

**OFFICE OF INSPECTOR GENERAL
RAILROAD RETIREMENT BOARD**

**JUSTIFICATION OF BUDGET ESTIMATES
FISCAL YEAR 2013**

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**OFFICE OF INSPECTOR GENERAL
RAILROAD RETIREMENT BOARD**

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) at the Railroad Retirement Board (RRB) will focus its efforts on: (1) conducting independent audits and investigations relating to agency programs and operations; (2) promoting economy, efficiency and effectiveness; (3) detecting fraud and abuse; and (4) keeping the Board Members and Congress informed about problems and recommending corrective actions concerning RRB operations.

The OIG is requesting \$8,820,000 in fiscal year 2013 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 the investigation of waste, fraud, and abuse.

JUSTIFICATION OF ESTIMATES

The Administration's 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 [\$8,170,000] \$8,820,000, to be derived from the railroad retirement accounts and railroad unemployment insurance account.

(Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012.)

Explanation of Proposed Appropriation Language

| <u>Appropriation language</u> | <u>Explanation</u> |
|---|--|
| <p>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 \$8,820,000, to be derived from the railroad retirement accounts and railroad unemployment insurance account.</p> | <p>This budget requests funding for audit, investigation, and review of the railroad retirement/survivor and unemployment/sickness insurance benefit programs. The Limitation on the Office of Inspector General draws on the following trust fund accounts for funding: Railroad Retirement Account, Social Security Equivalent Benefit Account, and the Railroad Unemployment Insurance Account.</p> |

Authorizing Legislation

| <u>Legislation</u> | <u>FY 2012</u> | | <u>FY 2013</u> | |
|---|--------------------------|---|--------------------------|---|
| | <u>Authorized</u> | <u>Current Appropriation</u> | <u>Authorized</u> | <u>Appropriation Requested</u> |
| Authorizing legislation - Inspector General Act of 1978, as amended | Indefinite | \$8,154,559 <u>a/</u> | Indefinite | \$8,820,000 |

a/ This amount represents the level of funding provided by the Consolidated Appropriations Act, 2012 (P.L. 112-74), less a rescission of 0.189 percent.

Note: The 1988 amendments to the Inspector General Act of 1978 (P.L. 100-504) included the Railroad Retirement Board as an "establishment " covered by the Inspector General Act. Previously, the Railroad Solvency Act of 1983 (P.L. 98-76) amended the Railroad Retirement Act of 1974 (P.L. 93-445) to provide for an Office of Inspector General at the RRB.

BUDGET AUTHORITY AND STAFFING BY ACTIVITY

| | <u>FY 2011</u> | | <u>FY 2012</u> | | <u>FY 2013</u> | |
|------------------------------------|----------------|-----------------------|------------------|-----------------------|------------------|---------------|
| <u>Program by Activity</u> | <u>ACTUAL</u> | <u>BUDGET</u> | <u>PROJECTED</u> | <u>BUDGET</u> | <u>PROJECTED</u> | <u>BUDGET</u> |
| | <u>FTES</u> | <u>AMOUNT</u> | <u>FTES</u> | <u>AMOUNT</u> | <u>FTES</u> | <u>AMOUNT</u> |
| Office of Inspector General | | | | | | |
| Audit and Investigation | 53 | \$8,169,628 | 53 | \$8,154,559 | 53 | \$8,820,000 |
| Authorizing Legislation | | \$8,169,628 <u>a/</u> | | \$8,154,559 <u>b/</u> | | \$8,820,000 |

a/ Reflects the level of funding provided by the Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10), less a rescission of 0.20 percent.

b/ Reflects the level of funding provided by the Consolidated Appropriations Act, 2012 (P.L. 112-74), less a rescission of 0.189 percent.

