



U.S. RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

Audit of the Railroad Retirement Board's RUIA Experience Rating Process

Report No. 26-01

December 16, 2025



What RMA Found

The Railroad Unemployment Insurance Act (RUIA) provides unemployment and sickness benefits for qualified railroad workers. The funds to pay these benefits are provided by a payroll tax on railroad employers only. The Railroad Retirement Board (RRB) determines the employer's contribution rate (tax) through its Experience Rating system.

RMA Associates, LLC (RMA) determined that although the RRB's experience rating process for determining contribution rates was accurate and complete, the process lacked some key internal controls over communication with railroad employers. RMA determined that the RRB did not issue all required quarterly notices to employers; did not maintain evidence to support the accuracy and timeliness of issued quarterly notices for December 2021 and March 2022; and issued the 2022 annual notice 22 days late. These deficiencies occurred because the RRB's procedures were not updated to reflect RUIA requirements for calendar years 2022 and 2023.

Timely notices are required to ensure railroad employers have the opportunity to determine if their contribution rates were accurate. If RUIA contribution rates were calculated incorrectly, employers may under or over contribute and potentially place the RUIA program's benefits at risk.

As a result, RUIA benefit account balances for 2022 and 2023 were potentially inaccurate and the RRB lacked some employer information needed to influence its RUIA decision making, planning, and budgeting. If these issues are not corrected timely, the RRB will place more than \$400 million in benefits at risk.

What RMA Recommended

To address the weaknesses identified during this performance audit, RMA made eight recommendations. RRB management concurred with all eight recommendations.

What We Did

RRB's Office of Inspector General (OIG) engaged RMA to conduct an audit of RRB's experience rating process. The RUIA program benefit account balances were \$112.7 million in 2022 and \$363.1 million in 2023.

RMA conducted this audit in accordance with performance audit standards established by generally accepted government auditing standards. RMA is responsible for the audit report and the conclusions expressed therein. RRB OIG does not express any assurance on the conclusions presented in RMA's audit report.

The overall objectives were to determine whether the RRB:

- 1) employed appropriate internal controls in its experience rating system;
- 2) ensured accurate and complete calculations of experience rates for railroad employers in accordance with RUIA law; and
- 3) provided accurate and timely notifications of experience rates for all applicable railroad employers.

The scope for this performance audit covered calendar years 2022 and 2023.

Railroad Retirement Board
Office of Inspector General

Audit of the Railroad Retirement Board's Experience
Rating Process

Performance Audit Report

Order No: 140D0423F1240

Date: September 19, 2025

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Railroad Retirement Board
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September 19, 2025

RMA Associates, LLC conducted a performance audit of the Railroad Retirement Board's (RRB) Experience Rating Process.

Our audit objectives were to determine whether the RRB's methodology and process for experience rating 1) employs appropriate internal controls; 2) ensures accurate and complete calculations of experience rates for railroad employers in accordance with Railroad Unemployment Insurance Act law; and 3) results in accurate and timely notification of experience rates for all applicable railroad employers.

We conducted this performance audit in accordance with generally accepted government auditing standards.¹ Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Information on our findings and recommendations is included in the accompanying report.

Respectfully,

RMA Associates

RMA Associates, LLC

¹ *Government Auditing Standards*, GAO-21-368G, April 2021.

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Introduction

The Railroad Retirement Board (RRB) is an independent agency in the Executive Branch of the Federal Government, created in the 1930s, providing insurance benefit programs to railroad workers and their families under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA). During the 1930s, railroad workers were faced with increasing uncertainty about their job security and pension plans. RUIA provides two kinds of benefits for railroad employees: 1) unemployment benefits, when employees are unemployed but are ready, willing and able to work; and 2) sickness benefits, when employees are unable to work because of illness or injury. Sickness benefits are also payable to female employees unable to work because of pregnancy, miscarriage, or childbirth. The funds to pay unemployment and sickness benefits are provided by payroll taxes on railroad employers only. Employees do not pay unemployment insurance taxes.

In the early 1980s, a recession forced a large number of rail employees out of work. The RUIA account was unable to meet this heavy volume of benefit payments and had to borrow from the RRA Account to pay unemployment and sickness benefits. To prevent a recurrence of this situation, experience rating provisions were written into the 1988 RUIA amendments to ensure that the RUIA account could meet its benefit obligation.

To manage the performance of the contribution-related provisions of the RUIA, the RRB developed an automated Railroad Experience Rating System (RRXR). This system records employer contributions, compensation data, benefit payments, and benefit recoveries. The RRB then uses this information to 1) calculate experience-based contribution rates for railroad employers and 2) generate quarterly and annual notices to railroad employers. The tax rate is based on employees' earnings, the prior benefit usage for each employer, and the overall funding level of the RUIA trust fund. The RRB calculated the first experience-based rates in 1991.

Annually, the RRB Bureau of Field Service notifies employers of their RUIA contribution rate for the following calendar year and includes the data used to calculate the rate. The RRB developed the Employer Contribution and Collection System (ECCS) to record and store compensation information from the Employer's Quarterly Report of Contributions (Form DC-1). ECCS also uploads data to RRXR to calculate experience-based contribution rates.

The RRB is required to publish notice of the RUIA account balances and surcharge rate indexed thresholds annually in the Federal Register. **Figure 1**, below, shows the RUIA account balances used to calculate experience rates based on the benefit years ending 2015 through 2024, displaying striped bars for the balances of \$112.7 million in 2022 and \$363.1 million in 2023 to highlight the years included within the scope of this audit.

