OIG Report #23-01
November 15, 2022

The Office of Inspector General's Report on the Railroad Retirement Board's Financial Statements begins on page 113 of the RRB's FY 2022 Performance and Accountability Report

RAILROAD RETIREMENT BOARD

PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR 2022

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Railroad Retirement Board
Performance and Accountability Report
Fiscal Year 2022

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MESSAGE FROM THE BOARD MEMBERS

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Message from the Board Members

This fiscal year 2022 Performance and Accountability Report highlights the goals and accomplishments of the Railroad Retirement Board (RRB) in achieving its mission of administering the retirement, disability, and survivor benefit programs provided under the Railroad Retirement Act (RRA), and the unemployment and sickness insurance benefit programs provided under the Railroad Unemployment Insurance Act (RUIA). This report describes our continuing efforts to provide timely and useful information to RRB managers, the Office of Management and Budget (OMB), Congress, and our constituents. We are proud of the agency's dedicated employees whose achievements are reflected in this report.

Under provisions of the Budget Control Act of 2011 (BCA), across-the-board cuts in Federal spending took effect March 1, 2013. While railroad retirement, survivor and disability payments are not affected by this measure, unemployment and sickness insurance benefits payable October 1, 2019 through September 30, 2020, were reduced by 5.9 percent. The reduction was required by the sequestration order issued by the President in accordance with the BCA. For fiscal year 2021, a sequestration reduction of 5.7 percent was applied starting October 1, 2020 through January 2, 2021. For fiscal year 2022 and 2023, due to the pandemic, the sequestration order continued to be temporarily lifted under the Continued Assistance to Rail Workers Act of 2020 for days beginning January 3, 2021 and will be re-instated following the Presidential declaration of the end of the national emergency caused by the same.

We believe the performance and financial data presented in this report are complete and reliable in accordance with OMB guidance. The adequacy and effectiveness of our management controls and the compliance of our financial management systems with government-wide requirements are delineated in the Systems, Controls and Legal Compliance part of the Management's Discussion and Analysis section. That part also provides status of our integration of Enterprise Risk Management into our existing Management Control Review Program, describes progress toward Federal Information Security Modernization Act (FISMA) compliance, and overviews Financial Management Systems Strategy. While we disagree with the material weaknesses that the auditors state reportedly exist, we continue to strengthen our management control review program, internal controls and implement solutions that enhance our operational effectiveness and efficiency.

We will continue to apply information technology and innovation to provide excellent customer service to the railroad employers, railroad employees, and the beneficiaries whom we serve. We are also committed to prudent stewardship over the agency trust.

Original signed by:

Erhard R. Chorlé, Chairman

John Bragg, Labor Member

Thomas Jayne, Management Member

November 15, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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Management's Discussion and Analysis (Unaudited)

Overview of the Railroad Retirement Board

Mission

The RRB is an independent agency in the executive branch of the Federal Government. The agency's mission statement is as follows:

> *The RRB's mission is to administer retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These programs provide income protection during old age and in the event of disability, death or temporary unemployment and sickness. The RRB also administers aspects of the Medicare program and has administrative responsibilities under the Social Security Act and the Internal Revenue Code. In carrying out its mission, the RRB will pay benefits to the right people, in the right amounts, in a timely manner, and will take appropriate action to safeguard our customers' trust funds. The RRB will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly.*

Major Program Areas

The RRB was created in the 1930s by legislation establishing a retirement benefit program for the nation's railroad workers. Private industrial pension plans had been pioneered in the railroad industry; the first industrial pension plan in North America was established on a railroad in 1874. By the 1930s, pension plans were far more developed in the rail industry than in most other businesses or industries, but these plans had serious defects, which were magnified by the Great Depression.

The economic conditions of the 1930s demonstrated the need for retirement plans on a national basis because few of the nation's elderly were covered under any type of retirement program. While the social security system was in the planning stage, railroad workers sought a separate railroad retirement system which would continue and broaden the existing railroad programs under a uniform national plan. The proposed social security system was not scheduled to begin monthly benefit payments for several years and would not give credit for service performed prior to 1937, while conditions in the railroad industry called for immediate benefit payments based on prior service.

Legislation was enacted in 1934, 1935, and 1937 to establish a railroad retirement system separate from the social security program legislated in 1935. Such legislation, taking into account particular circumstances of the rail industry, was not without precedent. Numerous laws pertaining to rail operations and safety had already been enacted since the Interstate Commerce Act of 1887. Since passage of the Railroad Retirement Acts of the 1930s, numerous other railroad laws have been enacted.

While the railroad retirement system has remained separate from the social security system, the two systems are closely coordinated with regard to earnings credits, benefit payments, and taxes. The financing of the two systems is linked through a financial interchange under which, in effect, the portion of railroad retirement annuities that is equivalent to social security benefits is coordinated with the social security system. The purpose of this financial coordination is to place the social security trust funds in the same position they would be in if railroad service were covered by the social security program instead of the railroad retirement program.

Legislation enacted in 1974 restructured railroad retirement benefits into two tiers, so as to coordinate them more fully with social security benefits. The first tier is based on combined railroad retirement and social security credits, using social security benefit formulas. The second tier is based on railroad service only and is comparable to the private pensions paid over and above social security benefits in other industries.

The railroad unemployment insurance system was also established in the 1930s. The Great Depression demonstrated the need for unemployment compensation programs, and State unemployment programs had been established under the Social Security Act in 1935. While the State unemployment programs generally covered railroad workers, railroad operations which crossed State lines caused special problems. Unemployed railroad workers were denied compensation by one State because their employers had paid unemployment taxes in another State. Although there were cases where employees appeared to be covered in more than one State, they often did not qualify in any.

A Federal study commission, which reported on the nationwide State plans for unemployment insurance, recommended that railroad workers be covered by a separate plan because of the complications their coverage had caused the State plans. Congress subsequently enacted the RUIA in June 1938. The RUIA established a system of benefits for unemployed railroad workers, financed entirely by railroad employers and administered by the RRB. Sickness insurance benefits were added in 1946.

Railroad Retirement Act

Under the RRA, retirement and disability annuities are paid to railroad workers with at least 10 years of service. Such annuities are also payable to workers with 5 years of service if performed after 1995.

Full age annuities are payable at age 60 to workers with 30 years of service. For those with less than 30 years of service, reduced annuities are payable at age 62 and unreduced annuities are payable at full retirement age, which is gradually rising from 65 to 67, depending on the year of birth. Disability annuities can be paid on the basis of total or occupational disability. Annuities are also payable to spouses and divorced spouses of retired workers and to widow(er)s, surviving divorced spouses, remarried widow(er)s, children, and parents of deceased railroad workers. Qualified railroad retirement beneficiaries are covered by Medicare at age 65, or earlier if disabled, in the same way as social security beneficiaries.

Jurisdiction over the payment of retirement and survivor benefits is shared by the RRB and the Social Security Administration (SSA). The RRB has jurisdiction over the payment of retirement benefits if the employee had at least 10 years of railroad service, or 5 years if performed after 1995. For survivor benefits, there is an additional requirement that the employee’s last regular employment before retirement or death was in the railroad industry. If a railroad employee or his or her survivors do not qualify for railroad retirement benefits, the RRB transfers the employee’s railroad retirement credits to SSA, where they are treated as social security credits.

Payroll taxes paid by railroad employers and their employees are the primary source of funding for the railroad retirement and survivor benefit programs. By law, railroad retirement taxes are coordinated with social security taxes. Employees and employers pay tier I taxes at the same rate as social security taxes. In addition, both employees and employers pay tier II taxes which are used to finance railroad retirement benefit payments over and above social security levels. Tier II taxes are based on the ratio of certain asset balances to the sum of benefit payments and administrative expenses. Historically, railroad retirement taxes have been considerably higher than social security taxes.

Revenues in excess of benefit payments are invested to provide additional trust fund income, and legislation enacted in 2001 allows for Railroad Retirement (RR) Account funds transferred to the National Railroad Retirement Investment Trust (NRRIT) to be invested in non-governmental assets, as well as in governmental securities. Funds transferred from the Social Security Equivalent Benefit (SSEB) Account to the NRRIT are allowed to be invested only in governmental securities. The legislation also established the NRRIT, whose Board of seven trustees oversees these investments. The Board of Trustees is comprised of three members selected by rail labor, three members selected by rail management, and one independent member selected by a majority of the other six members.

Another major source of income to the railroad retirement and survivor benefit program consists of transfers from the social security trust funds under a financial interchange between the two systems. The financial interchange is intended to place the social security trust funds in the same position in which they would have been had railroad employment been covered by the Social Security Act and Federal Insurance Contributions Act. In fiscal year 2022, the RRB trust funds realized a net of $5.1 billion, representing 43 percent of RRB financing sources (excluding transfers to/from the NRRIT and the change in NRRIT net assets), through the financial interchange.

Other sources of income currently include revenue resulting from Federal income taxes on railroad retirement benefits (tier I, tier II, and vested dual benefits), and appropriations from general Department of the Treasury (Treasury) revenues provided after 1974 as part of a phase-out of certain vested dual benefits.

Railroad Unemployment Insurance Act

Under the RUIA, unemployment insurance benefits are paid to qualified railroad workers who are unemployed but ready, willing, and able to work, and sickness insurance benefits are paid to railroad workers who are unable to work because of illness, injury, or pregnancy. The RRB also operates a placement service to assist unemployed railroad workers in securing employment.