BUDGET AUTHORITY BY OBJECT CLASSIFICATION

| | <u>FISCAL YEAR 2011</u> <u>ACTUAL EXPENSES</u> | <u>FISCAL YEAR 2012</u> <u>APPROPRIATION</u> | <u>FISCAL YEAR 2013</u> <u>BUDGET ESTIMATE</u> <i>a/</i> | FY 2013 vs. FY 2012 <u>INCREASE OR</u> <u>(DECREASE)</u> |
|---|---|---|---|--|
| <u>Limitation on the Office of Inspector General</u> | | | | |
| <u>Direct Obligations by Object Class</u> | | | | |
| Personnel Compensation: | | | | |
| Full-time permanent | \$4,983,400 | \$5,141,000 | \$5,439,000 <i>b/</i> | \$298,000 |
| Other than full-time permanent | 85,000 | 86,000 | 95,000 <i>b/</i> | 9,000 |
| Other personnel compensation | 70,000 | 100,000 | 109,000 | 9,000 |
| | ----- | ----- | ----- | ----- |
| Total Personnel Compensation | 5,138,400 | 5,327,000 | 5,643,000 | 316,000 |
| Personnel Benefits: Civilian | | | | |
| Benefits for former personnel | 1,646,000 | 1,702,000 | 1,899,000 <i>b/</i> | 197,000 |
| Travel and transportation of persons | 0 | 0 | 0 | 0 |
| Transportation of things | 337,200 | 340,000 | 360,000 | 20,000 |
| Rental Payments to GSA | 0 | 0 | 0 | 0 |
| Communications, utilities, and miscellaneous charges | 300,000 | 300,000 | 300,000 | 0 |
| Printing and reproduction | 94,500 | 100,600 | 110,000 | 9,400 |
| Consulting Services | 0 | 0 | 0 | 0 |
| Other Services | 0 | 0 | 0 | 0 |
| Supplies and materials | 371,500 | 303,000 | 373,000 <i>c/</i> | 70,000 |
| Equipment | 67,000 | 52,000 | 60,000 | 8,000 |
| | 151,200 | 30,000 | 75,000 | 45,000 |
| | ----- | ----- | ----- | ----- |
| Total Direct Obligations | \$8,105,800 | \$8,154,600 | \$8,820,000 | \$665,400 |
| Unobligated Balance | 63,800 | 0 | 0 | 0 |
| | ----- | ----- | ----- | ----- |
| Total Budget Authority | \$8,169,600 | \$8,154,600 <i>d/</i> | \$8,820,000 <i>e/</i> | \$665,400 |
| | | | | |
| Total Full-Time Equivalent Usage | 53 | 53 | 53 | 0 |

a/ The Limitation on the Office of Inspector General excludes reimbursable funding the RRB-OIG expects to receive from the Centers for Medicare & Medicaid Services and the Inspector General Criminal Investigator Academy.

b/ Salary and benefit estimates for FY 2013 reflect an Office of Management and Budget policy pay raise assumption of 0.50% effective January 2013.

c/ Includes \$70,000 for RRB-OIG training and \$0 for support of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), pursuant to the Inspector General Reform Act of 2008 (P.L. 110-409).

d/ Reflects the level of funding provided by the Consolidated Appropriations Act, 2012 (P.L. 112-74), less a rescission of 0.189 percent.

e/ The RRB Office of Inspector General requested \$9,695,000 in fiscal year 2013 to continue our oversight of agency programs. The request reflected a policy pay assumption of 2.0% effective January 2013.