Figure 1: Railroad Unemployment Insurance Account Balance, as of June 30, 2015-2024

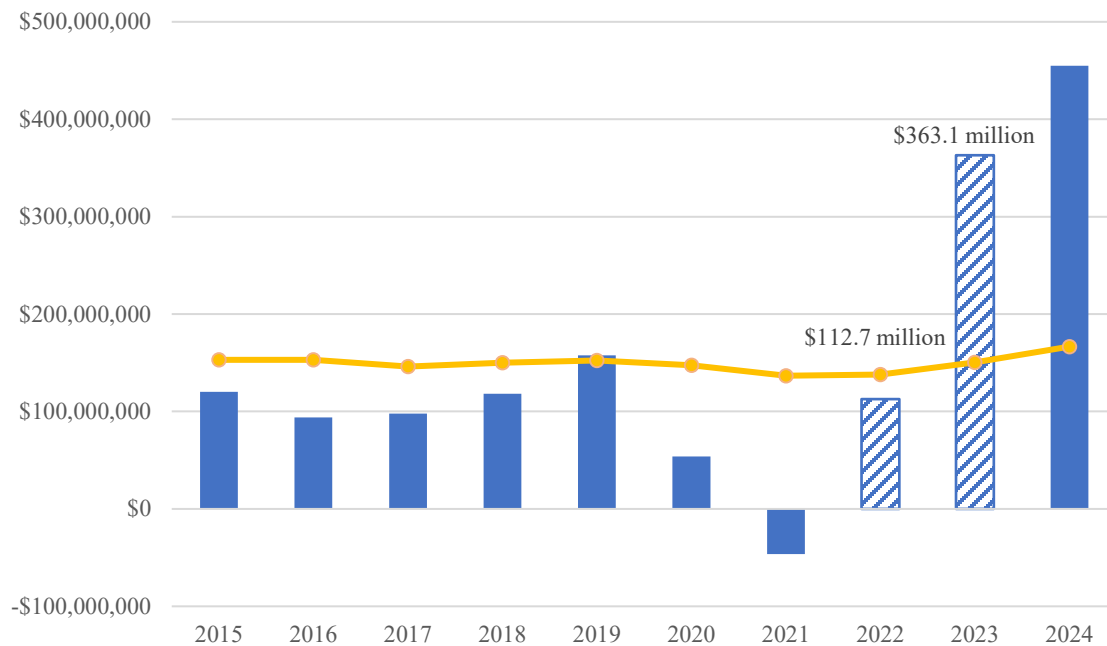


Figure 1 displays the RUIA account balances as of June 30 of each year and the experience ratings for the following calendar year (2016-2025). The indexed thresholds displayed in **Figure 1** are calculated in accordance with 20 CFR §345.302(n) based on the RUIA account balance and the system compensation base as of June 30 of each year. The RRB adds a surcharge rate to each employer's experience rating contribution rate if the balance of the RUIA account is below the current year's indexed threshold, displayed by the orange line in **Figure 1**. As a result, for the rate calculated in 2021, where a deficit occurred, the RRB applied the maximum surcharge rate of 3.5 percent. The surcharge rate increased employer contributions, and the RRB repaid the loan (negative balance) and accrued interest and rebuilt the RUIA account balance to meet its benefit obligations.

Results in Brief

This report presents the results of RMA Associates LLC's (RMA) performance audit of the RRB's experience rating process.

Our audit objectives were to determine whether the RRB's methodology and process for experience rating 1) employs appropriate internal controls; 2) ensures accurate and complete

calculations of experience rates for railroad employers in accordance with RUIA law; and 3) results in accurate and timely notification of experience rates for all applicable railroad employers.

RMA identified five findings related to Objectives 1 and 3. This section describes our conclusions for each objective. The **Audit Findings and Recommendations** section captures the specific details.

Objective 1: RMA determined the RRB's process for experience rating lacked proper internal controls. The RRB's Office of Programs (OP), Policy and Systems was not aware of the retention requirements for experience rating management control review² test results and supporting documentation. OP's Policy and Systems did not know about the policy for storing data used for experience rating reviews, so there was no test data to share. Although the review results were missing, RMA still evaluated the experience rating Chart of Controls and reviewed the following controls:

- Employer inquiries and protests;
- Proper authorization and access to the RRXR system; and
- Timely completion of RRXR referrals.

We found no issues with the operating effectiveness of the above controls.

Objective 2: RMA determined that the RRB's experience ratings process ensured that calculations for experience rates of railroad employers were accurate and complete, as required by RUIA law.

Objective 3: RMA determined that, while the notices the RRB issued accurately conveyed the results of the RRB's experience rating calculations, the RRB's process led to delayed notification of experience rates for some railroad employers. RMA found that:

- OP did not send notices to 102 of 830 employers (12 percent) during the six quarters spanning from April 1, 2022, through September 30, 2023.
- OP did not provide us with quarterly notices issued to railroad employers in December 2021 and March 2022.
- OP did not fully comply with Title 20 of the Code of Federal Regulations (CFR) Section 345.305, which resulted in the RRB only sending quarterly notices showing benefits paid to employees and contributions paid by employers after the end of each quarter when employers had benefits charged against them.

² A management control review is a review of an assessable unit by the responsible official to determine whether appropriate control objectives have been identified and adequate control techniques exist. The review is conducted to support the accomplishment of the assessable unit's mission and provide reasonable assurance that inherent risks, mitigated risks, and integrity risks are curtailed.

- The RRB issued the Annual Notices in 2022 on November 15, 2022, which was 22 business days late compared to the required date of October 15, 2022.

RMA made eight recommendations to address the findings.

We provided the full text of management's comments regarding these recommendations in **Appendix A**. We detail the audit's scope and methodology in **Appendix B**; our sampling methodology in **Appendix C**; and the criteria used to identify each finding and support the associated recommendations in **Appendix D**.

Significant Facts Relevant to the Objectives

The second objective of this audit was to determine whether the RRB's methodology and process for experience rating ensures accurate and complete calculations of experience rates for railroad employers in accordance with RUIA law. To determine an employer's experience-based contribution rate, OP charged the employer for each claim paid to one of their employees during the benefit charge year (BCY). A BCY is comprised of four quarters that begin on July 1 and end on June 30 of the following year. The contribution rate is payable within the first quarter of the following calendar year.

The chart below shows the relationship between the BCY quarters and the calendar year quarters.