A new unemployment and sickness insurance benefit year begins every July 1, with eligibility generally based on railroad service and earnings in the preceding calendar year. Up to 26 weeks of normal unemployment and 26 weeks of sickness insurance benefits are payable to an individual in a benefit year. Additional extended benefits are payable for up to 13 weeks to persons with 10 or more years of service.

The railroad unemployment and sickness insurance benefit program is financed by taxes on railroad employers under an experience rating system initiated in 1991. Each employer’s payroll tax rate is determined annually by the RRB on the basis of benefit payments to the railroad’s employees.

Reporting Components

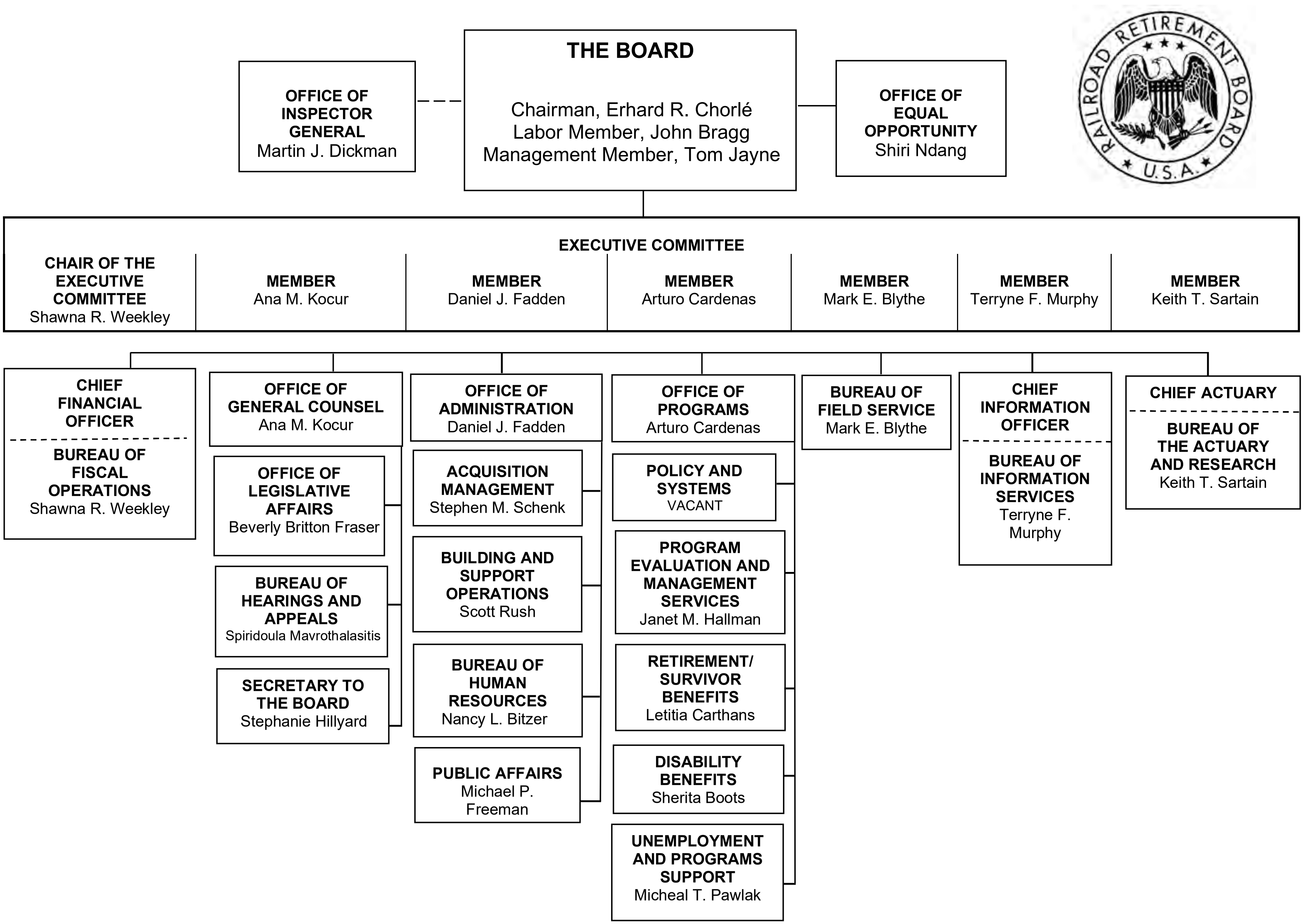
The RRB, as an independent agency in the executive branch of the U.S. Government, is responsible for administering the RRA and the RUIA. The financial statements include the accounts of all funds under the control of the RRB and the OIG. These funds consist of three administrative funds, four trust funds, five general funds, one American Recovery and Reinvestment Act of 2009 fund, one Worker, Homeownership, and Business Assistance Act of 2009 funds, five Coronavirus Aid, Relief, and Economic Security Act of 2020 funds, and five American Rescue Plan Act of 2021 funds.

RRB Organizational Structure

The RRB is headed by three Board Members appointed by the President of the United States, with the advice and consent of the Senate. One member is appointed upon recommendation of railroad employers; one is appointed upon recommendation of railroad labor organizations; and the third, who is the Chairman, is appointed to represent the public interest. The Board Members' terms of office are 5 years and are scheduled to expire in different years. The Chairman of the Board is Erhard R. Chorlé, the Labor Member is John Bragg, and the Management Member is Thomas Jayne. The President also appoints an Inspector General for the RRB; the Inspector General is Martin J. Dickman.

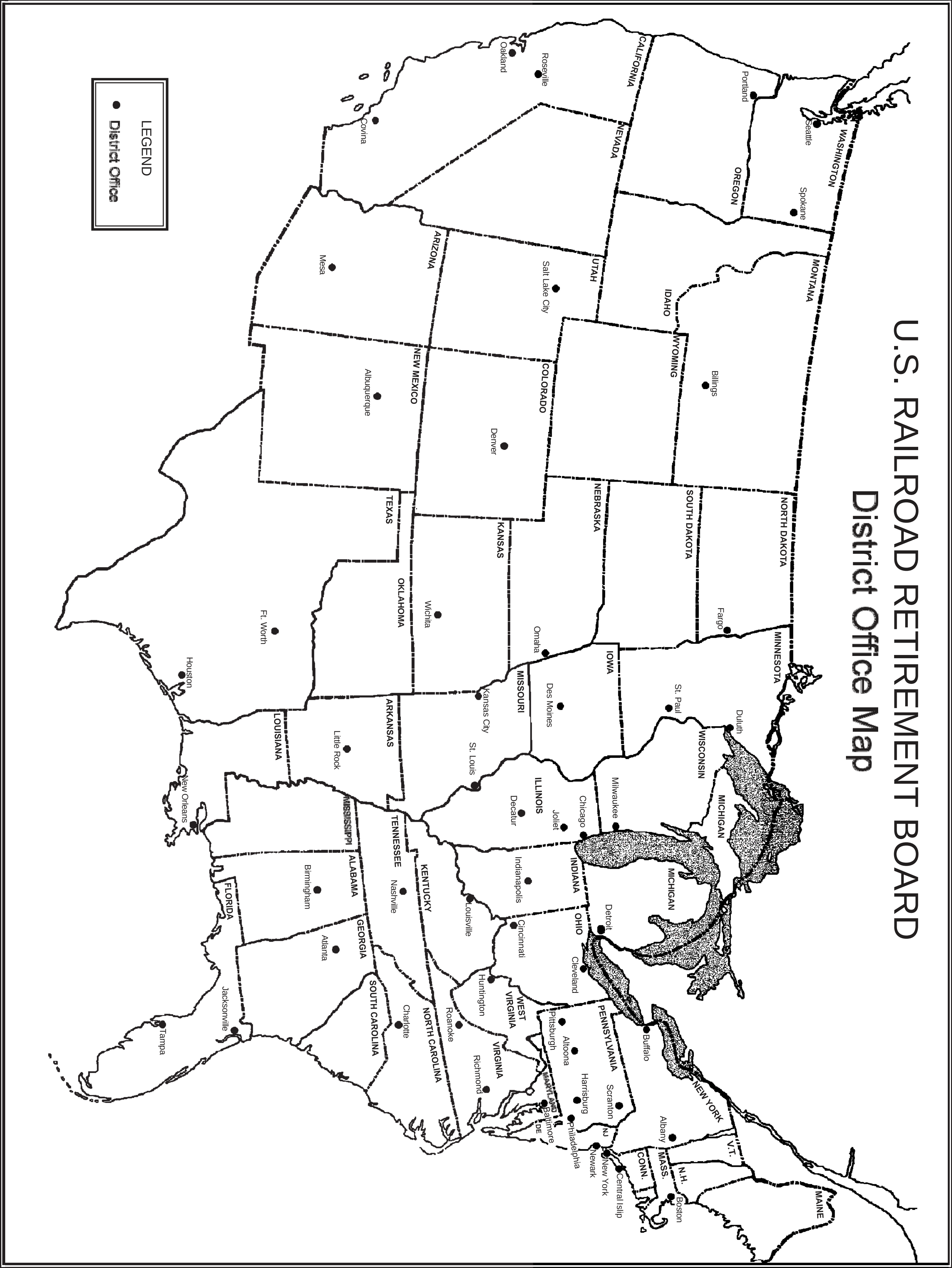
The primary function of the RRB is the determination and payment of benefits under the railroad retirement and survivor and the unemployment and sickness insurance programs. To this end, the RRB employs field representatives to assist railroad personnel and their families in filing claims for benefits, examiners to adjudicate the claims, and information technology staff to ensure equipment and programs maintain earnings records, calculate benefits, and process payments. The RRB also employs actuaries to predict the income and outlays of the agency's trust funds and accounts, statisticians and economists to provide vital data, and attorneys to interpret legislation and represent the RRB in litigation. Internal administration requires a procurement staff, a budget and accounting staff, quality assurance staff, and personnel specialists. The Inspector General employs auditors and investigators to detect waste, fraud, or abuse in the benefit programs.