CONTRACTUAL SERVICES

| <u>Program by Activity</u> <u>Contractual Services</u> | <u>FY 2011</u> <u>ACTUAL</u> | <u>FY 2012</u> <u>ESTIMATE</u> | <u>FY 2013</u> <u>ESTIMATE</u> |
|---|---|---|---|
| <u>Contracts</u> | | | |
| Disaster recovery services | \$57,695 | \$58,300 | \$59,400 |
| Scan and electronically endorse documents related to investigations | 21,409 | 0 | 0 |
| Data analysis related to program audit | 16,000 | 0 | 0 |
| Office reconfiguration and construction of conference room | 14,575 | 0 | 0 |
| Audit of Statement of Social Insurance | 35,000 | 37,000 | 39,000 |
| Contract Program Total | \$144,679 | \$95,300 | \$98,400 |

RAILROAD RETIREMENT BOARD - OFFICE OF INSPECTOR GENERAL

PERSONNEL SUMMARY

| | <u>FY 2011</u> <u>ACTUAL</u> | <u>FY 2012</u> <u>ESTIMATE</u> | <u>FY 2013</u> <u>ESTIMATE</u> |
|---|---------------------------------|-----------------------------------|-----------------------------------|
| IG | 1 | 1 | 1 |
| Subtotal | <u>1</u> | <u>1</u> | <u>1</u> |
| ES-00 | 1 | 3 | 3 |
| Subtotal | <u>1</u> | <u>3</u> | <u>3</u> |
| GS/GM-15 | 3 | 2 | 2 |
| GS/GM-14 | 8 | 7 | 7 |
| GS/GM-13 | 23 | 23 | 23 |
| GS-12 | 10 | 9 | 9 |
| GS-11 | 1 | 1 | 1 |
| GS-10 | 0 | 0 | 0 |
| GS-09 | 4 | 5 | 5 |
| GS-08 | 0 | 0 | 0 |
| GS-07 | 2 | 2 | 2 |
| GS-06 | 0 | 0 | 0 |
| 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 | <u>51</u> | <u>49</u> | <u>49</u> |
| End of Year: total full-time permanent employment | 53 | 53 | 53 |
| Full-time equivalent (FTE) usage | 53 | 53 | 53 |
| <u>END OF YEAR</u> | | | |
| Average ES Salary | \$165,300 | \$161,767 | \$162,374 |
| Average GS/GM Grade | 12.49 | 12.35 | 12.35 |
| Average GS/GM Salary without Premium Pay | \$102,633 | \$100,850 | \$101,228 |
| Average GS/GM Salary with Premium Pay | \$111,701 | \$110,289 | \$110,703 |

LIMITATION ON THE OFFICE OF INSPECTOR GENERAL
AMOUNTS AVAILABLE FOR OBLIGATION

Office of Inspector General

| <u>Financing</u> | <u>FY 2011 actual</u> | <u>FY 2012 estimate</u> | <u>FY 2013 estimate</u> |
|---|----------------------------------|------------------------------------|------------------------------------|
| Obligations from new authority | \$8,105,812 | \$8,154,559 | \$8,820,000 |
| Plus: Unobligated balance | <u>63,816</u> | <u>0</u> | <u>0</u> |
| Limitation on the Office of Inspector General | \$8,169,628 <u>a/</u> | \$8,154,559 <u>b/</u> | \$8,820,000 |
| <u>Relation of direct obligations to outlays</u> | | | |
| Obligations incurred | \$8,105,812 | \$8,154,559 | \$8,820,000 |
| Obligated balance, start of year | 0 | 507,506 | 507,506 |
| Obligated balance, end of year | <u>(507,506)</u> | <u>(507,506)</u> | <u>(507,506)</u> |
| Outlays | \$7,598,306 | \$8,154,559 | \$8,820,000 |

a/ Represents the resources provided by the Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).

b/ Represents the level of funding provided by the Consolidated Appropriations Act, 2012 (P.L. 112-74).

Note: Funding for the audit and investigative activities of the Railroad Retirement Board Office of Inspector General is transferred from the Railroad Retirement Account (RRA), the Social Security Equivalent Benefit (SSEB) Account, and the Railroad Unemployment Insurance Account (RUIA). The President's budget for fiscal year 2013 reflects budget authority for administrative expenses in the RRA, SSEB Account, and the RUIA. The Limitation on the Office of Inspector General receives spending authority from offsetting collections equal to the appropriation amount.

