

OFFICE OF INSPECTOR GENERAL

Oversight Plan

**American Recovery and Reinvestment Act
of 2009**

March 6, 2009



RAILROAD RETIREMENT BOARD

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

Table of Contents

INTRODUCTION

The Railroad Retirement Board	1
The Office of Inspector General	1
The Recovery Act	2

OVERSIGHT – AN ONGOING PROCESS

Interviewed and Inquired of Agency Management	3
Reviewed Documentation of Plans and Activities	3
Assessed Areas of Risk and Developed Plans	4
Developed a Detailed Plan	6

RECOVERY ACT OVERSIGHT PLAN

Key Considerations and Risk Factors	7
Overall Approach	8
One-Time Payment of \$250	8
Extended Unemployment Benefits	10
Funding for Administrative Activities	13
General Management and Reporting Requirements	14

POST-IMPLEMENTATION OVERSIGHT

Audits	15
Investigations	15

CONTACT THE OFFICE OF INSPECTOR GENERAL	16
--	-----------

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

INTRODUCTION

This presentation describes the Office of Inspector General at the Railroad Retirement Board's (RRB-OIG) plan for oversight of agency implementation of the provisions of the American Recovery and Reinvestment Act of 2009 (The Recovery Act). The Recovery Act, signed into law on February 17, 2009, allocates Federal funds to government run programs that promise to put Americans to work and stimulate the economy.

The Railroad Retirement Board

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal government. The RRB administers the retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA). These programs provide income protection during old age and in the event of disability, death, temporary unemployment or sickness. The RRB paid approximately \$10.1 billion in retirement/survivor and unemployment/sickness benefits to 628,000 beneficiaries during fiscal year (FY) 2008.

The Recovery Act includes specific provisions that impact the RRB. A summary of these provisions is presented on page 2.

The Office Of Inspector General

The Inspector General is a Presidential Appointee who serves as an independent and objective voice to both the Board and the Congress. It is the Inspector General's responsibility to promote economy, efficiency and effectiveness in the RRB's programs. To that end, the RRB-OIG conducts audits/evaluations, management reviews and inspections of RRB programs and operations. As a result of these efforts, the RRB-OIG provides recommendations for agency improvement to management. The RRB-OIG also identifies and investigates cases of waste, fraud and abuse in agency programs. The RRB-OIG works closely with Federal prosecutors and makes the appropriate referrals for criminal prosecution, civil prosecution or monetary recovery.

The RRB-OIG has three operational components: the immediate Office of the Inspector General; the Office of Audit; and the Office of Investigations.

The health and welfare of our nation's railroad workers and their families rely on the economy, efficiency and effectiveness in the RRB's programs. The RRB-OIG works proactively to provide a continuing program of oversight to these essential

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

programs. The key elements of this program and how they apply to the Recovery Act are described beginning on page 3.

The Recovery Act

The Recovery Act, recently signed into law by President Obama, contains a number of provisions that affect railroad retirement annuitants and railroad workers. The Act appropriates funding from the general fund of the U.S. Treasury as follows:

- A one-time \$250 payment to most individuals who receive benefits under the RRA, totaling approximately \$135 million;
- 13 additional weeks of unemployment benefits for certain railroad workers who exhaust their rights to the benefits normally provided under the RUIA not to exceed \$20 million; and
- \$1,480,000 to fund the additional administrative costs anticipated in connection with payment of additional benefits.

The Recovery Act also establishes general requirements for management and reporting which are applicable to all agencies.

The Recovery Act does not provide any supplemental funding for RRB-OIG review activity.

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

Oversight – An Ongoing Process

The RRB-OIG works to provide oversight to all aspects of agency responsibility which includes monitoring implementation of significant provisions of laws and regulations and major projects to identify at-risk situations. Consistent with this approach, the RRB-OIG has taken the following action in response to the Recovery Act.

Interviewed and Inquired of Agency Management

During the initial stages of new agency initiatives and projects, the RRB-OIG interviews responsible senior managers to inquire about planned approaches, assigned staff, resource requirements and project timing.

With respect to the Recovery Act, the RRB-OIG has:

- met with the senior agency official overseeing the RRB's activities related to the Recovery Act and inquired about the agency's overall approach to the Act's requirements;
- met with the senior agency official overseeing the RRB's activities related to the Recovery Act to identify an effective method of ensuring that the RRB-OIG remains fully informed of the progress and development of critical issues;
- conducted a follow-up interview to obtain additional details about the RRB's strategy for coordinating the one-time \$250 payment with the other agencies having that same responsibility; and
- obtained information about management's plans to spend the administrative funding provided by the Recovery Act.