The RRB's headquarters is located at 844 North Rush Street in Chicago, Illinois. The RRB field structure is comprised of 53 offices located throughout the United States as shown on page 12.



- - - - - The Inspector General reports administratively to the Chairman.

October 2022


U.S. RAILROAD RETIREMENT BOARD
District Office Map
LEGEND
District Office
WASHINGTON
Seattle
Spokane
OREGON
Portland
CALIFORNIA
Oakland
Roseville
Covina
NEVADA
IDAHO
MONTANA
Billings
WYOMING
UTAH
Salt Lake City
ARIZONA
Mesa
COLORADO
Denver
NEW MEXICO
Albuquerque
NORTH DAKOTA
Fargo
SOUTH DAKOTA
NEBRASKA
Omaha
KANSAS
Wichita
OKLAHOMA
TEXAS
Ft. Worth
Houston
MINNESOTA
St. Paul
Duluth
IOWA
Des Moines
MISSOURI
Kansas City
St. Louis
ARKANSAS
Little Rock
LOUISIANA
New Orleans
WISCONSIN
Milwaukee
ILLINOIS
Chicago
Joliet
Decatur
MICHIGAN
Detroit
INDIANA
Indianapolis
OHIO
Cincinnati
Cleveland
KENTUCKY
Louisville
TENNESSEE
Nashville
MISSISSIPPI
ALABAMA
Birmingham
GEORGIA
Atlanta
FLORIDA
Jacksonville
Tampa
SOUTH CAROLINA
NORTH CAROLINA
Charlotte
WEST VIRGINIA
Huntington
VIRGINIA
Roanoke
Richmond
PENNSYLVANIA
Pittsburgh
Altoona
Harrisburg
Scranton
Philadelphia
MARYLAND
Baltimore
DE
NJ
Newark
NEW YORK
Buffalo
Albany
New York
Central Islip
V.T.
N.H.
MASS.
Boston
CONN.
MAINE

Performance Goals, Objectives, and Results

During fiscal year 2022 (ended September 30, 2022), benefit payments totaled $13.6 billion, net of recoveries and offsetting collections. Of this amount, benefit payments for the railroad retirement and survivor benefits program totaled $13.5 billion, for the railroad unemployment and sickness insurance benefits program totaled $90.4 million, for the CARES Act programs totaled ($3.1) million, and vested dual benefits program totaled $9.5 million, net of recoveries and offsetting collections. During fiscal year 2022, the RRB also paid benefits on behalf of SSA (for which the RRB is reimbursed) amounting to $2.2 billion to about 126,000 beneficiaries.

In fiscal year 2022, the RRB continued to focus its efforts on providing excellent customer service to current and former railroad workers and their family members. Our regular workloads in fiscal year 2022 included:

- Providing payments to about 506,000 retirement and survivor beneficiaries.
- Providing payments to about 6,000 unemployment insurance beneficiaries.
- Providing payments to about 17,000 sickness insurance beneficiaries.
- Providing payments to about 4,000 vested dual benefit beneficiaries.
- Processing 14,481 retirement, survivor, and disability applications for benefits (through April 30, 2022).
- Processing 84,421 applications and claims for unemployment and sickness insurance benefits (through April 30, 2022).
- Issuing 213,311 certificates of employee railroad service and compensation (mailed on June 10, 2022).

During fiscal year 2022, the RRB used 30 specific program performance objectives, including several with multiple indicators, to manage and track progress in meeting its long-term strategic plan goals. These objectives were accomplished with a direct appropriation of $124,000,000. (A breakdown of administrative expenses by strategic goal is not available at the time of this report.) Agency performance with respect to the key performance indicators is covered in the following section. For most performance measures, actual full-year performance results for fiscal year 2022 were not available at the time this report was published. For those objectives, we reported part-year performance information for fiscal year 2022, if available. We also reported actual results from prior years, as applicable.

Summary of Achievement by Strategic Goal for Fiscal Year 2022

Strategic Goal I: Modernize Information Technology (IT) Operations to sustain mission essential services. During fiscal year 2022, we continued efforts in the Stabilize phase to leverage current technologies within RRB's infrastructure, which will serve as the foundation for the next phase, Modernize.

Strategic Goal II: Provide Excellent Customer Service. For fiscal year 2022, we met or exceeded most of timeliness goals and maintained the level of Internet services available to employers.

Strategic Goal III: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources. In fiscal year 2022, the RRB continued to fulfill its fiduciary responsibilities to the rail community. Additionally, benefit payment accuracy rates met or exceeded targets.

Strategic Goals and Objectives

For fiscal year 2022, the three overriding strategic goals were Modernizing Information Technology (IT) operations, providing excellent customer service and serving as responsible stewards of our customer's trust funds. The **IT operations** initiative involved utilizing a three-phased approach to enable RRB is accomplish its mission essential functions in a secure, reliable enterprise IT environment, streamline core business processes, and achieve more efficient and effective benefits administration. The **service** initiative involved continuing to achieve our customers' expectations for customized, high-quality service as well as position the agency to achieve rising customer expectations for new and improved services in the future. The **stewardship** initiative was multifaceted and involved protecting the trust funds, fulfilling responsibilities, ensuring the accuracy and integrity of benefit payments as well as addressing efficacy of security operations. The three strategic goals are summarized below:

STRATEGIC GOAL I: Modernize Information Technology (IT) Operations to Sustain Mission Essential Services

Today, our mission essential programs are straining under the burden of being maintained by legacy computer systems built 40 years ago. Our workforce is rapidly aging, with the average employee serving 30 years at retirement. Institutional knowledge diminishes as this workforce retires and it is increasingly difficult to find the legacy skills needed to maintain these systems. To continue providing the excellent service to our beneficiaries, we need to transform these legacy systems through automation and build modern digital services while safeguarding information anywhere, anytime, in all ways throughout the information life cycle. Our strategy to modernize encompasses multiple iterations over various phases in a new environment to minimize impact to the current legacy environment.

Our performance plan, submitted as a component of our FY 2022 Justification of Budget Estimates, includes the following strategic objective to facilitate achieving this goal.

Strategic Objective I-A: Legacy Systems Modernization

The primary focus is to complete the transformation to the new platform and simplify core business processes to improve the effectiveness and efficiency of mission-critical applications and services. The RRB will continuously monitor, measure, and perform value driven services to ensure the predictable outcome of a successful modernization for IT operations to sustain essential services. To achieve this goal, we are deploying agile principles such as breaking up multi-yearlong projects into a series of short releases focused on the most critical or Key Performance Indicators to increase the opportunity for success. Additionally, we are implementing frequent standup meetings, or daily scrums, as an effective mean to convey information, and to facilitate quick resolution of identified risks and issues.

The performance indicators that we will utilize to assess our progress toward our strategic objective are as follows:

- Prepare to consolidate and rationalize applications to improve the effectiveness and efficiency of mission essential functions.
- Evaluate the results of the customer surveys obtained through the LSMS re-engineering assessment contract deliverable to identify and deliver a broader range of online citizen centric services that will specifically address our customer's expectations and improve overall customer service.
- Transition Mission Essential Programs from the End-of-Life Mainframe hardware.

- Evaluate the re-engineering assessment contract deliverable and determine a modernization path forward consistent with agency priorities and within available funding to address mission critical functions.
- Enhance infrastructure components to stabilize the information systems and the related ecosystems to prepare for the modernize phase.
- Complete the development of business rules strategy and data layer components of the modernization.
- Deliver citizen-centric services and applications to railroad employees through mobile- and web-ready interfaces.
- Complete the streamlining of core business processes and modernize key applications, which support these processes.
- Refine critical management processes in the following areas within the IT organization: change, project, program, and configuration.
- Evaluate the reengineering assessment deliverables to determine a cost-effective path forward to application rationalization and streamline business processes.

STRATEGIC GOAL II: Provide Excellent Customer Service

We aim to satisfy our customers' expectations for quality service both in terms of service delivery options and levels and manner of performance. Our performance plan, submitted as a component of our FY 2022 Justification of Budget Estimates, includes the following strategic objectives to facilitate achieving this goal.

Strategic Objective II-A: Pay benefits timely.
Strategic Objective II-B: Provide a range of choices in service delivery methods.

STRATEGIC GOAL III: Serve as Responsible Stewards for our Customers' Trust Funds and Agency Resources

The RRB is committed to fulfilling its fiduciary responsibilities to the rail community. Our performance plan, submitted as a component of our FY 2022 Justification of Budget Estimates, includes the following strategic objectives to facilitate achieving this goal.

Strategic Objective III-A: Ensure that trust fund assets are protected, collected, recorded, and reported appropriately.
Strategic Objective III-B: Ensure the accuracy and integrity of benefit programs.
Strategic Objective III-C: Ensure effectiveness, efficiency, and security of operations.
Strategic Objective III-D: Effectively carry out responsibilities with respect to the NRRIT.

Validation of Performance Information. The RRB has implemented comprehensive administrative procedures to ensure that reported performance information is accurate and valid. Administrative Circular RRB-2 establishes standards and assigns responsibility for collecting, documenting, validating, certifying, reporting and retaining information related to the actual performance data reported for objectives in the RRB's Annual Performance Budget and Government Performance and Results Act Report.