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> | |
|------------------------|---|----------------------------|-----------------------------|----------------------|-----------|
| 2003 | \$6,300,000 | \$6,300,000 | \$6,300,000 | \$6,321,640 | <u>a/</u> |
| 2004 | \$6,600,000 | \$6,600,000 | \$6,300,000 | \$6,561,060 | <u>b/</u> |
| 2005 | \$7,200,000 | \$6,561,000 | \$7,200,000 | \$7,195,968 | <u>c/</u> |
| 2006 | \$7,195,968 | \$7,196,000 | \$7,196,000 | \$7,124,040 | <u>d/</u> |
| 2007 | \$7,606,000 | \$7,606,000 | \$7,606,000 | \$7,172,686 | <u>e/</u> |
| 2008 | \$7,606,000 | \$7,606,000 | \$8,000,000 | \$7,047,688 | <u>f/</u> |
| 2009 | \$7,806,000 | \$7,806,000 | \$7,806,000 | \$7,806,000 | <u>g/</u> |
| 2010 | \$8,186,000 | \$8,186,000 | \$8,186,000 | \$8,186,000 | <u>h/</u> |
| 2011 | \$8,936,000 | \$8,936,000 | \$8,936,000 | \$8,169,628 | <u>i/</u> |
| 2012 | \$9,259,000 | \$8,170,000 | \$8,170,000 | \$8,154,559 | <u>j/</u> |
| 2013 | \$8,820,000 | | | | |

- a/ Represents the Consolidated Appropriations Resolution, 2003 (P.L. 108-7) amount of \$6,363,000, less \$41,360 rescinded in accordance with P.L. 108-7.
- b/ Represents the Consolidated Appropriations Act, 2004 (P.L. 108-199) amount of \$6,600,000, less \$38,940 rescinded in accordance with P.L. 108-199.
- c/ Represents the Consolidated Appropriations Act, 2005 (P.L. 108-447) amount of \$7,254,000, less \$58,032 rescinded in accordance with P.L. 108-447.
- d/ Represents the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006 (P.L. 109-149) amount of \$7,196,000, less \$71,960 rescinded in accordance with P.L. 109-148.
- e/ Represents \$7,124,040 provided by the Revised Continuing Appropriations Resolution, 2007 (P.L. 110-5), plus an additional \$48,646 to reimburse one-half of the January 2007 pay raise provided by Section 111 of P.L. 110-5.
- f/ Represents the Consolidated Appropriations Act, 2008 (P.L. 110-161) amount of \$7,173,000, less \$125,312 rescinded in accordance with P.L. 110-161.
- g/ Represents the amount made available by the Consolidated Appropriations Act, 2009 (P.L. 111-8).
- h/ Represents the amount made available by the Consolidated Appropriations Act, 2010 (P.L. 111-117).
- i/ Represents the amount made available by the Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10), less \$16,372 rescinded in accordance with P.L. 112-10.
- j/ Represents the Consolidated Appropriations Act, 2012 (P.L. 112-74) amount of \$8,170,000, less \$15,441 rescinded in accordance with P.L. 112-74.

STAFFING HISTORY

Railroad Retirement Board - Office of Inspector General Actual and Projected Full-Time Equivalent Employment