Table 1: Relationship Between Benefit Year Quarters and Calendar Year Quarters

Months	BCY Quarter	Calendar Year Quarter
January – March	3	1
April – June	4	2
July – September	1	3
October – December	2	4

During the audit, RMA identified a discrepancy between the CFR and United States Code (USC) that impacted our assessment of the accuracy of the RRB's experience rating calculations, specifically the One-Year Compensation Base calculation. The RRB's Division of Programs Operating Manuals (DPOM) Article (ART) 11 procedure is based on 20 CFR §345.302, which defines the One-Year Compensation Base as the aggregate amount of compensation with respect to which the employer is **liable for** [emphasis added] contributions under this part in the four calendar quarters ending on such June 30. In assessing the applicability of 20 CFR §345.302, RMA researched the corresponding statute, 45 USC §358. This USC requires computing the One-Year Compensation Base as the aggregate compensation with respect to which contributions were **paid by** [emphasis added] the employer in the four calendar quarters ending on such June 30.

RMA recalculated the One-Year Compensation Base for a sample of 56 railroad employers for the benefit years ending June 30, 2022, and June 30, 2023. RMA observed that the RRB consistently calculated the One-Year Compensation Base using railroad employer-provided information from

Forms DC-1³ received during the four calendar quarters ending June 30. From the sample of 56 railroad employers, RMA identified two employers that submitted more than four Forms DC-1 in a benefit year, and their experience ratings were calculated using a One-Year Compensation Base that included all compensation information submitted. The RRB's inclusion of more than four quarters of information in the One-Year Compensation Base calculation is not in compliance with 20 CFR §302 because the regulation requires exactly four quarters of information. However, RMA determined that the RRB appropriately included information from all forms submitted in the One-Year Compensation Base calculation based on the timing of when they received Form DC-1 from employers, in compliance with the statutory requirement of 45 USC §358. While RMA determined that the RRB is not in compliance with 20 CFR §345.302, the RRB complied with 45 USC §358. Since the USC takes precedence over the CFR, RMA determined that the RRB is calculating the One-Year Compensation Base accurately.

However, the RRB's ability to accurately calculate the RUIA contribution as intended by RUIA law is dependent on receiving contribution reports from railroad employers in a timely manner. The RRB management confirmed that they are issuing interest and penalties to railroad employers for untimely submissions of contribution reports and that they did not issue any waivers during the scope of the audit. RMA did not review evidence of such interest and penalties, as this was outside the scope of the audit. While the RRB is calculating the One-Year Compensation Base accurately, the RRB's DPOM ART 11 does not address how Form DC-1 report timing issues should be handled.

Audit Findings and Recommendations

Finding 1: Staff Unaware of Review Documentation Retention Requirements

OP's Policy and Systems was not aware of the retention requirements for experience rating review test results and supporting documentation. The experience rating assessable unit (AU) is one out of 47 RRB units.

The organization head and responsible official for each AU are required to complete a management control review on an annual basis. There are two types of reviews: annual certification and full review. In general, an AU is scheduled for a full review every five years; however, AUs that are highly vulnerable and or have a high impact are reviewed more often, based on decisions by the organization head and the Management Control Review Committee (MCRC). In years the AU is not scheduled for a full review, the organization head and responsible official complete an annual certification. According to the RRB's Management Control Procedures Guide (MC Guide),⁴ regardless of the frequency of the review, the reviewer should retain worksheets that document testing and results on the individual transaction level, as well as the documentation that directly supports the findings and conclusions of the test results. Moreover, this documentation supporting the information reported should be retained until the next review is performed. Finally, the

³ Employers under RUIA are required to remit contributions (taxes) to the RRB's Bureau of Fiscal Operations. As such, employers must submit Form DC-1.

⁴ RRB, *MC Guide*, July 2022.

responsible official must submit a review report (Chart of Controls with test results), updated documentation, and an annual certification to the MCRC by the next review reporting date.

OP did not know to follow the MC Guide. Specifically, they incorrectly assumed the results could be recreated when asked by the audit team. In addition, OP did not know about the RRB's policies and procedures to maintain records for the test results and worksheets as required by the MC Guide since they were not in OP's policies and procedures.

As a result, RMA was unable to review the test results and worksheets and confirm their completion. Failure to maintain test results means OP cannot validate the following:

- Effectiveness and efficiency of RUIA related operations and
- Compliance with RUIA law.

Without these past test results, RMA is unable to verify the RRB's use of information from management control reviews to influence decision making, planning, and budgeting for the RUIA account, valued at more than \$454 million as of June 30, 2024.

RMA recommends that the Office of Programs:

1. Add reference to the Management Control Procedures Guide in the Railroad Retirement Board's Division of Programs Operating Manuals, Article 11.
2. Provide evidence that Policy and Systems staff have completed training regarding management control review requirements, and roles and responsibilities.

Management's Comments and RMA's Response

OP concurred with recommendations one and two and provided an estimated completion date of September 30, 2026. It will be important for OP to achieve implementation by this completion date or sooner to meet the intent of promptly implementing audit recommendations.

Finding 2: Failure to Send Quarterly Notices to Railroad Employers Without Claims Activity

RMA identified that OP did not send notices to 102 of 830 employers (12 percent) during the six quarters spanning from April 1, 2022,⁵ through September 30, 2023, as required by 20 CFR §345.305(a).⁶

The requirement in 20 CFR §345.305(a) states that "the Board will notify **each** [emphasis added] employer of its cumulative benefit balance and its net cumulative contribution balance as of the end of the preceding calendar quarter." However, the RRB did not provide these quarterly

⁵ The RRB retains quarterly notices for seven quarters. April 2022 was the oldest quarter of information available.

⁶ The quarterly notices issued by September 30, 2023, are the last set of notices containing information reflected in the experience rating calculation performed in 2023.

notifications to each employer. Specifically, OP did not issue quarterly notices to employers if there was no attributable claim activity during the quarter. OP issued quarterly notices to employers who had unemployment and sickness benefit claimants in the preceding quarter. These notices correctly detailed the cumulative benefit balance, net cumulative contribution balance, and the components contributing to the balances.

Due to lack of appropriate policies and procedures, the RRB management did not know that the regulation required issuance of quarterly notices reflecting the cumulative benefit balance and net cumulative contribution balance to all employers, regardless of whether employers had benefit claims against them.