Reviewed Documentation of Plans and Activities

Based on our preliminary interviews and inquiries, we determined the timing and extent of documentary evidence that will be required to support our oversight efforts.

As a result of our inquiries and interviews concerning RRB implementation of the Recovery Act, we have placed a broad request for documentary evidence generated in connection with implementation of the Recovery Act which will permit the RRB-OIG to monitor progress and compare the roll-out of events with management's plans as they have been communicated to us. We have begun

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

building an information bank to assist us in scheduling additional contacts and identifying at-risk activities.

Assessed Areas of Risk and Developed Plans

The RRB-OIG uses information obtained through interviews, inquiries and document gathering to develop a strategy for oversight. We use this preliminary information to identify the key elements of the project which we consider when determining the RRB-OIG oversight response.

With respect to the Recovery Act, the RRB-OIG has developed a formal oversight plan which is presented in detail beginning on page 7. This plan is segmented to consider risk for each of the RRB's major responsibilities under the Recovery Act.

Based on our assessment, RRB-OIG oversight has identified two areas of high to moderate risk that require attention, over and above our basic program of monitoring and inquiry. In addition, we will include Recovery Act benefits in our standard program of fraud identification.

Coordination of Benefits

We have identified the risk that weak coordination could result in duplicate payments. Three different agencies are responsible for making the one-time \$250 payments to certain retirees and disabled beneficiaries of the Federal programs under their administration. In recognition of this risk, the RRB-OIG:

- has begun examining agency plans for coordination to avoid duplicate payments;
- has contacted the Offices of Inspector General at the other responsible agencies to share information and coordinate as may be feasible to better ensure program integrity; and
- will continue to monitor agency activities, gather information and design such additional tests as may be appropriate in the circumstances.

Our oversight efforts will include a focus on inter-agency communications, the final Memorandum of Understanding (MOU) among the affected agencies and identification of the need for additional controls activities.

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

System Modifications

System modifications will be required to accommodate additional periods of entitlement to unemployment benefits under the RUIA. Modifications will be needed to support accounting, payment and entitlement, including prevention of over/underpayment. In addition to payment control and accounting, system modifications will be required to exclude these payments from the experience rating system that sets employer contribution rates (tax rates) for this program.

System modifications carry their own unique risk that the newly modified system will not function as planned. This is especially true when modifications are hurried.

In response to this risk the RRB-OIG

- interviewed the responsible officials and confirmed that system modifications will be required to support extended periods of entitlement under the RUIA;
- obtained information about the scope and impact of planned system modifications;
- will continue to monitor agency activity, gather information and design such additional detailed tests as may be appropriate in the circumstances.

Fraud Identification

Benefit payment programs are inherently at risk of fraud. The RRB-OIG reaches out to the public with a public website offering the RRB-OIG Hotline as a direct avenue of communications via telephone, fax, or EMAIL and a link to the Federal Trade Commission (FTC) Identity Theft website, among others.

In connection with the Recovery Act, the RRB-OIG has responded directly to fraud vulnerability by:

- updating its website with additional links taking Internet users directly to “Recovery.gov” and to the RRB’s informational webpages; and
- recommending that the letter giving advance notice of the \$250 one-time payment include a warning about fraud scammers who may use the one-time payment as an excuse to request personal identity or bank account information for use in identify theft schemes.

U.S. Railroad Retirement Board
Office of Inspector General
Oversight Plan
American Recovery and Reinvestment Act of 2009

In addition, the RRB-OIG has established an ongoing program of fraud identification from data matching initiatives.

- Extended RUIA unemployment benefits paid under the Recovery Act will be covered by our program of developing fraud referrals from the wage matching programs with individual states. This program identifies individuals who have reported earnings while receiving unemployment benefits.
- Recipients of the one-time \$250 payment will be included among referrals that the RRB-OIG receives from existing program integrity efforts that employ data matching with other benefit entitlement programs to identify payments made to deceased beneficiaries.

Developed a Detailed Plan

The RRB-OIG has developed its Recovery Act oversight plan based on its ongoing program of oversight to the Railroad Retirement and Unemployment/Sickness programs in general, and the additional steps specifically taken as a result of the Recovery Act.

Our oversight plan, which follows beginning on page 7, is based on:

- our interviews and inquiries of responsible management,
- documentation concerning agency plans and activities that we have obtained to-date, and
- a risk assessment process that considers monetary exposure, the complexity of required actions, the need for inter-agency coordination and the availability of expertise to accomplish the requirements.

We expect to review and revise our approach to Recovery Act oversight as new information about the progress of agency implementation becomes available.