| <u>Fiscal Year</u> | <u>Total FTEs</u> | <u>Change from previous year</u> | <u>Percent change from previous year</u> | <u>Cumulative FTE Changes</u> | <u>Cumulative percent change since fiscal year 1993</u> |
|--------------------|-------------------|----------------------------------|--|-------------------------------|---|
| 1993 | 99 | --- | --- | --- | --- |
| 1994 | 93 | -6 | -6.1% | -6 | -6.1% |
| 1995 | 88 | -5 | -5.4% | -11 | -11.1% |
| 1996 | 74 | -14 | -15.9% | -25 | -25.3% |
| 1997 | 62 | -12 | -16.2% | -37 | -37.4% |
| 1998 | 59 | -3 | -4.8% | -40 | -40.4% |
| 1999 | 59 | 0 | 0.0% | -40 | -40.4% |
| 2000 | 54 | -5 | -8.5% | -45 | -45.5% |
| 2001 | 51 | -3 | -5.6% | -48 | -48.5% |
| 2002 | 51 | 0 | 0.0% | -48 | -48.5% |
| 2003 | 53 | 2 | 3.9% | -46 | -46.5% |
| 2004 | 51 | -2 | -3.8% | -48 | -48.5% |
| 2005 | 50 | -1 | -2.0% | -49 | -49.5% |
| 2006 | 51 | 1 | 2.0% | -48 | -48.5% |
| 2007 | 48 | -3 | -5.9% | -51 | -51.5% |
| 2008 | 47 | -1 | -2.1% | -52 | -52.5% |
| 2009 | 48 | 1 | 2.1% | -51 | -51.5% |
| 2010 | 53 | 5 | 10.4% | -46 | -46.5% |
| 2011 | 53 | 0 | 0.0% | -46 | -46.5% |
| 2012 | 53 | <u>a/</u> 0 | 0.0% | -46 | -46.5% |
| 2013 | 53 | <u>a/</u> 0 | 0.0% | -46 | -46.5% |

a/ Reflects estimated FTEs to be used.

**OFFICE OF INSPECTOR GENERAL
RAILROAD RETIREMENT BOARD**

EXPLANATION OF THE FISCAL YEAR 2013 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) mission to pay accurate and timely benefits. During fiscal year (FY) 2011, the RRB paid approximately \$11.0 billion in retirement and survivor benefits to 578,000 beneficiaries. It also paid \$90.9 million in net unemployment and sickness insurance benefits to almost 11,000 unemployment insurance beneficiaries and 18,000 sickness insurance beneficiaries.

The RRB contracts with a separate Medicare Part B carrier to process the Medicare Part B claims of qualified railroad retirement beneficiaries. As of September 30, 2011, there were about 453,000 such beneficiaries enrolled in the Medicare Part B program through the RRB. During FY 2011, the RRB's separate Part B carrier paid nearly \$868 million in benefits.

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 FY 2013 Performance Budget, including the President's proposed administrative budget and projected performance statistics for fiscal years 2012 and 2013, is included in this budget justification.

The OIG is requesting \$8,820,000 in FY 2013 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. The OIG will also continue its work with agency managers to ensure implementation of corrective actions.

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 2013 for audit and investigative activities follows.

OFFICE OF AUDIT

The mission of the Office of Audit (OA) is to (1) promote economy, efficiency, and effectiveness in the administration of RRB programs, and (2) detect and prevent fraud and abuse in such programs. Through the Inspector General, OA keeps the Board Members and the Congress informed of current and potential problems and deficiencies in RRB operations and the status of progress towards corrective action.

During FY 2013, OA will focus on areas affecting program performance, the efficiency and effectiveness of agency operations, and areas of potential fraud, waste and abuse. In FY 2013, OA will continue its emphasis on long-term systemic problems and solutions, and will address major issues that affect the RRB's service to rail beneficiaries and their families. OA has identified four broad areas of potential audit coverage:

- Financial Accountability
- RRA & RUIA Benefit Program Operations
- Railroad Medicare Program Operations
- Security, Privacy and Information Management

During FY 2013, OA must accomplish the following mandated activities with its own staff:

- Audit of the RRB's Financial Statements pursuant to the requirements of the Accountability of Tax Dollars Act of 2002; and
- Evaluation of Information Security pursuant to the Federal Information Security Management Act (FISMA).

During FY 2013, OA will complete the audit of the RRB's FY 2012 financial statements and begin its audit of the agency's FY 2013 financial statements. OA contracts with a consulting actuary for technical assistance in auditing the RRB's Statement of Social Insurance, which became basic financial information effective for FY 2006. In FY 2011, we awarded a new contract for these actuarial services.