As a result of not issuing the required notices, employers may not be aware if their cumulative benefit and net cumulative contribution balances were inaccurate. The cumulative benefit balance could change without the employer's knowledge due to unallocated charges,⁷ which are not the employer's responsibility. Without quarterly notices, employers do not have a clear timeline under which to appeal inaccuracies in their contributions, as the timing of the appeal process⁸ depends on when the notice was mailed. This could result in employers submitting appeals for periods beyond the RRB's record retention policy. Additionally, if employers are unaware of errors requiring correction, their experience rating for the following calendar year could be lower or higher than it should be, leading to the underfunding of the RUIA account.

If any of the 102 identified employers had successfully appealed its contribution amount, the RRB would need to recalculate and redistribute the impacted portion of the unallocated charge balance among the 830 employers of the railroad community. The unallocated charge balance was \$10.8 million for the benefit years ending in 2022 and 2023. While this balance was at risk, none of the 102 identified employers requested an appeal for their contribution amount, so the RRB did not need to recalculate or redistribute the unallocated charge balance.

RMA recommends that the Office of Programs:

3. Inform staff of the 20 CFR §345.305(a) regulation requiring the RRB to send quarterly notices to all railroad employers with their own experience rating.
4. Issue quarterly notices containing the railroad employer's cumulative benefit balance and net cumulative contribution balance to all employers with their own experience rating, in alignment with requirements of 20 CFR §345.305(a).

Management's Comments and RMA's Response

⁷ The proportionate share is determined by dividing the employer's One-Year Compensation Base by the system compensation base and multiplying the result by the system unallocated charge. Unallocated charges include benefits paid to employees of defunct employers, strike benefits, and benefits paid to an employee in excess of his or her base year compensation.

⁸ An employer may seek administrative review of determination of any contribution made by filing a request for reconsideration with the Chief Financial Officer within 30 days after the mailing of notice of such determination.

OP concurred with recommendations three and four and provided an estimated completion date of September 30, 2026. It will be important for OP to achieve implementation by this completion date or sooner to meet the intent of promptly implementing audit recommendations.

They also provided additional clarification stating it was long-standing Board practice to notify each employer of their current balances. If the balances had not changed from quarter to quarter, the Board would not send new notifications as the prior notification remained correct. In addition, the RRB provides online information for employers about experience ratings.

Finding 3: Lack of Record Retention of Quarterly Notices

RMA found that OP did not provide us with quarterly notices issued to railroad employers for December 2021 and March 2022.

As required by 20 CFR §345.305, OP issued quarterly notices, using the RRB's RRXR, to employers who had unemployment and sickness benefit claimants in the preceding quarter. These notices detailed the cumulative benefit balance, net cumulative contribution balance, and the components contributing to the balances for each employer. The 20 CFR §345.305 requirements required the RRB to notify all employers of their cumulative benefit balance and their net cumulative contribution balance as of the end of the preceding calendar quarter.

However, RMA found that, as requested on December 18, 2023, OP did not provide us with the quarterly notices issued to railroad employers for December 2021 and March 2022 because the Agency Enterprise General Information Support System-Z (IBM Mainframe environment) only maintains records for the last seven quarters. This was a system limitation and policy set in the IBM Mainframe environment when the system was created in 1989. In addition, the RRB's Records Disposition Handbook⁹ requires the RRXR system and employer level component information to be "maintain[ed] for as long as data serves an administrative purpose."

Without evidence of the quarterly notices issued, RMA could not assess the accuracy of the quarterly notices issued in December 2021 and March 2022, nor the preceding annual notices. As a result, if an employer wanted to request quarterly notices aged more than 1 year and 9 months, the RRB could not furnish that documentation from RRXR. The RRB's current policy is to maintain records for the last seven quarters.

RMA recommends that the Office of Programs:

5. Work with the Railroad Retirement Board developers to implement a system change for Agency Enterprise General Information Support System-Z (IBM Mainframe environment) to maintain records for at least three calendar years, or longer if necessary, to align with other financial management practices and information needed for the experience rating calculation for employers.

⁹ RRB, *Records Disposition Handbook*, October 2022.

6. Update the Division of Programs Operating Manuals, Article 11 to reflect the implementation of recommendation 5.

Management's Comments and RMA's Response

OP concurred with recommendations five and six and provided an estimated completion date of September 30, 2026. It will be important for OP to achieve implementation by this completion date or sooner to meet the intent of promptly implementing audit recommendations.

Finding 4: Failure of the RRB's Policies and Procedures to Comply with 20 CFR §345.305

OP's applicable policy, DPOM ART 11, did not fully comply with 20 CFR §345.305.

The regulation 20 CFR §345.305 requires that the RRB notify **each** [emphasis added] employer of its cumulative benefit balance and its net cumulative contribution balance as of the end of the preceding calendar quarter.

OP's official procedure, DPOM ART 11,¹⁰ required only sending quarterly notices to reflect the net total of benefits paid to employees and the total contributions paid by employers following the end of each quarter when there was either benefit payment activity or contributions paid by employers. DPOM ART 11 was not compliant with federal regulations because employers were not sent quarterly notices if there was no benefit payment activity or contributions paid by employers in the preceding calendar quarter. In comparison, 20 CFR §345.305 requires the RRB to notify all employers of their cumulative benefit balance and their net cumulative contribution balance as of the end of the preceding calendar quarter.

The RRB management was unaware that the regulation requires each employer to receive notice of its cumulative benefits and its net cumulative contribution balances as of the end of the preceding calendar quarter to comply with 20 CFR §345.305. Instead, notices were only sent to employers if there was benefit activity or contributions paid by employers.

As a result of not updating DPOM ART 11 to reflect the 20 CFR §345.305 requirements, OP did not notify 102 out of 830 employers of their cumulative benefit balance and their net cumulative contribution balance as of the end of the preceding calendar quarter (**Finding 2**). Also, the RRB failed to send quarterly notices to 102 out of 830 employers. When not issuing the required notices, employers may not know whether their cumulative benefit balance and net cumulative contribution balance were accurate.

RMA recommends that the Office of Programs:

7. Update the Division of Programs Operating Manuals, Article 11 to reflect the requirements of 20 Code of Federal Regulations §345.305.