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

RECOVERY ACT OVERSIGHT PLAN

This plan articulates the RRB-OIG's plan of action for monitoring agency implementation of the Recovery Act on an ongoing basis. Our objective will be to provide RRB management with information that will assist them in ensuring compliance, transparency and fiscal accountability.

Key Considerations and Risk Factors

We have identified four key considerations that will govern our approach and execution of the oversight plan:

1. agency reliance on established processes and controls,
2. timely notice of any RRB-OIG concerns,
3. the impact of mandated deadlines for agency performance, and
4. the need for the RRB-OIG to revisit and reassess the oversight plan.

With respect to the benefit and financing provisions of the Recovery Act, the RRB-OIG has planned its oversight program using a risk-based approach which considers:

- monetary exposure,
- complexity of the action required by the Recovery Act provisions,
- the need for coordination with other Federal agencies,
- applicability/availability of agency expertise, and
- the potential for uncorrected weaknesses in internal control to adversely impact agency performance.

For each risk factor identified above, we have summarized the facts which we considered in determining the RRB-OIG's plan of action. In general, the RRB's responsibilities fall within the scope of their regular operations, but agency managers will need to meet certain challenges to achieve the timeliness and accountability requirements of the law.

In addition, the RRB-OIG oversight plan addresses the general management and reporting responsibilities imposed on most agencies receiving funding under the new law.

Following is a description of the general approach that we will apply to our program of oversight, followed by the details of our risk-response oversight approach for each significant provision of the Recovery Act impacting the RRB.

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

Overall Approach

The RRB's responsibilities under the Recovery Act fall within the scope of its routine activities under the RRA and RUIA. We expect the expenditure of funds made available under the Recovery Act, for benefits as well as administrative activities, to be subject to the same procedures and controls that apply to normal agency operations.

1. We will look for indications that established controls are being overridden or ignored.
2. We will bring any RRB-OIG concerns to management's attention timely during the ongoing oversight process.
3. We will plan and execute our program of oversight in a manner that will respect management's need to meet mandated milestones for performance.
4. We will revisit and reassess this oversight plan, adjusting the initial plan as necessary to respond to information obtained during the oversight process.

One-Time Payment of \$250

A one-time economic recovery payment of \$250 will be paid to adults (including disabled adult children) who receive benefits under one of the following four programs: Railroad Retirement, Social Security, Supplemental Security Income, or Veterans Disability benefits. The estimated cost of this additional benefit is approximately \$135 million.

The Railroad Retirement Board (RRB), the Social Security Administration (SSA) and the Department of Veterans Affairs (VA) will be responsible for certifying and paying individuals under their respective programs. Only individuals who were eligible for benefits under one of the four programs in November 2008, December 2008, or January 2009 will receive the special payment. All railroad retirement beneficiaries residing in the United States and U.S. territories, except children and Medicare-only beneficiaries, will receive this one-time payment. Payees receiving RRB payments based on a legal partition and/or garnishment are not eligible to receive this payment.

Following is the RRB-OIG's consideration of risk factors as they relate to the one-time payment of \$250 and the related oversight activities.

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

One-Time Payment of \$250 to Railroad Retirement Beneficiaries			
Factor	Considerations	Risk Level	OIG ACTION
Monetary Exposure	<p>\$135 million (estimated).</p> <p>Payment of benefits is within the scope of the RRB's routine operations. The RRB has established the processes and controls to disburse funds to its beneficiaries and ensure delivery of payments which currently exceed \$10 billion per year for both the RRA and RUIA programs.</p>	Low	Confirm that the one-time payment will be issued through established payment channels.
Complexity of the Required Action	<p>Although payment of benefits is within the scope of the RRB's routine operations, all individuals currently eligible for benefits will not be eligible for the one-time payment. The Recovery Act defines multiple factors which impact eligibility including payment status during prior periods and U.S. residency status.</p> <p>The agency will need to establish controls to ensure that all eligible individuals are identified and, that ineligible parties are excluded. Ineligible parties include both those excluded by the Recovery Act and deceased individuals whose death may not have been disclosed timely.</p> <p>Data extracts and file matching will be required. Historical systems may require modification to identify one-time payments.</p>	Moderate	<p>Obtain and review the RRB's plans and strategies for identifying risks and responding to risks associated with this one-time payment.</p> <p>Inquire about use of data and the need for system modifications.</p> <p>Coordinate with the OIG's at SSA and VA as necessary to obtain adequate assurance.</p>
Coordination With Other Federal Agencies	To prevent overpayments, coordination will be required among the RRB and other Federal payers under the Act.	High	<p>Confirm that management is coordinating with other affected agencies.</p> <p>Monitor the ongoing status of inter-agency coordination efforts.</p>
Applicability/ Availability Of Expertise	<p>The RRB has managerial expertise because the payment of benefits, even one-time payments, is part of their statutory mission.</p> <p>The RRB maintains its own Information Technology processing environment and has the necessary technical expertise to extract data and/or modify its systems as necessary.</p>	Low	In conjunction with other monitoring efforts, be alert for assignment of inexperienced personnel or untested systems.