The procedures require that reporting managers develop and maintain written procedures for:

- Collecting data related to each objective,
- Testing and validating performance data to ensure accuracy,
- Retaining source documents for future reference, and
- Attesting to the accuracy of performance information reported.

Members of the RRB's Executive Committee review performance issues related to their areas of responsibility and assign follow-up action, as necessary. The Executive Committee also reviews and approves performance reports before releasing the drafts for approval by the Board Members.

The following begins a discussion of our key performance indicators.

Discussion of Key Performance Indicators

The RRB has identified the following 10 key performance indicators, which represent our most important responsibilities.

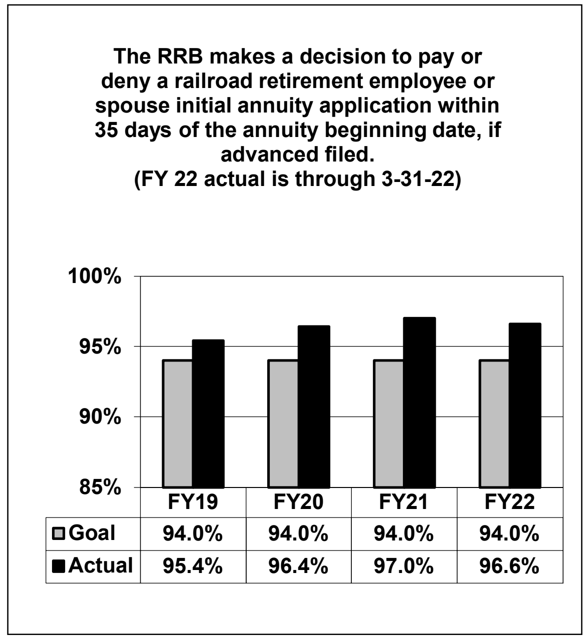
Key performance indicator 1: Timeliness of initial railroad retirement annuity payments, when advanced filed (Objective II-A-1)

FY 2022 goal: 94.0%
Our FY 2022 performance: 96.6% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2021 goal: 94.0%
Our FY 2021 performance: 97.0%

Data definition: This goal is included in the RRB Customer Service Plan.



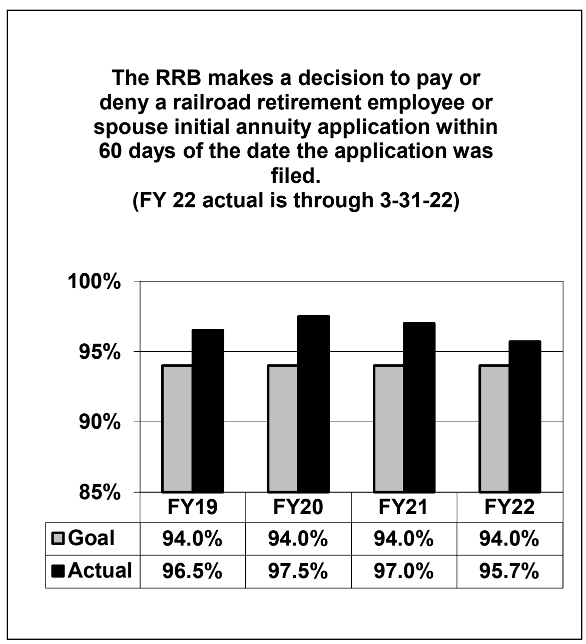
Key performance indicator 2: Timeliness of initial railroad retirement annuity payments, if not advanced filed (Objective II-A-2)

FY 2022 goal: 94.0%
Our FY 2022 performance: 95.7% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2021 goal: 94.0%
Our FY 2021 performance: 97.0%

Data definition: This goal is included in the RRB Customer Service Plan.



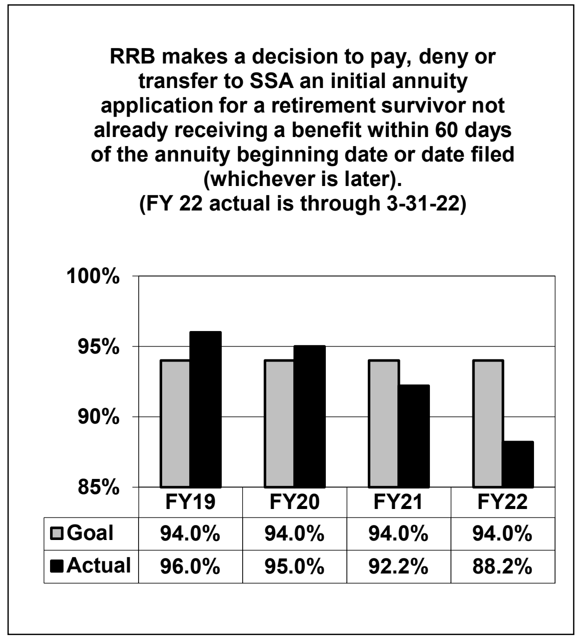
Key performance indicator 3: Timeliness of new survivor benefit payments (Objective II-A-3)

FY 2022 goal: 94.0%
Our FY 2022 performance: 88.2% through the 2nd quarter

We are not achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2021 goal: 94.0%
Our FY 2021 performance: 92.2%

Data definition: This goal is included in the RRB Customer Service Plan.



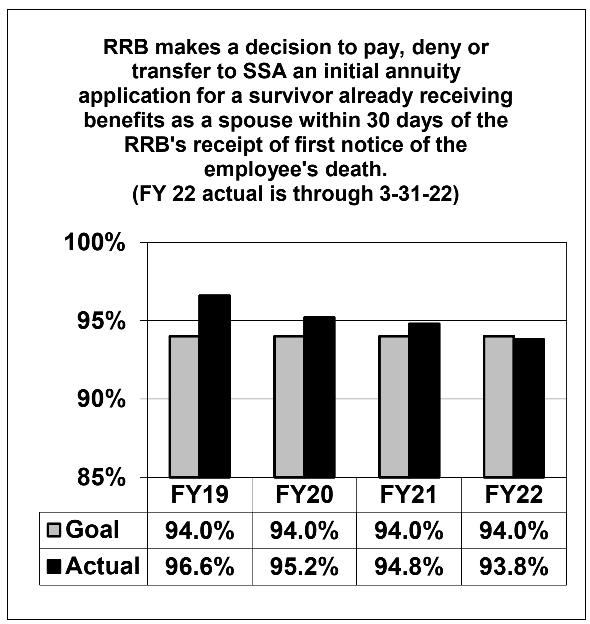
Key performance indicator 4: Timeliness of spouse to survivor benefit payment conversions (Objective II-A-4)

FY 2022 goal: 94.0%
Our FY 2022 performance: 93.8% through the 2nd quarter

We are not achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2021 goal: 94.0%
Our FY 2021 performance: 94.8%

Data definition: This goal is included in the RRB Customer Service Plan.



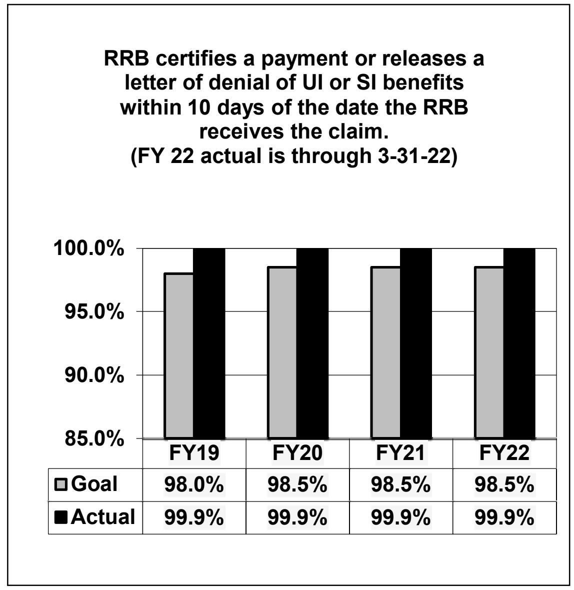
Key performance indicator 5: Timeliness of unemployment or sickness insurance payments (Objective II-A-6)

FY 2022 goal: 98.5%
Our FY 2022 performance: 99.9% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2021 goal: 98.5%
Our FY 2021 performance: 99.9%

Data definition: This goal is included in the RRB Customer Service Plan.

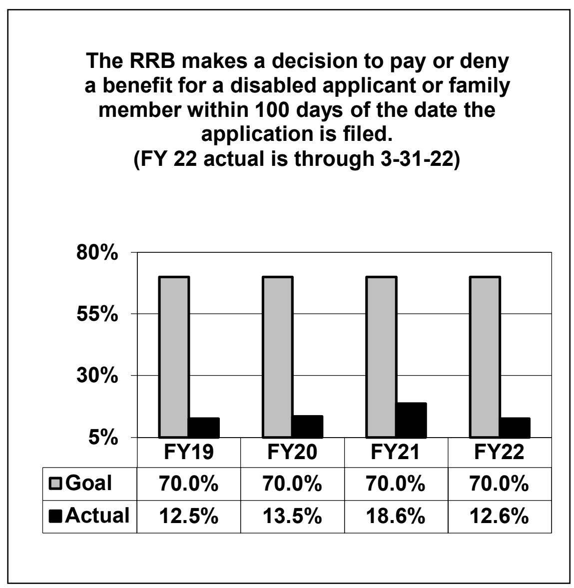


Key performance indicator 6: Timeliness of disability decisions (Objective II-A-7)

FY 2022 goal: 70.0%
Our FY 2022 performance: 12.6% through the 2nd quarter

We are not achieving our goal.