¹⁰ DPOM ART 11, 1101 Experience Rating Overview (1101.01 General) requires, "...issue notices of both the net amount of benefits paid to employees and contributions paid by employers following the end of each quarter."

Management's Comments and RMA's Response

OP concurred with recommendation seven and provided an estimated completion date of September 30, 2026. It will be important for OP to achieve implementation by this completion date or sooner to meet the intent of promptly implementing audit recommendations.

Finding 5: Late Annual Notices

The RRB issued the Annual Notices in 2022 on November 15, 2022, 22 business days past the due date of October 15, 2022.

As specified by 20 CFR 345.305(b), the RRB must issue by October 15 of each year an annual notification (Form ID-40R/S)¹¹ to railroad employers, notifying them of their contribution rate for the following calendar year. The annual notice should also include the totals¹² used to compute the contribution rate.

During the 2022 Annual Preview Run (the test run of annual processing), the job stream was canceled as the RUIA balance had not been entered. While investigating the problem, the RRB discovered that interest paid on new loans was not entered for Quarter 1. Correcting these issues required additional time and resulted in delay.

As a result, the annual notices were delayed by 22 business days. Although no employers protested the notices, a similar situation occurring in the future could result in employers making payments based on incorrect or protested experience ratings with less time before the payment due date.¹³ Resulting adjustments of contributions could either cause the RUIA account to be underfunded (underpayments) or cause an increased administrative burden on the RRB to process refunds (overpayments).

RMA recommends that the Office of Programs:

8. Update Division of Programs Operating Manuals, Article 11 to reflect the required annual notification process.

¹¹ RUIA creates the statutory requirement that the RRB annually notify employers by October 15 of certain information used to calculate the contribution rate for the following year. The following components are included: net benefit charge for 12-calendar quarters, Three-Year Compensation Base, benefit ratio, net cumulative contribution, cumulative benefit balance, reserve balance, One-Year Compensation Base, reserve ratio, basic contribution rate, basic contribution rate adjusted for minimum, administrative fund charge, surcharge rate computed contribution rate, and the contribution rate adjusted for maximum or new employer calculations.

¹² The basic employer contribution rate consists of three components: allocated experience, unallocated experience, and pooled charges.

¹³ Employer contributions are due on or before the last day of the calendar month following the period for which the compensation report is made.

Management's Comments and RMA's Response

OP concurred with recommendation eight and provided an estimated completion date of September 30, 2026. It will be important for OP to achieve implementation by this completion date or sooner to meet the intent of promptly implementing audit recommendations.

Appendix A: Management's Comments

This appendix presents management's response to RMA's findings and recommendations. OP concurred with our findings and all eight recommendations and agreed to complete final action on the recommendations by September 30, 2026. Even though, after reviewing OP's response, we consider them to be responsive to our recommendations, we noted two observations in reviewing management's response.

First, as noted on page two of management's response (page 14 of this report), OP did not concur with one of the statements included in **Finding 2: Failure to Send Quarterly Notices to Railroad Employers Without Claims Activity**. RMA evaluated the RRB's response and determined that the statement should be clarified. While railroad employers have 90 days to appeal their contribution rate disseminated in their annual notices, **Finding 2** relates to quarterly notices. Per 20 CFR §345.124(a), employers have 30 days to appeal the amount of their contribution. This 30-day period is initiated by the RRB mailing quarterly notices, which the identified employers were not sent. As such, we have decided to retain the statement as originally written.

Second, as noted on page one of management's response (page 13 of this report), OP did not concur with RMA's statements in **Significant Facts Relevant to the Objectives**. RMA evaluated the RRB's response and determined that the statements should be clarified. When employers submit their quarterly contribution reports timely, the amounts paid and amounts of liability should be the same. However, the issue arose from RMA identifying contribution reports from employers that were not timely. In the context of experience rating, the differentiation between paid and liability depends on what rate the RRB expects employers to pay contributions when submitting untimely contribution reports. As such, we have decided to retain the statement as originally written.



UNITED STATES GOVERNMENT
MEMORANDUM

FORM G-115F (1-92)
Railroad Retirement Board

August 8, 2025

TO: Nishit Kurani
RMA, Associates

FROM: Jebby Rasputnis
Acting Director of Programs

JEBBY RASPUTNIS

Digitally signed by JEBBY
RASPUTNIS
Date: 2025.08.08 09:21:03 -05'00'

SUBJECT: Management Response - Office of Programs
Audit of the RRB Experience Rating Process

Thank you for the opportunity to comment on the referenced draft report we received on August 5, 2025.

Management provides the following comments in regard to the report section titled "Significant Facts Relevant to the Objectives." This section states that:

"...RMA identified a discrepancy between the CFR and United States Code (USC) that impacted our assessment of the accuracy of the RRB's experience rating calculations, specifically the One-Year Compensation Base calculation. The RRB's Division of Programs Operating Manuals (DPOM) Articles (ART) 11 procedure is based on 20 CFR §345.302, which defines the One-Year Compensation Base as the aggregate amount of compensation with respect to which the employer is **liable for** [emphasis added] contributions under this part in the four calendar quarters ending on such June 30. In assessing the applicability of 20 CFR §345.302, RMA researched the corresponding statute, 45 USC §358. This USC requires computing the One Year Compensation Base as the aggregate compensation with respect to which contributions were **paid by** [emphasis added] the employer in the four calendar quarters ending on such June 30." [] "While RMA determined that the RRB is not in compliance with 20 CFR §345.302, the RRB complied with 45 USC §358. Because the USC takes precedence over the CFR, RMA determined that the RRB is calculating the One-Year Compensation Base accurately."

Although RRB appreciates the auditors' determination that the agency acted in accordance with statute, we disagree that the agency did not act in accordance with regulation and we find no conflict between statute and the cited regulation. We observe that there is no indication in the Federal Register notice (61 Fed. Reg. 20070 (May 3, 1996)) that the regulation was meant to differ in any way from the statute. Although the auditors are distinguishing between amounts paid and amounts of liability, we note that this is a distinction without a difference because the

agency determines liability for contributions based on the reports of compensation paid. RRB's Office of General Counsel reviewed and affirmed this clarification.