In addition to performing the annual evaluation of information security, OA also conducts audits of individual computer application systems which are required to support the annual FISMA evaluation. Our work in this area is targeted toward the identification and elimination of security deficiencies and system vulnerabilities, including controls over sensitive personally identifiable information.

OA undertakes additional projects with the objective of allocating available audit resources to areas in which they will have the greatest value. In making that determination, OA considers staff availability, current trends in management, and Congressional and Presidential concerns.

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 investigates railroad employers and unions when there is an indication that they have submitted false reports to the RRB. OI also conducts investigations involving fraudulent claims submitted to the Railroad Medicare Program. These investigative efforts can result in criminal convictions, administrative sanctions, civil penalties and the recovery of program benefit funds for a any program administered by the RRB.

OI initiates cases based on information from a variety of sources. The RRB conducts computer matching of employment and earnings information reported to state governments and the Social Security Administration with RRB benefits paid data. Fraud 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 Investigative Results for FY 2011

| <u>Civil Judgments</u> | <u>Indlctments/Informations</u> | <u>Convictions</u> | <u>Recoveries/Receivables</u> |
|-------------------------------|--|---------------------------|--------------------------------------|
| 21 | 60 | 62 | \$106,717,426 |

OI anticipates an ongoing caseload of approximately 480 investigations in FY 2013. During FY 2011, OI opened 369 new cases and closed 234. At present, OI currently has cases open in 48 states, the District of Columbia, and Canada, with estimated fraud losses totaling nearly \$42 million.

OI will concentrate its resources on cases with the highest fraud losses. Typically, these cases are related to the RRB's disability and Medicare programs. Disability fraud cases currently constitute approximately 26% of OI's total caseload. These cases involve more complicated schemes and often 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 instances, even 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. Of particular significance is an ongoing investigation related to disability fraud allegedly perpetrated by employees of a New York based railroad. Eleven individuals have been indicted in this case, and OI agents will likely have to spend a substantial amount of time traveling to New York for trial preparation during FY 2013.

The OI continues to work joint cases with other Offices of Inspector General and federal law enforcement agencies that have responsibility for healthcare fraud matters. Medicare fraud investigations currently represent approximately 14% of OI's total caseload and nearly \$18 million in fraud losses. OI's collaborative joint investigative efforts ensure that RRB beneficiaries are protected from sham medical practitioners, and that the Railroad Medicare program's interests are safeguarded from fraudulent schemes.

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. During FY 2011, OI experienced a significant rise in referrals related to the RRB's unemployment program. One of the provisions of the American Recovery and Reinvestment Act of 2009 provided for extended unemployment benefits for workers, including those working in the railroad industry. These extended benefits have resulted in an escalation of fraud losses associated with this program and, as a

result, we have experienced a 20% increase in our overall caseload. Unemployment fraud cases currently constitute 35% of the total caseload.

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 2013, 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 2013, 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.

RAILROAD RETIREMENT BOARD
OFFICE OF INSPECTOR GENERAL

FISCAL 2013 PERFORMANCE BUDGET

The audit and investigative programs of the Office of Inspector General (OIG) are dedicated to protecting the integrity of the Railroad Retirement Board's trust funds and improving the delivery of benefits to the railroad community. The OIG has developed the Fiscal Year 2013 Performance Budget to support our mission by establishing performance measures for our strategic goals.

The OIG is aware that external factors may significantly affect planned activities and the allocation of resources during any given fiscal year. New legislative mandates may necessitate the delay of scheduled projects to ensure that we meet new statutory requirements.

MISSION STATEMENT

The OIG will promote economy, efficiency, and effectiveness in the RRB's programs and operations by focusing our audit and investigative efforts on protecting the integrity of the RRB's trust funds and improving the delivery of benefits to the railroad community.