FY 2021 goal: 70.0%
Our FY 2021 performance: 18.6%



Initial disability decision timeliness performance was below the goal of 70% within 100 days for multiple reasons, including a continued effort in the Disability Benefits Division (DBD) to finalize decisions on cases that were greater than 2 years old. At the start of Fiscal Year 2022, cases with filing dates 2020 and earlier was 26.4% of the total workload balance. At the end of the second quarter, this balance was significantly reduced to 8.5% of the pending work, a 62.2% reduction. At the start of FY 2022, there were approximately 1650 cases pending, which is a 6.8% workload reduction compared to FY 2021 start.

This fiscal year, DBD lost initial claims examiners to promotions and other agencies that equated to a 28% in staffing loss. Despite staffing losses resulting in an approximate 17.2% increase in total pending, the DBD initial examiner team made progress to reduce the cases with older filing dates. In FY22, the DBD plans to increase staffing to include additional initial examiners that will assist in the continued reduction of pending cases and will improve the Division's overall performance.

Data Definition: This goal is included in the RRB Customer Service Plan.

<u>Key performance indicator 7:</u> Initial recurring retirement payment accuracy (Objective III-B-1a)

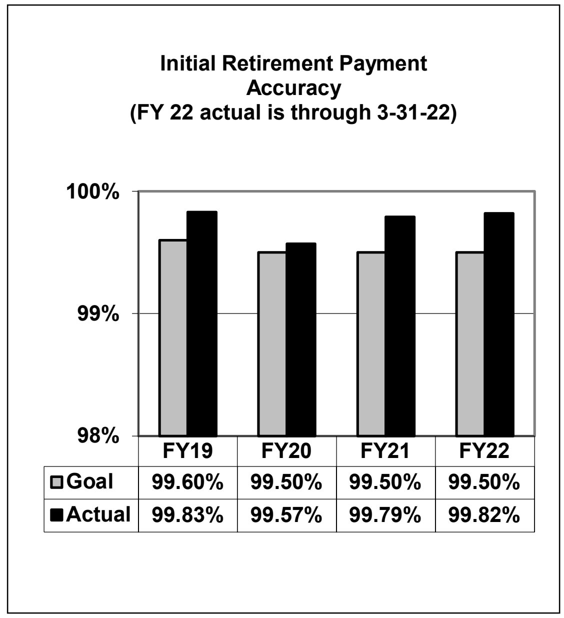
Our overall strategic goal is to achieve a railroad retirement benefit payment recurring accuracy rate of at least 99 percent on our initial processing of applications for retirement (employee, spouse and widow) benefits.

FY 2022 goal: 99.50%
Our FY 2022 performance: 99.82%

We are achieving our goal.
Automation plays a key roll in assuring benefit payment timeliness for this performance indicator.

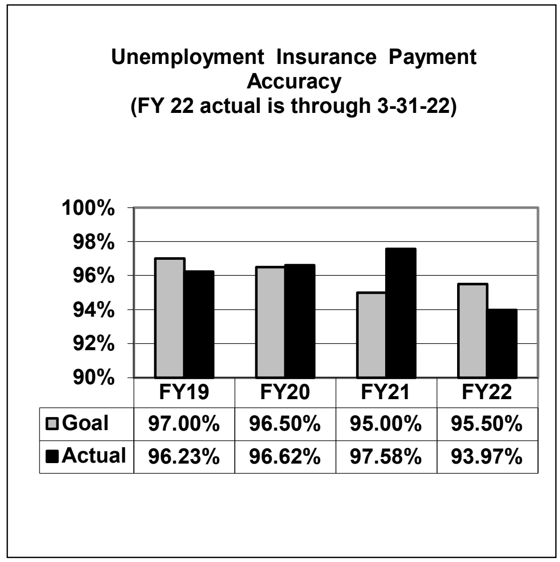
FY 2021 goal: 99.50%
Our FY 2021 performance: 99.79%

We achieved our goal.
Automation plays a key role in assuring initial benefit payment accuracy by reducing the number of erroneous payments. Automation will become more critical in this area as experienced personnel retire in the coming years.



Data definition: This is the percentage of the dollar value of initial recurring retirement benefit payments paid correctly as a result of adjudication actions performed, based on a review of a sample of cases.

<u>Key performance indicator 8:</u> Unemployment insurance payment accuracy (Objective III-B-2a)



Our overall strategic goal is to achieve a railroad unemployment insurance benefit payment accuracy rate of at least 99 percent.

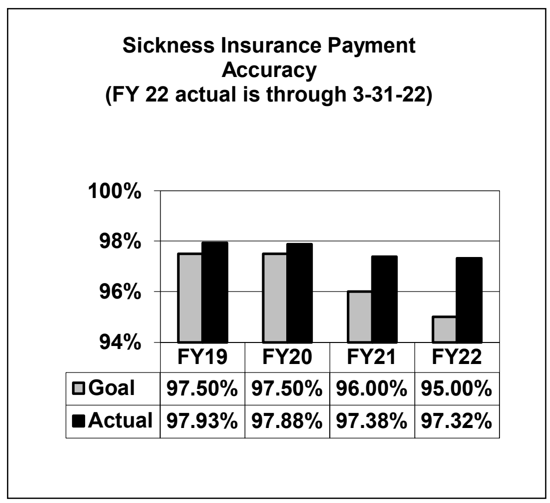
FY 2022 goal: 95.50%
Our FY 2022 performance: 93.97% through the 2nd quarter

We are not achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2021 goal: 95.00%
Our FY 2021 performance: 97.58%

Data definition: This is the percentage of the dollar value of unemployment insurance benefit payments paid correctly as a result of adjudication actions performed, based on a review of a sample of cases.

<u>Key performance indicator 9:</u> Sickness insurance payment accuracy (Objective III-B-2b)



Our overall strategic goal is to achieve a railroad sickness insurance benefit payment accuracy rate of at least 99 percent.

FY 2022 goal: 95.00%
Our FY 2022 performance: 97.32% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

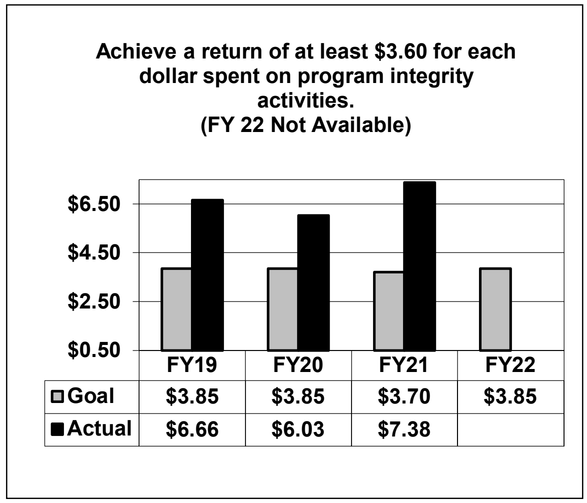
FY 2021 goal: 96.00%
Our FY 2021 performance: 97.38%

Data definition: This is the percentage of the dollar value of sickness insurance benefit payments paid correctly as a result of adjudication actions performed, based on a review of a sample of cases.

Key performance indicator 10: Return on investment in program integrity activities (Objective III-B-5)

FY 2022 goal: $ 3.85: $1
Our FY 2022 performance: N/A

FY 2021 goal: $3.70: $1
Our FY 2021 performance: $7.38: $1



We achieved our goal.
Our fiscal year 2021 goal was to achieve a return of $3.70 for each dollar spent on program integrity activities. We achieved a rate of return of $7.38 for each dollar spent.

As part of our fiduciary responsibilities to the rail community, we must ensure that the correct benefit amounts are being paid to the right people. We match our benefit payments against SSA's earnings and benefits database, the Centers for Medicare & Medicaid Services' (CMS) utilization and death records, the Office of Personnel Management's benefit records, and State wage reports, usually via data exchange files, and administer other benefit monitoring programs to identify and prevent erroneous payments. We also refer some cases to the OIG for investigation. After investigation, the OIG may pursue more aggressive collection methods, which include civil and criminal prosecution.

Data definition: This is the ratio of the sum of the dollar recoveries and savings, to the labor dollars spent.

Analysis of Financial Statements and Stewardship Information

Amounts in the RR Account not needed to pay current benefits and administrative expenses are transferred to the NRRIT whose Board of seven trustees is empowered to invest NRRIT assets in non-governmental assets, such as equities and debt, as well as in governmental securities. Amounts in the SSEB Account not needed to pay current benefits and administrative expenses are transferred to either the RR Account or the NRRIT.

Shown on the following page are snapshots of the net position, financing sources, and benefit payments (before elimination of inter-fund transactions) for the RRB accounts. All dollar amounts are in millions.