The following is management's response to the findings and recommendations in the remainder of the report.

Finding 1: Staff Unaware of MCR Documentation Retention Requirements

Recommendation 1: *Add reference to the Management Control Procedures Guide in the RRB's Division of Programs Operating Manuals, Articles 11.*

Recommendation 2: *Provide evidence that Policy and Systems staff have completed training regarding Management Control Review requirements and roles and responsibilities.*

Management Response: Management concurs with Recommendations 1 and 2.

Finding 2: Failure to Send Quarterly Notices to Railroad Employers Without Claims Activity

Recommendation 3: *Inform staff of the 20 CFR §345.305(a) regulation requiring the RRB to send quarterly notices to all employers with their own experience rating.*

Recommendation 4: *Issue quarterly notices containing the employer's cumulative benefit balance and net cumulative contribution balance to all employers with their own experience rating, in alignment with requirements of 20 CFR §345.305(a).*

Management Response: Management concurs with Recommendations 3 and 4. We also provide the following comments/clarification.

Finding 2 is based on the observation that "OP did not send notices to 102 of 830 employers (12 percent) during the six quarters spanning from April 1, 2022, through September 30, 2023, as required by 20 CFR §345.305(a)."

As observed in the report, 20 CFR §345.305(a) states that "the Board will notify each employer of its cumulative benefit balance and its net cumulative contribution balance as of the end of the preceding calendar quarter." It has been a long-standing Board practice to notify each employer of their current balances; if the balances have not changed from quarter to quarter, the Board would not send new notifications as the prior notification remained correct. In addition, the agency provides online information for employers about experience ratings, to include contact information should they have any questions about calculations or balances.

We appreciate OIG's observation that the notices provided by the agency were free of error and that, in regard to notices not provided (in 'no change' situations), there was no resulting impact to the unallocated charge balance. However, we note that the following statement in regard to 'no change, no notice' situations is inaccurate: "employers do not have a clear timeline under which to appeal inaccuracies in their contributions." Specifically, these employers would have had the same 90-day period, afforded to all employers, from the date of their next notification letter.

Finding 3: Lack of Record Retention of Quarterly Notices

Recommendation 5: *Work with the RRB developers to implement a system change for Agency Enterprise General Information Support System-Z (IBM Mainframe environment) to maintain records for at least three calendar years, or longer if necessary, to align with other financial management practices and information needed for the experience rating calculation for employers.*

Recommendation 6: *Update the Division of Programs Operating Manuals, Articles 11 to reflect the implementation of recommendation 5.*

Management Response: Management concurs with Recommendations 5 and 6.

Finding 4: Failure of RRB's Policies and Procedures to Comply with 20 CFR §345.305

Recommendation 7: *Update the Division of Programs Operating Manuals, Articles 11 to reflect the requirements of 20 Code of Federal Regulations §345.305.*

Management Response: Management concurs with Recommendation 7, in line with our concurrence to the similar recommendations under Finding 2.

Finding 5: Late Annual Notices

Recommendation 8: *Update Division of Programs Operating Manuals, Articles 11 to reflect the required annual notification process.*

Management Response: We concur with Recommendation 8 and provide the following comment/clarification. This Finding observes that "The RRB issued the Annual Notices in 2022 on November 15, 2022, 22 business days past the due date of October 15, 2022." The Finding further explains that this delayed issuance was due to the fact that the agency took time to correct processing errors prior to sending the notices.

Although we acknowledge the 2022 mailing issue, and the resulting 22 business day delay, we emphasize that the mailing was delayed in order to ensure the accuracy of the statements; alternative action would have resulted in incorrect information flowing out to railroad employers. We appreciate that the auditors did not observe any negative effects from this one-time issue.

Target Implementation Date: September 30, 2026.

cc: Shawna Weekley, Chief Financial Officer
Ana Kocur, General Counsel
Danielle Clark, Director of Audit Affairs & Compliance Division
Randy Hayden, Director of Policy & Systems

Appendix B: Scope and Methodology

Scope

Our scope for this performance audit consisted of calendar years 2022 and 2023.

Methodology

To address and accomplish the audit objectives, we used the following techniques:

- Identified criteria¹⁴ from applicable laws, regulations, policies, and procedures, including generally accepted government auditing standards¹⁵ and the U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book);¹⁶
- Reviewed prior RRB OIG performance audit reports relevant to the subject audit;
- Reviewed agency documentation to address the audit objectives;
- Sampled documentation from the population of employers as provided through the listings of quarterly and annual notices;¹⁷
- Interviewed applicable management, staff, and key personnel to determine whether policies, procedures processes, and practices are current and complete; and
- Performed data reliability assessments as applicable and as required per the GAO's *Assessing Data Reliability*.¹⁸ Specifically, RMA assessed the reliability of the RRB's computer-processed data as it relates to the experience rating process by reviewing the data and associated systems and conducting inquiries of the RRB personnel as well as consulting with the RRB OIG's data analytics team. RMA found incomplete data pertaining to experience rating processes (**Finding 2**).

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted our fieldwork at RMA headquarters in Arlington, Virginia, from September 2023 through March 2025.

¹⁴ **Appendix D** provides detailed information regarding applicable criteria.

¹⁵ *Government Auditing Standards*, GAO-21-368G, April 2021.

¹⁶ GAO Green Book, GAO-14-704G, Principle 8.02, September 10, 2014.

¹⁷ **Appendix C** provides specific sampling information.

¹⁸ GAO, *Assessing Data Reliability*, GAO-20-283G, December 2019.

Appendix C: Sampling Methodology

Sampling Methodology: The following table explains which audit objectives were based on non-sampling (i.e., test of design procedures and test of operating effectiveness based on judgmental sampling) versus sampling technique.

Audit Objective	Sampling Type
1	Non-sampling
2	Sampling
3	Sampling

We chose a stratified random sampling approach to account for how new employers were phased into the experience rating calculation. Given the uniformity of the population, dollar amounts (averages) and distribution of records per year were very similar. We randomly sampled to assess the reliability and completeness of the population of employers as provided through the listings of quarterly and annual notices.¹⁹ RMA did not sample new employers whose start date was on or after January 1, 2019, as those new employers were out of scope for computations made to assess the requirements of 20 CFR §345.303(c)(1).

