative Officer (Budget)	GS-11		41,557		41,557
		1	Administrative Officer	GS-09		34,348		34,348
		1	Supervisory Computer Program Analyst	GS-14		69,990		69,990
		1	Database Applications Specialist	GS-13		59,227		59,227
		1	Supervisory Computer Program Analyst	GS-14		69,990		69,990
		1	Computer Programmer Analyst	GS-13		59,227		59,227
		1	Database Applications Specialist	GS-13		59,227		59,227
		1	Deputy Division Chief	GS-14		69,990		69,990
		1	Lead Data Base Administration Specialist	GS-13		59,227		59,227

170 Total Positions
167 Positions Eliminated
3 Positions Modified

Salary Savings	8,074,713
Benefit Savings - 20%	1,614,943
Total Savings	9,689,656

**BUREAU OF FIELD SERVICE (BFS)
SAVINGS - SALARY & BENEFITS**

Grade	Total Number	Number to Allocate	Number to Eliminate	Salary	Salary & Benefits	Savings
GS-4/5	30	6	24	\$18,949	\$22,739	\$545,736
GS-6	18	12	6	\$23,632	\$28,358	\$170,148
GS-7	6	0	6	\$26,259	\$31,511	\$189,066
GS-8	160	75	85	\$29,082	\$34,898	\$2,966,330
GS-9	6	0	6	\$32,125	\$38,550	\$231,300
GS-10	92	43	49	\$35,379	\$42,455	\$2,080,295
GS-11	23	0	23	\$38,867	\$46,640	\$1,072,720
GS-12	44	0	44	\$46,584	\$55,901	\$2,459,644
GS-13	13	5	8	\$55,394	\$66,473	\$531,784
GS-14	4	5	0	\$65,460	\$78,552	\$0
GS-15	5	0	4	\$77,001	\$92,401	\$369,604
Totals	401	146	255			\$10,616,627

Note: BFS headquarters employees are excluded. Employees and savings relate to BFS field personnel only.