Net Position, Financing Sources, and Benefit Payments (Unaudited)
(In millions)

	2022	2021
NET POSITION AT SEPTEMBER 30		
Social Security Equivalent Benefit Account	$544.8	$426.0
Railroad Retirement Account 1/	23,267.9	28,973.0
Railroad Retirement Administrative Fund	62.5	44.3
Railroad Unemployment Insurance Trust Fund -		
Benefit Payments	95.2	(69.9)
Administrative Expenses	6.5	6.8
Limitation on the Office of Inspector General	9.1	8.5
Dual Benefits Payments Account	8.2	7.7
Federal Payments to the Railroad Retirement Accounts	0.9	0.9
American Recovery and Reinvestment Act of 2009		
Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act (no year dollars)	9.7	9.7
Worker, Homeownership, and Business Assistance Act of 2009		
Administrative Expenses, Railroad Unemployment Insurance Extended Benefit Payments	-	-
Coronavirus Aid, Relief, and Economic Security Act of 2020		
Railroad Unemployment Insurance Extended Benefits (no year dollars) 1a/	87.0	84.7
Railroad Unemployment Insurance Enhanced Benefit Payments (no year dollars)	224.1	222.7
Railroad Unemployment Insurance Waiver of 7 Day Period	37.2	36.8
Payment to Limitation on Administration	0.9	1.8
Administrative Expenses	-	-
American Rescue Plan Act of 2021		
Payment to Limitation on the Office of Inspector General	-	-
Limitation on the Office of Inspector General	0.2	0.5
Administrative Expenses	17.6	25.7
Total	**$24,371.8**	**$29,779.2**
FINANCING SOURCES FOR FISCAL YEAR		
Social Security Equivalent Benefit Account	$8,027.7	$7,395.5
Railroad Retirement Account 2/	(73.4)	9,912.9
Railroad Retirement Administrative Trust Fund	156.6	149.6
Railroad Unemployment Insurance Trust Fund -		
Benefit Payments	258.1	99.4
Administrative Expenses	(0.4)	(4.8)
Limitation on the Office of Inspector General	11.8	11.8
Dual Benefits Payments Account	9.6	10.7
Federal Payments to the Railroad Retirement Accounts 3/		-
American Recovery and Reinvestment Act of 2009		
Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act (no year dollars)	-	-
Worker, Homeownership, and Business Assistance Act of 2009		
Administrative Expenses, Railroad Unemployment Insurance Extended Benefit Payments	-	-
Coronavirus Aid, Relief, and Economic Security Act		
Railroad Unemployment Insurance Extended Benefits (no year dollars) 1a/	(2.3)	38.0
Railroad Unemployment Insurance Enhanced Benefit Payments (no year dollars)	(1.4)	67.1
Railroad Unemployment Insurance Waiver of 7 Day Period	(0.4)	7.1
Payment to Limitation on Administration	0.9	2.3
American Rescue Plan Act of 2021		
Payment to Limitation on the Office of Inspector General	0.3	-
Limitation on the Office of Inspector General	-	-
Administrative Expenses	8.2	1.9
Total	$8,395.3	$17,691.5
BENEFIT PAYMENTS FOR FISCAL YEAR 4/		
Social Security Equivalent Benefit Account	$7,908.9	$7,631.8
Railroad Retirement Account	5,642.9	5,633.9
Railroad Unemployment Insurance Trust Fund -		
Unemployment Insurance	27.8	75.9

Sickness Insurance	62.6	81.0
Dual Benefits Payments Account	9.5	11.7
American Recovery and Reinvestment Act of 2009		
Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act (no year dollars)	-	-
Worker, Homeownership, and Business Assistance Act of 2009		
Administrative Expenses, Railroad Unemployment Insurance Extended Benefit Payments	-	-
Coronavirus Aid, Relief, and Economic Security Act		
Railroad Unemployment Insurance Extended Benefits (no year dollars) 1a/	(2.0)	38.1
Railroad Unemployment Insurance Enhanced Benefit Payments (no year dollars)	(0.7)	67.5
Railroad Unemployment Insurance Waiver of 7 Day Period	(0.4)	7.1
Payment to Limitation on Administration	-	-
Administrative Expenses	-	-
Total	$13,648.6	$13,547.0

1/ NRRIT-held net assets are a financing source and are included in the Railroad Retirement Account above.
1a/ Funds were reported in FY2019 as Worker, Homeownership, and Business Assistance Act of 2009.
2/ Change in NRRIT-held net assets is included in the Railroad Retirement Account above.
3/ Includes funds subsequently transferred to other accounts. Such inter-fund transfers are eliminated in the preparation of the consolidated statements.
4/ Net of recoveries and offsetting collections; excludes SSA benefit payments.

The RRB's financial statements are comprised of: Balance Sheet and Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Social Insurance, Changes in Social Insurance Amounts, and notes which are an integral part of the statements. We also present, as required supplementary information, a discussion of the actuarial outlook for the railroad retirement program, and the Disaggregate of Budgetary Resources.

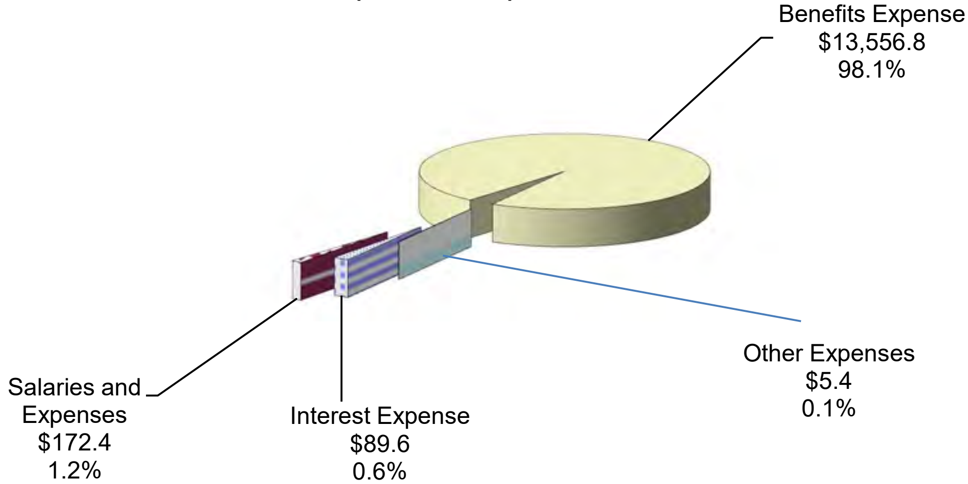
Comparison of Net Cost of Operations and Financing Sources

The net cost of operations for fiscal years 2022 and 2021 was $13,796.0 million and $13,708.6 million, respectively. The details of the net cost of operations by type, amount, increase or decrease, and percentage change from fiscal year 2021 to fiscal year 2022 are shown below. Additional information regarding the net cost of operations and financing sources for fiscal years 2022 and 2021 is shown on the following pages.

NET COST OF OPERATIONS (Unaudited)
(In millions)

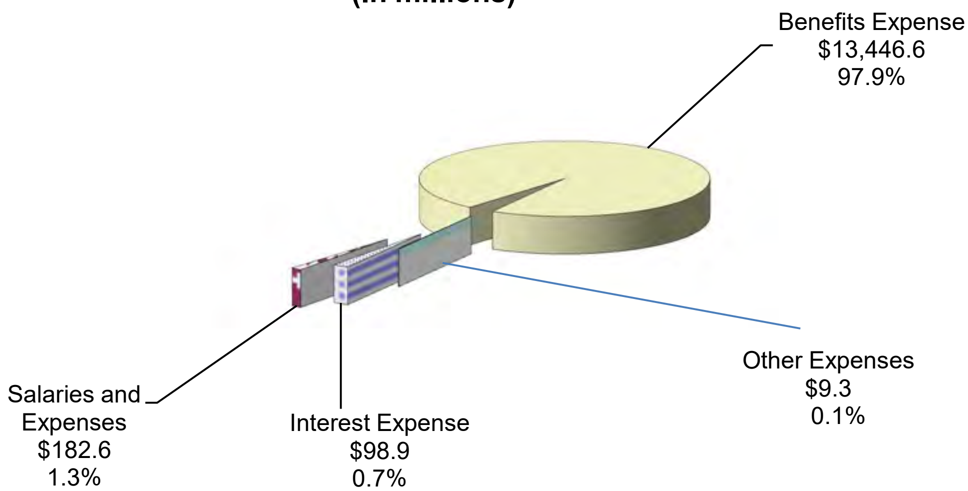
	FY 2022	FY 2021	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Interest expense – Treasury borrowing	$89.6	$98.9	$(9.3)	(9.4)%
Salaries and expenses	172.4	182.6	(10.2)	(5.6)%
Benefits expense	13,556.8	13,446.6	110.2	0.8%
Other expenses	5.4	9.3	(3.9)	(41.9)%
Subtotal	**13,824.2**	**13,737.4**	**86.8**	**0.6%**
Less: Earned revenues	(28.2)	(28.8)	0.6	2.1%
Net cost of operations	**$13,796.0**	**$13,708.6**	**$87.4**	**0.6%**

FY 2022
NET COST OF OPERATIONS
(In millions)



Totals $13,824.2 million, excluding reimbursements, and earned revenues of ($28.2) million.