Objective 2: Determine whether the RRB’s methodology and process for experience rating ensures accurate and complete calculations of experience rating for railroad employers in accordance with RUIA law.

The testing of Objective 2 focused on the RRB’s experience rating methodology and process for ensuring accurate and complete calculations of experience rating for railroad employers in accordance with RUIA law. RMA reviewed a stratified statistical sample of 56 railroad employers out of a population size of 695 employers (within the scope of the audit) and tested these samples to represent, with 95% confidence, the total population.

RMA tested whether the experience rating’s methodology and process were calculated accurately for railroad employers in accordance with RUIA law.

For the 56 samples, RMA recalculated the One-Year Compensation Base²⁰ and Three-Year Compensation Base²¹ for benefit years ending in 2022 and 2023. From the 56 samples, RMA identified two employers with more than four Form DC-1 submitted during a benefit year. As is required by the RRB’s DPOM ART 11 policies and procedures and 20 CFR §345.302, the One-Year Compensation Base requires the four calendar quarters ending June 30. However, 45 USC §358 requires computing the One-Year Compensation Base as the aggregate compensation with respect to which contributions were **paid by** [emphasis added] the employer in the four calendar quarters ending on such June 30. Because the USC takes precedence over the

¹⁹ RMA used the same sample for Objectives 2 and 3.

²⁰ One-Year Compensation Base: Compensation reported on Form DC-1, Employer’s Quarterly Report of Contributions for the four calendar-year quarters ending June 30.

²¹ Three-Year Compensation Base: Sum of the latest three One-Year Compensation Bases. The Three-Year Compensation Base is used to calculate the benefit ratio.

CFR, RMA determined that the RRB's process for experience rating ensured accurate calculations of experience rates for railroad employers as required by RUIA law.

Objective 3: Determine whether the RRB's methodology and process for experience rating results in accurate and timely notification of experience rates for all applicable railroad employers.

The testing of Objective 3 focused on the following: 1) reviewing the RRB's procedures for providing railroad employers with quarterly notice of their cumulative benefit balance, and 2) reviewing the RRB's procedures for providing employers with their net cumulative contribution balance, as of the preceding calendar quarter. RMA reviewed a stratified statistical sample of 56 railroad employers out of a population size of 695 employers (within the scope of the audit) and tested these samples to represent, with 95% confidence, the total population.

Additionally, RMA reviewed the RRB's procedures for providing employers with annual notice of their benefit ratio, reserve ratio, One-Year Compensation Base, Three-Year Compensation Base, unallocated charge, and reserve balance, as of the preceding year ended June 30. The RRB uses Annual Notice to Employers to record this information.

RMA reviewed payments and compensation by unit number. RMA identified a list of unique employers submitting payments and compensation information during each quarter from the quarterly notices provided. RMA summed up the payments and compensation that the RRB had tied to the employers for each calendar year quarter. The RRB only sent quarterly notices when there were benefit activities. As such, RMA assessed whether the employers submitting contributions had not received any or all of their quarterly notices. RMA identified 102 employers out of 830 (or 12 percent) were not sent any quarterly notices for six quarters spanning from April 1, 2022, through September 30, 2023 (**Finding 2**).

Appendix D: Criteria

The overall strategy and methodology of our audit considered the criteria listed in **Table 2**. Following **Table 2**, RMA detailed the applicable criteria used for the five findings discussed within the report. Each finding was assessed against the following standards, regulations, or internal policies to ensure a clear foundation for our recommendations.

Table 2: Criteria Considered Throughout the Audit

Time Period	Criteria
February 6, 2014	DPOM ART 11 ²² provides an overview of the experience rating.
September 10, 2014	The GAO Green Book ²³ defines the standards through components and principles and explains why they are integral to an entity's internal control system. The standards are organized into five components of internal control.
January 3, 2017	20 CFR §345.303 ²⁴ outlines the process for the computation of experience rates.
July 2022	The RRB's MC Guide ²⁵ provides guidance establishing a common language and structure for creating a readily understandable representation of the RRB's actual mission-critical internal control processes and for reviewing and improving those processes.
October 18, 2022	The RRB's Record Disposition Handbook ²⁶ contains a comprehensive listing of the RRB's unique and General Records Schedule disposition authorities approved by the Archivist of the United States that meet the National Archives and Records Administration and GAO's regulations.
May 24, 2024	45 USC §358 ²⁷ codifies contributions under Railroad Unemployment Insurance law.
September 9, 2024	20 CFR §345.302 ²⁸ outlines the definition of the One-Year Compensation Base.
October 3, 2024	20 CFR §345.304 ²⁹ outlines criteria for new-employer contribution rates.
October 31, 2024	20 CFR §345.305(a) ³⁰ outlines requirements regarding the quarterly notification for employers.
	20 CFR §345.305(b) ³¹ outlines requirements regarding the annual notification for employers.

²² DPOM ART 11, 1101 *Experience Rating Overview*.

²³ GAO Green Book, GAO-14-704G, *Principle 8.02*, September 10, 2014.

²⁴ 20 CFR §345.303 *Computation of rate*, January 3, 2017.

²⁵ RRB, *MC Guide*, July 2022.

²⁶ RRB, *Records Disposition Handbook*, October 2022.

²⁷ 45 USC §358 *Contributions*, May 24, 2024.

²⁸ 20 CFR §345.302 *Definition of terms and phrases used in experience-rating*, September 9, 2024.

²⁹ 20 CFR §345.304 *New-employer contribution rates*, October 3, 2024.

³⁰ 20 CFR §345.305(a) *Quarterly Notification to Employers*, October 31, 2024.

³¹ 20 CFR §345.305(b) *Annual Notification to Employers*, October 31, 2024.

Time Period	Criteria
	20 CFR §345.405(c) ³² outlines requirements regarding quarterly notice benefit charge.

The criteria used in this audit were based on established standards for the experience rating process and served as a benchmark for our findings. The criteria were used to evaluate the effectiveness of the RRB’s experience rating process and identify areas for improvement.