VISION STATEMENT

The OIG employs a skilled and professional workforce dedicated to the goals and mission of the Office. The OIG will:

- conduct audits/evaluations, management reviews, and inspections of the RRB's programs and operations;
- provide recommendations for improvement to RRB management;
- prevent and detect fraud, waste, and abuse in the RRB's programs and operations;
- review and make recommendations regarding existing and proposed legislation and regulations relating to the RRB's programs and operations; and
- keep RRB Board Members and the Congress fully informed of problems in the RRB's programs and operations.

STRATEGIC GOALS

This plan establishes three strategic goals:

1. Add value to the RRB's programs and operations.
2. Protect the integrity of the RRB's programs, operations, and trust funds.
3. Ensure quality and excellence in the OIG's work and products.

The first goal addresses our independent oversight of the RRB's programs and operations. In support of this goal, we evaluate agency program functions, assess program efficiency, and advise management regarding necessary actions to improve agency performance.

The second goal involves compliance reviews and enforcement activities to identify systemic weaknesses in the RRB's programs and operations. Our objective is to reduce the potential for waste, fraud, and abuse in the RRB's programs and operations and to create a deterrent for future fraudulent activities.

The third goal focuses on the OIG's internal operations. We will identify ways to streamline audits and investigations by utilizing new technologies, providing staff training, and improving planning processes.

Goal 1 – Add value to the RRB's programs and operations.

The OIG's products and services are used by the RRB, the Congress, and other interested parties to improve the efficiency, effectiveness, and integrity of the RRB's programs and operations.

We will achieve this goal by:

- Focusing the OIG's work on major RRB programs and operations. Major areas include the annual financial statement audit, information systems and security, improper payments, and e-Government initiatives. We will review operating performance in both program and administrative functions to ensure that agency activities promote efficiency and minimize the potential for fraud, waste, and abuse.
- Providing accurate, objective, and timely information to the RRB, the Congress, and other interested parties.
- Promoting actions on the OIG's recommendations and providing recommendations that receive a high degree of acceptance.

Goal 2 – Protect the integrity of the agency’s programs, operations, and trust funds.

This goal addresses the third element of the OIG’s vision, to prevent and detect fraud and abuse in the RRB’s programs and operations. To achieve this goal, we will review and investigate allegations of fraud that are referred to our office through a variety of internal and external sources. We will also develop proactive strategies to identify systemic fraud and abuse and make recommendations to address the causes. Based on the recommendations issued by this office, the agency has the responsibility to establish the necessary controls in its programs and operations.

We will achieve this goal by:

- Analyzing RRB programs and operations to identify those that are most susceptible to fraud and abuse and those programs for which the agency’s policing mechanisms are ineffective. We will continue to develop traditional information sources, both within and outside the agency, that provide information concerning allegations of fraud and abuse.
- Taking timely actions in response to allegations of fraud and abuse. We will take a proactive approach to developing electronic information sources and methodologies that will allow us to conduct our investigations and analysis in the most efficient manner. We will provide the necessary support for prosecutors to conduct appropriate criminal or civil actions to address allegations of fraud or abuse.
- Providing all interested parties, i.e., prosecutors, agency officials, the Congress, and others as warranted, with complete, accurate, and timely reports concerning the results of our audit and investigative activities. We will alert agency officials and the Congress regarding significant issues that will impact agency programs and operations. We will encourage publication of judicial results by prosecutors to strengthen the deterrent effect of those actions.
- Conducting timely follow-up actions to ensure the agency addresses our systemic issue recommendations.
- Monitoring progress for all matters referred for judicial action.
- Encouraging prosecutors to complete a satisfaction survey at the conclusion of all judicial proceedings to provide honest feedback regarding OI’s investigative activities.

Goal 3 – Ensure quality and excellence in the OIG’s work and products.

To carry out its mission in a competent and efficient manner, the OIG must have a skilled and motivated work force. All staff members must have the knowledge and skills required to perform their duties. The OIG’s management will support its staff by providing the means to carry out the mission of the Office and implementing a comprehensive quality assurance program.