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

One-Time Payment of \$250 to Railroad Retirement Beneficiaries			
Factor	Considerations	Risk Level	OIG ACTION
Potential Impact Of Control Weaknesses	<p>The report on internal control issued in connection with the annual audit of agency financial statements cites the agency with a material weakness in financial reporting.</p> <p>The findings that led the RRB-OIG to report a material weakness are not expected to prevent the RRB from accurately segregating and reporting on a one-time payment. However, fiscal accountability is a key concern for the lawmakers and the public.</p> <p>No material weaknesses or significant deficiencies that impact benefit payment operations are pending.</p>	Low	Obtain and review plans for fiscal accountability including the separate accounting of benefit funding, audit trails and documentation to support reporting.

Extended Unemployment Benefits

The Recovery Act also provides an appropriation of \$20 million to be used for payment of additional extended unemployment benefits under the Railroad Unemployment Insurance Act.

The Recovery Act provides temporary extended benefits to employees receiving normal unemployment benefits for days between July 1, 2008, and June 30, 2009. Railroad workers who previously were not eligible for extended unemployment benefits because they did not have 10 years of service may be eligible for benefits of up to 65 days within an extended period consisting of 7 consecutive 2-week registration periods. Railroad workers who previously were eligible for extended unemployment benefits of up to 65 days may now be eligible for benefits of up to 130 days within an extended period consisting of 13 consecutive 2-week registration periods. The latest date that an extended benefit period under these special provisions may begin is December 31, 2009, with payments stopping when the \$20 million has been expended.

Following is the RRB-OIG's consideration of risk factors as they relate to the payment of extended unemployment benefits under the RUIA and the related oversight activities.

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

Extended Unemployment Benefits Under the RUIA			
Factor	Considerations	Risk Level	OIG ACTION
Monetary Exposure	<p>\$20 million</p> <p>Payment of benefits is within the scope of the RRB's routine operations. The RRB has established the processes and controls to disburse funds to its beneficiaries and ensure delivery of payments which currently exceed \$10 billion per year for both RRA and RUIA programs.</p>	Low	Confirm that the extended benefits will be issued through established payment channels.
Complexity of the Required Action	<p>Although payment of benefits is within the scope of the RRB's routine operations, the Recovery Act establishes a new group of potentially entitled individuals (those with less than 10 years of service).</p> <p>The RRB has procedures and systems for determining entitlement to unemployment that include length of service.</p> <p>System modifications will be required to accommodate additional periods of entitlement and to control for over/underpayment and to exclude these payments from the experience rating system that sets employer contribution rates.</p>	Moderate /High	Interview responsible managers to confirm which of the existing processes and controls require modification to ensure accurate entitlement decisions and retention of historical information, or to prevent over/underpayment.
Coordination With Other Federal Agencies	None required.	Not Applicable	Not Applicable
Applicability/ Availability Of Expertise	<p>The RRB has the necessary managerial expertise because the payment of periodic unemployment benefits is part of their statutory mission.</p> <p>The RRB maintains it's own IT processing environment and has the necessary technical expertise to extract data and/or modify its systems as necessary.</p>	Low	In conjunction with other monitoring efforts, be alert for assignment of inexperienced personnel or untested systems.

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

Extended Unemployment Benefits Under the RUIA			
Factor	Considerations	Risk Level	OIG ACTION
Potential Impact Of Control Weaknesses	<p>The report on internal control issued in connection with the annual audit of agency financial statements cites the agency with a material weakness in financial reporting.</p> <p>The findings that led the RRB-OIG to report a material weakness are not expected to prevent the RRB from accurately segregating and reporting on extended unemployment benefits. However, fiscal accountability is a key concern for the lawmakers and the public.</p> <p>No material weaknesses or significant deficiencies that impact benefit payment operations are pending.</p>	Low	Obtain and review plans for fiscal accountability including the separate accounting of benefit funding, audit trails and documentation to support reporting.

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

Funding for Administrative Activities

The recovery Act provides for \$1,400,000 to fund the administrative cost of implementing the one-time payments to beneficiaries of the railroad retirement program and \$80,000 to fund the administrative cost of extended unemployment benefits.