The detailed criteria used for the five findings are as follows.

Finding 1: Staff Unaware of Review Documentation Retention Requirements

- RRB MC Guide, July 2022, requires:

Planning Management Control Reviews (page 4-1)

“Each assessable unit will be scheduled for an MCR every 5 years. Highly vulnerable assessable units and those with high impact will be scheduled for review more frequently, as determined by the Organization Head and the MCRC. The schedule for MCRs is established in the Management Control Plan and Schedule of Due Dates described in PART 7. In addition, unless otherwise arranged with the MCRC, an MCR must be performed to determine whether a completed corrective action plan has eliminated a material weakness or reportable condition as intended and must accompany the final action plan status report to the MCRC. The RO [Responsible Official] must submit an MCR Report (Chart of Controls with test results), updated AU Documentation, and annual certification to the MCRC by the next MCR date on the current MCR Plan. Requests for extension of MCR due dates into a future fiscal year must also be approved by and submitted through your Executive Committee member.”

Documenting Tests and Test Results (page 4-9)

“The reviewer should retain worksheets that document testing and results on the individual transaction level. This documentation must support the findings and conclusions of the tests as presented in the test results (EXHIBIT 4A).”

Supporting Documentation (page 4-10)

“Additional documentation supporting the information reported should be retained until the next MCR is performed. The additional supporting documentation should demonstrate that the tests described were performed in the manner described in the “Scope of Tests and Results” column and how the results reported in the test results were obtained.”

- RRB Records Disposition Handbook, October 2022, requires:

Management Control Review (Records Schedule 20-30)

“Records [were] created in accordance with procedures mandated by OMB Circular A-123, Management Accountability, and Control Systems, and [Public Law] P.L. 97-255, the

³² 20 CFR §345.305(c) *Proclamations*, October 31, 2024.

Federal Managers' Financial Integrity Act. Under these authorities, agencies are required to perform evaluations of their accounting and administrative controls to prevent waste, fraud, and mismanagement.

- A. Policy, procedure, and guidance files. Copies of internal directives maintained by the agency's internal control staff and excludes copies maintained in the agency's official file of internal directives, external directives such as OMB Circular A-123, and correspondence outlining policy and procedure for performing management reviews.

AUTHORIZED DISPOSITION: TEMPORARY. Destroy when superseded."

- Government Accountability Office, Green Book, Principle 12 – Implement Control Activities requires:

"12.01 Management should implement control activities through policies.

The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Documentation of Responsibilities through Policies
- Periodic Review of Control Activities"

Finding 2: Failure to Send Quarterly Notices to Railroad Employers Without Claims Activity and
Finding 4: Failure of the RRB's Policies and Procedures to Comply with 20 CFR §345.305

- 20 CFR §345.305 (a)

Quarterly notifications to employers

"Not later than the last day of any calendar quarter that begins after March 31, 1990, the Board will notify each employer of its cumulative benefit balance and its net cumulative contribution balance as of the end of the preceding calendar quarter, as computed in accordance with §345.302(f) and (h) of this part as of the last day of such preceding calendar quarter rather than as of a given June 30 if such last day is not a June 30."

- 20 CFR §345.305 (b)

Annual notifications to employers

"Not later than October 15, 1990, and October 15 of each year thereafter, the Board will notify **each** [emphasis added] employer of its benefit ratio, reserve ratio, one-year compensation base, three-year compensation base, unallocated charge, and reserve balance as of the preceding June 30, as computed in accordance with this part, and of the

contribution rate applicable to the employer for the following calendar year as calculated under the applicable section of this part.”

- 20 CFR §345.405(c)

Quarterly notice of benefit charges

“As soon as practical following the end of each calendar quarter, the Board will send to each employer a report of its cumulative benefit balance computed as of the end of such quarter.”

Finding 3: Lack of Record Retention of Quarterly Notices

- RRB Records Disposition Handbook, October 2022, requires:

Employer Contributions Files (Records Schedule 6-13)

“Records filed with the RRB by railroad employers containing reports of wages paid to employees and taxes withheld for payment of RRA and RUIA benefits. Includes – contributions paid to the RRB for payment of unemployment and sickness benefits.”

RUIA Benefit Payment Records (Records Schedule 12-2)

“B. RRXR, system, and employer level component information.

AUTHORIZED DISPOSITION: TEMPORARY. Maintain for as long as data serves an administrative purpose.”

- 20 CFR §345.304 New Employer Contribution Rates requires:

“(b) Initial contribution rate. The rate of contribution with respect to compensation paid in calendar months before the end of the first full calendar year that the employer is subject to this section shall be the average contribution rate paid by all employers during the three calendar years preceding the calendar year before the calendar year in which the compensation is paid. The Board will compute the average contribution rate by dividing the aggregate contributions paid by all employers during those three calendar years by the aggregate compensation with respect to which such contributions were paid and by then multiplying the resulting ratio, as computed to four decimal points, by 100.”

Finding 5: Late Annual Notices

- 20 CFR 345.305(b) Annual notifications to employers requires:

“Not later than October 15, 1990, and October 15 of each year thereafter, the Board will notify each employer of its benefit ratio, reserve ratio, one-year compensation base, three-year compensation base, unallocated charge, and reserve balance as of the preceding June 30, as computed by this part, and of the contribution rate applicable to the employer for the following calendar year as computed under the applicable section of this part.”

Appendix E: Glossary of Acronyms

Table 3: Acronym List

ART	Article
AU	Assessable Unit
BUSI	Bureau of Unemployment and Sickness Insurance
BCY	Benefit Charge Year
CFR	Code of Federal Regulations
DPOM	Division of Programs Operating Manuals
ECCS	Employer Contribution and Collection System
GAO	U.S. Government Accountability Office
Green Book	Standards for Internal Control in the Federal Government
MC Guide	Management Control Procedures Guide
MCRC	Management Control Review Committee
OP	Office of Programs
P.L.	Public Law
RMA	RMA Associates, LLC
RRA	Railroad Retirement Act
RRB	Railroad Retirement Board
RRXR	Railroad Experience Rating System
RUIA	Railroad Unemployment Insurance Act
USC	United States Code