FY 2021
NET COST OF OPERATIONS
(In millions)



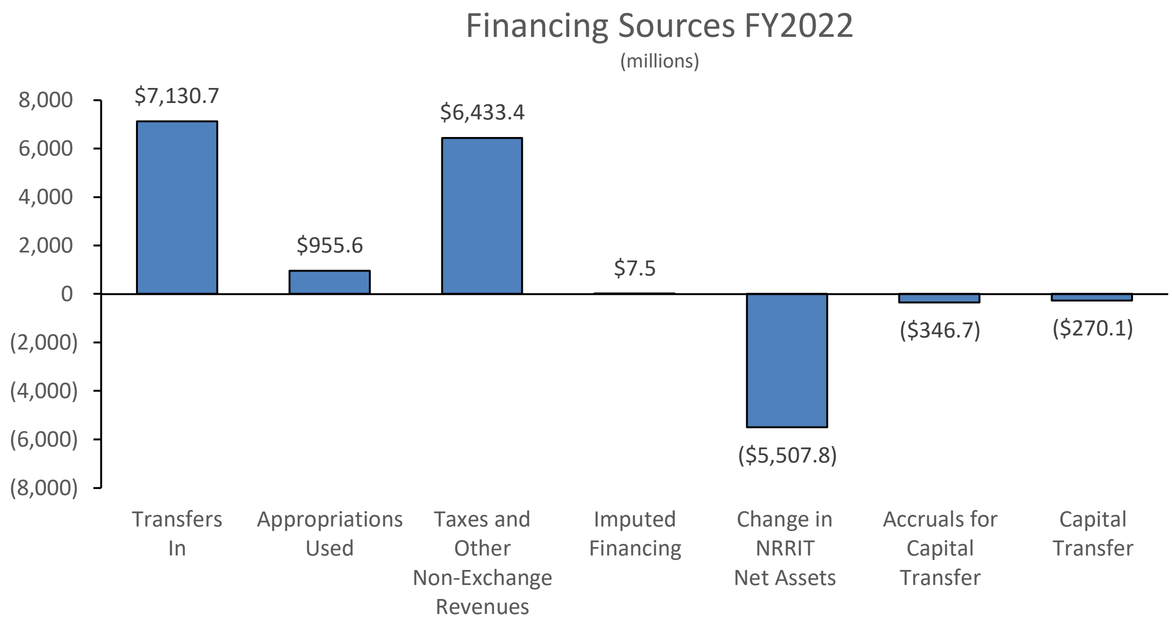
Totals $13,737.4 million, excluding reimbursements, and earned revenues of $(28.8) million.

The following table shows financing sources (excluding changes in unexpended appropriations) by type, amount, increase or decrease, and percentage change from fiscal year 2021 to fiscal year 2022.

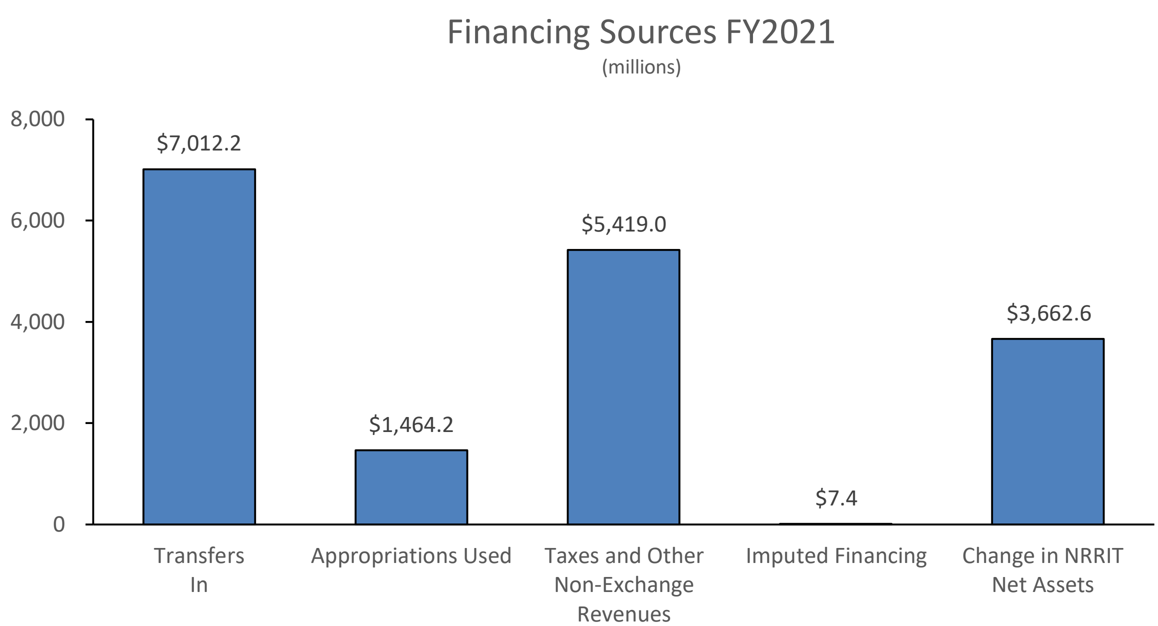
FINANCING SOURCES (Unaudited)
(in millions)

	FY 2022	FY 2021	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Budgetary Financing Sources:				
Appropriations used	$955.6	$1,464.2	(508.6)	(34.7) %
Taxes and other non-exchange revenues:				
Payroll taxes	6,148.3	5,306.6	841.7	15.9%
Interest revenue and other income	41.7	37.9	3.8	10.0%
Carriers refunds – principal	(35.4)	(37.6)	2.2	5.9 %
Railroad Unemployment Insurance (RUI) Revenue	278.8	112.1	166.7	148.7%
Subtotal	**$7,389.0**	**$6,883.2**	**$505.8**	**7.3%**
Transfers in:				
Financial Interchange, net	5,166.7	4,174.2	992.5	23.8%
NRRIT	1,964.0	2,838.0	(874.0)	(30.8) %
Subtotal	**$7,130.7**	**$7,012.2**	**$118.5**	**1.7%**
TOTAL BUDGETARY FINANCING SOURCES	**$14,519.7**	**$13,895.4**	**$624.3**	**4.5 %**
Other Financing Sources:				
Imputed financing	7.5	7.4	0.1	1.4%
Change in NRRIT net assets	(5,507.8)	3,662.6	(9,170.4)	(250.4) %
Gain/(Loss) in Contingency	(9.3)	123.1	(132.4)	(107.6) %
Accruals for Capital Transfers	(346.7)	0.0	(346.7)	N/A
Capital Transfer	(270.1)	0.0	(270.1)	N/A
TOTAL OTHER FINANCING SOURCES	**(6,126.4)**	**3,793.1**	**(9,919.5)**	**(261.5) %**
TOTAL FINANCING SOURCES	**$8,393.3**	**$17,688.5**	**($9,295.2)**	**(52.5) %**

The most significant difference between the RRB's financial statements for fiscal year 2021 and fiscal year 2022 was the change in NRRIT net assets and Increase in Payroll Taxes. The NRRIT net assets decreased by approximately $5,507.8 million due to market fluctuations during the past year. There is a section later in this publication that describes the NRRIT, and the NRRIT net assets balances for 2021 and 2022 are shown in the RRB's Financial Section of this publication.



Total Financing Sources $8,402.6 million, excluding ($9.3) million loss on contingency.



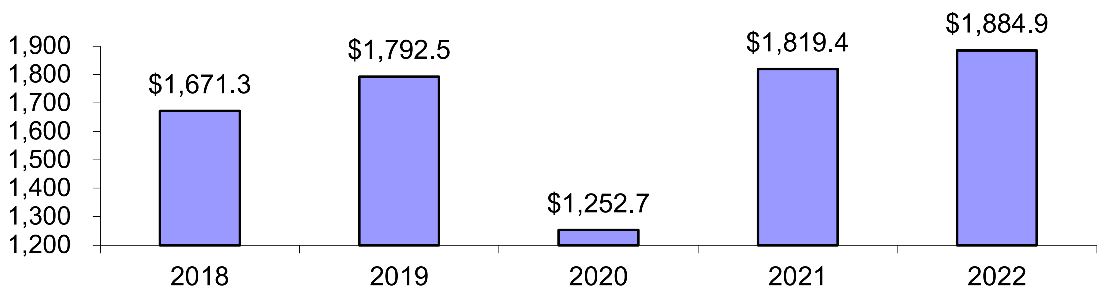
Total Financing Sources $17,565.4 million, excluding $123.1 million gain on contingency.

Railroad Retirement Investments at Treasury

The book value of all railroad retirement investments, including accrued interest, increased to $1,884.9 million as of September 30, 2022, from $1,819.4 million on September 30, 2021 (excludes NRRIT net assets). The graph below reflects the book value of the railroad retirement investments from September 30, 2018, through September 30, 2022.

INVESTMENT BALANCES HELD AT TREASURY (AT BOOK VALUE)
AT SEPTEMBER 30, 2018 - 2022

(In millions, excluding NRRIT net assets)

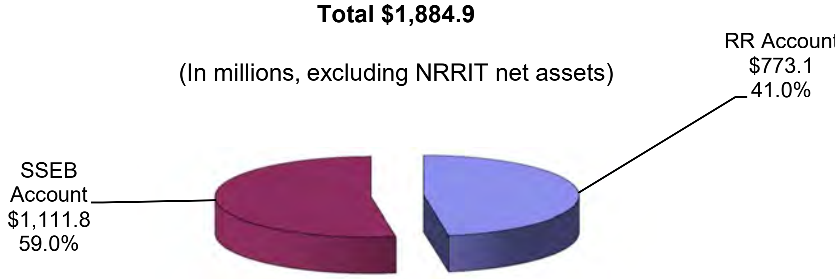


The following chart shows the portfolio of the railroad retirement investments as of September 30, 2022

RAILROAD RETIREMENT INVESTMENTS HELD AT TREASURY
AS OF SEPTEMBER 30, 2022

AT BOOK VALUE
Total $1,884.9

(In millions, excluding NRRIT net assets)



Railroad Retirement Account

On September 30, 2022 and 2021, the book values of the RR Account investments, excluding NRRIT assets, including accrued interest, totaled $773,062,169 and $862,954,512, respectively. The balance on September 30, 2022, consisted of $772,325,000 in 3.375 percent par value specials (with market value equal to face value) maturing on October 3, 2022, and $737,169 in accrued interest. The balance on September 30, 2021, consisted of $861,767,000 in 3.000 percent par value specials (with market value equal to face value) maturing on October 1, 2021, and $1,187,512 in accrued interest. Par value specials mature on the first working day of the month following the month of issue and have a yield based on the average yield of marketable Treasury notes with maturity dates at least 3 years away.