Following is the RRB-OIG’s consideration of risk factors as they relate to the special funding for administrative activities and the RRB-OIG related oversight activities.

Funding for Administrative Activities			
Factor	Considerations	Risk Level	OIG ACTION
Monetary Exposure	<p>\$1.4 million to fund the administrative cost of implementing the one-time payments to RRA beneficiaries.</p> <p>\$80,000 to fund the administrative cost of extended RUIA unemployment benefits.</p> <p>The RRB is a labor-intensive enterprise. The agency reported about \$120 million in administrative expenses for FY 2008 of which approximately \$97 million (81%) was for salary and benefits.</p>	Low	Inquire and document management’s plans for the use of administrative funds.
Complexity of the Required Action	<p>The cost of Recovery Act responsibilities is expected to fall within established agency routines. Accounting for administrative funds is expected to fall within established skill, procedure and control framework.</p> <p>However, the action to segregate costs and meet the requirements of the Office of Management and Budget and Treasury will be necessary.</p>	Low	<p>Confirm that management’s planned use of funds falls within established procedure and control framework.</p> <p>Inquire and document management’s plans for separate accounting and reporting.</p>
Coordination With Other Federal Agencies	None required.	Not Applicable	Not Applicable

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

Funding for Administrative Activities			
Factor	Considerations	Risk Level	OIG ACTION
Applicability/ Availability of Expertise	The RRB has available managerial expertise to allocate and monitor resources used to implement the Recovery Act.	Low	The RRB-OIG will inquire specifically whether management anticipates the need for any contract services, goods, or equipment. If contracts are anticipated or in progress, we will review the statement(s) of work to assess need for goods or services.
Potential Impact of Control Weaknesses	Although we cited the RRB with a material weakness in financial reporting, the findings that led the RRB-OIG to report a material weakness are not expected to prevent the RRB from accurately segregating and reporting administrative activities funded by the Recovery Act. We did not identify any significant control deficiencies specific to fund accounting or payroll activities. However, fiscal accountability is a key concern for the lawmakers and the public. The RRB will need to design and implement a strategy to ensure full accountability.	Low	Obtain and review plans for fiscal accountability including the separate accounting of administrative funding, audit trails and documentation to support reporting.

General Management and Reporting Requirements

The Recovery Act also establishes general requirements for management and reporting which are applicable to all agencies. These requirements include:

- designation of a senior official to oversee agencywide stimulus spending;
- identification and segregation of Recovery Act funds in agency systems,
- creation of a Recovery Act webpage within the agency website,
- timely coordination with the Office of Management and Budget, and
- periodic reporting within the government and to the public to ensure accountability and transparency.

On an ongoing basis, the RRB-OIG will monitor agency compliance with the various requirements of the law and implementing guidance.

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

POST-IMPLEMENTATION OVERSIGHT

The RRB-OIG anticipates that our efforts during the implementation of the Recovery Act provisions may identify matters that can best be developed and presented by a formal audit process. In addition, the benefit payment provisions of the Recovery Act may create an increased potential for fraud.

Audits

The RRB-OIG will perform the annual audit of the RRB's FY 2009 financial statements which would include activities financed by the Recovery Act. In addition, we will use the information obtained during the ongoing oversight process as a basis for determining what additional after-the-fact audit coverage will add value to the RRB's operations or that may be required to inform agency management, Congress or the public about agency performance.

Investigations

We will pursue fraud referrals from established fraud identification initiatives targeted to schemes common to the RUIA and RRA as well as any referrals or allegations specific to benefits or agency operations stemming from the Recovery Act.

In addition, we will work with RRB management to ensure that the mechanisms established to identify and refer program fraud to the RRB-OIG will be functioning with respect to the extended benefits provided by the Recovery Act and the one-time payments disbursed to RRA beneficiaries.

**U.S. Railroad Retirement Board
Office of Inspector General**

**Oversight Plan
American Recovery and Reinvestment Act of 2009**

CONTACT THE OFFICE OF INSPECTOR GENERAL

For Further Information Contact:

William H. Tebbe
Assistant Inspector General for Investigations
U.S. Railroad Retirement Board
844 N. Rush Street
Chicago, Illinois 60611

Telephone: 312-751-4350
EMAIL: wtebbe@oig.rrb.gov

Letty Benjamin Jay
Assistant Inspector General for Audit
U.S. Railroad Retirement Board
844 N. Rush Street
Chicago, Illinois 60611

Telephone: 312-751-4350
EMAIL: ljay@oig.rrb.gov