We will achieve this goal by:

- Focusing on recruitment and retention of a professional staff that is highly skilled and appropriately developed.
- Ensuring that the staff is fully supported with the necessary tools, services, and direction to carry out their oversight duties effectively and efficiently.
- Implementing a comprehensive quality assurance program that ensures compliance with OIG policies and procedures; the Council of the Inspectors General on Integrity and Efficiency quality standards for Federal Offices of Inspector General; and other requirements.

PERFORMANCE BUDGET

The Annual Performance Budget for FY 2013 provides performance indicators consistent with our strategic goals. Actual performance is provided in the following exhibit for fiscal years 2008 through 2011. Performance for fiscal year 2012 reflects the level of resources provided by the Consolidated Appropriations Act, 2012, and fiscal year 2013 performance reflects the President’s proposed budget level of \$8,820,000.

| Railroad Retirement Board Office of Inspector General FY 2013 Performance Budget | <u>FY 2008</u> Actual (\$7.048M) | <u>FY 2009</u> Actual (\$7.806M) | <u>FY 2010</u> Actual (\$8.186M) | <u>FY 2011</u> Actual (\$8.170M) | <u>FY 2012</u> Estimate (\$8.155M) | <u>FY 2013</u> Request Level (\$8.820M) |
|--|--|--|--|--|--|--|
| Strategic Goal I: Add value to the RRB's programs and operations. | | | | | | |
| 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. | 40% | 0% | 64% | 62% | 70% | 70% |
| Agency management agrees with 80% of recommendations made in audit, evaluation, and inspection reports. | 98% | 91% | 95% | 92% | 80% | 80% |
| 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. | 30 days | 30 days | 35 days | 35 days | 35 days | 35 days |
| The OIG will file 100% of reports on time, and acknowledge 100% of requests for information within three working days. | 100% | 100% | 100% | 100% | 100% | 100% |
| | 100% | 100% | 100% | 100% | 100% | 100% |
| Strategic Goal II: Protect the integrity of the RRB's programs, operations, and trust funds. | | | | | | |
| Percentage of allegations evaluated and submitted for disposition within 30 days of receipt. | 80% | 89% | 80% | 70% | 70% | 80% |
| Percentage of investigative cases closed during a fiscal year which resulted in a successful action, i.e., criminal indictment, criminal conviction, civil judgment or settlement, administrative action, or monetary recovery | | | | 32% | 25% | 35% |

| Railroad Retirement Board Office of Inspector General FY 2013 Performance Budget | <u>FY 2008</u> Actual (\$7.048M) | <u>FY 2009</u> Actual (\$7.806M) | <u>FY 2010</u> Actual (\$8.186M) | <u>FY 2011</u> Actual (\$8.170M) | <u>FY 2012</u> Estimate (\$8.155M) | <u>FY 2013</u> Request Level (\$8.820M) |
|---|--|--|--|--|--|--|
| 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. | 90% | 93% | | | | |
| Percentage of responses to completed case surveys indicating an evaluation of full satisfaction or higher regarding OIG investigative products. | 100% | 100% | 100% | 100% | 90% | 100% |
| The OIG will complete 4 projects to identify fraud cases that are not detected through agency policing procedures. | 0 | 6 | 4 | 7 | 1 | 4 |
| Percentage of systemic issue recommendations that are agreed to by the agency in the current year. | 95% | 75% | | | | |
| Strategic Goal III: Ensure quality and excellence in the OIG's work and products. | | | | | | |
| Percentage of employees meeting the training requirements of their profession. | | | | 97% | 98% | 100% |
| 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% |
| Eighty percent of audits, evaluations, and inspections are subjected to an internal quality assurance review. | 100% | 100% | 100% | 100% | 100% | 100% |
| The OIG will conduct 4 training sessions during the year for RRB staff. | 0 | 2 | 2 | | | |