Social Security Equivalent Benefit Account

On September 30, 2022 and 2021, the book values of the SSEB Account investments, including accrued interest, totaled $1,111,817,745 and $956,400,134, respectively. The balance on September 30, 2022, consisted of $1,109,772,000 in 3.375 percent par value specials maturing on October 3, 2022, and $2,045,745 in accrued interest. The balance on September 30, 2021, consisted of $955,174,000 in 3.000 percent par value specials maturing on October 1, 2021, and $1,226,134 in accrued interest.

National Railroad Retirement Investment Trust

The NRRIT was established by the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA). The sole purpose of the NRRIT is to manage and invest railroad retirement assets. The NRRIT is a tax-exempt entity, independent from the Federal Government and not subject to Title 31, United States Code (USC). The NRRIT is domiciled in and subject to the laws of the District of Columbia.

The NRRIT is comprised of a Board of seven trustees: three selected by railroad labor unions and three by railroad companies. The seventh trustee is an independent member selected by the other six. Members of the Board of Trustees are not considered officers or employees of the Government of the United States.

The RRSIA authorizes the NRRIT to invest railroad retirement assets in a diversified investment portfolio in the same manner as those of private sector retirement plans. Prior to the RRSIA, investment of railroad retirement assets was limited to U.S. Government securities.

The NRRIT and the RRB are separate entities. The RRB remains a federal agency and continues to have full responsibility for administering the railroad retirement program, including eligibility determinations and the calculation of benefit payments. The NRRIT has no powers or authority over the administration of benefits under the railroad retirement program. Under the RRSIA, the NRRIT is required to act solely in the interest of the RRB, and through it, the participants and beneficiaries of the programs funded under the RRA. The RRSIA does not delegate any authority to the RRB with respect to day-to-day activities of the NRRIT, but the RRSIA provides that the RRB may bring a civil action to enjoin any act or practice of the NRRIT that violates the provisions of the RRSIA or to enforce any provision of the RRSIA.

Under the RRSIA, the financial statements of the NRRIT are required to be audited annually by an independent public accountant. In addition, the NRRIT must submit an annual management report to the Congress on its operations, including a Statement of Financial Position, a Statement of Operations, a Statement of Cash Flows, a Statement on Internal Accounting and Administrative Control Systems, the independent auditor's report, and any other information necessary to inform the Congress about the operations and financial condition of the NRRIT. A copy of the annual report must also be submitted to the President, the RRB, and the Director of OMB.

Social Insurance: Key Measures

Balance Sheet: The Balance Sheet displayed in the Financial Section presents our assets, liabilities, and net position. Total assets for fiscal year 2022 are $31.0 billion, a 14.3 percent decrease over last year. Of the total assets, $23.0 billion relates to funds held by the NRRIT. The net asset value of funds held by the NRRIT decreased from fiscal year 2021 by 19.3 percent. Our investments totaled $1.9 billion, and we invest those funds not needed to pay current expenses or benefits in interest bearing Treasury securities. A chart of investment balances held at Treasury can be found on page 28. Total liabilities for fiscal year 2022 are $6.7 billion. Liabilities increased by $223.5 million or 3.5 percent in fiscal year 2022. Also, benefits due increased by $25.6 million. By statute, benefits due in September are not paid until October.

Statement of Net Cost: The Statement of Net Cost displayed in the Financial Section presents the annual cost of operating our two major programs: 1) railroad retirement and 2) railroad unemployment and sickness insurance. In fiscal year 2022, our net cost of operations was $13.8 billion, an increase over last year of $87.4 million, or 0.6 percent. A table for the net cost of operations for fiscal years 2022 and 2021 can be found on page 24.

Statement of Changes in Net Position: The Statement of Changes in Net Position displayed in the Financial Section reflects the changes that occurred within cumulative results of operations and unexpended appropriations. Total net position for 2022 is $24.4 billion. The statement shows a decrease in the net position of the agency of $5.4 billion attributable to the change in cumulative results of operations. Total financing sources for 2022 are $8.4 billion. A table for financing sources for fiscal years 2022 and 2021 can be found on page 26.

Statement of Social Insurance: Federal accounting standards require the presentation of a Statement of Social Insurance (SOSI) as a basic financial statement. The SOSI presents the present values of estimated future revenue and expenditures of the Railroad Retirement program. The SOSI covers a period of 75 years in the future, and the information and disclosures presented are deemed essential to the fair presentation of this statement.

The open group as of the valuation date includes current participants who have attained retirement age under the Railroad Retirement program, current participants who have not yet attained retirement age, and those expected to become participants, or new entrants. The closed group as of the valuation date includes only current participants: (1) those who have not yet retired but are active workers paying payroll taxes, (2) those who have retired and are receiving benefits, and (3) those who are not currently working but have sufficient service to be eligible for future benefits. The closed group measure represents a reasonably good estimate of the extent to which benefits of the closed group are funded by members of the closed group. The open group measure is inherently more sensitive to assumptions about the distant future than the closed group measure. The open group measure gives a more complete assessment of the long-term financial stability of the program because it includes all those who are projected to be participants in the program over the given projection period, whether paying payroll taxes or receiving benefits.

The net present value (NPV) of estimated future expenditures less estimated future revenue (net expenditures) for all participants over the next 75 years (open group) changed from $24.7 billion as of September 30, 2020, to $29.1 billion as of September 30, 2021, a net change in the open group measure of $4.4 billion, when rounded. Note that the Social Insurance information in the Table of Key Measures shows future expenditures less future revenue, while the Statement of Social Insurance shows future revenue less future expenditures. This change in presentation in the Table of Key Measures is done to eliminate any ambiguity in the interpretation of percentage changes in negative amounts.

As can be seen on the Statement of Changes in Social Insurance Amounts, the change in the valuation period (from fiscal years 2021-2095 to fiscal years 2022-2096) resulted in a change of $1.8 billion in the open group measure. There were no changes in the demographic assumptions other than updates to the mortality loads, but there were updates to projected levels of railroad employment and demographic data. Changes in demographic data, assumptions, and methods resulted in a change of $0.2 billion in the open group measure. Select assumptions for the Cost-of-Living Adjustment (COLA), wage increase, and investment return were updated, as described in the notes to the Statement of Changes in Social Insurance Amounts found in Note 13. Social Insurance. A change in the open group measure of $2.4 billion is due to changes in economic data, assumptions, and methods. This year there were no changes in methodology or in law or policy.

The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

TABLE OF KEY MEASURES (Unaudited)				
Dollars in Millions	**As reported in FY 2022**	**As reported in FY 2021**	**Increase / $**	**(Decrease) %**
COSTS				
Total Financing Sources	$8,393.3	$17,688.6	($9,295.3)	(52.5)%
Less: Net Cost	13,796.0	$13,708.6	87.4	0.6%
Net Change of Cumulative Results of Operations	**($5,402.7)**	**$ 3,980.0**	**($9,207.9)**	**(231.4)%**
NET POSITION				
Assets	$31,045.6	$36,229.5	(5,183.9)	(14.3)%
Liabilities	6,673.8	$6,450.3	223.5	3.5%
Net Position (Assets minus Liabilities)	**$24,371.8**	**$29,779.2**	**($4,960.4)**	**(16.7)%**

Dollars in Billions	**10/1/2021**	**10/1/2020**	**Increase / $**	**(Decrease) %**
SOCIAL INSURANCE				
SOCIAL INSURANCE[3] Social Insurance Net Expenditures (Open Group)	$29.1	$24.7	$4.4	17.8%

[3] Source: Statement of Social Insurance (SOSI). Amounts reflect estimated present value of projected revenue and expenditures for scheduled benefits over the next 75 years. The SOSI shows future revenue less future expenditures while the Key Measure above shows future expenditures less future revenue. This change in presentation is done to eliminate any ambiguity in the interpretation of percentage changes in negative amounts. Included in Net Expenditures is the Asset Experience Gain/(Loss) for the period 10/1-12/31 following. Note that detail may not add to total due to rounding.

Pandemic Relief Acts

As a result of the catastrophic economic hardship caused by the novel coronavirus (COVID-19), the President signed a series of legislative acts meant to address the economic fallout of the 2020 coronavirus pandemic in the United States. On March 27, 2020, President Trump signed Public Law (P.L.) 116-136, *Coronavirus Aid, Relief, and Economic Security Act of 2020* (CARES Act). The CARES Act included three provisions that impacted the payment of benefits under the Railroad Unemployment Insurance Act, each having a separate Treasury appropriation for the payment of those benefits.

Section 2112 of the CARES Act provided for the waiver of the 7-day waiting period for both unemployment and sickness benefits for registration periods beginning March 28, 2020 through periods beginning December 31, 2020. This provision was funded by a separate Treasury appropriation of $50M and was payable until the end of a person's entitlement or until the appropriation ran out, whichever came first.

Section 2113 of the CARES Act provided for the payment of enhanced unemployment benefits in the amount of $1,200.00 for registration periods beginning on or after April 1, 2020 through periods beginning July 31, 2020. This provision was funded by a separate Treasury appropriation of $425M and was payable until the end of a person's entitlement or until the appropriation ran out, whichever came first.

Section 2114 of the CARES Act provided for the payment of extended unemployment benefits for anyone who received regular unemployment benefits in the benefit year that began July 1, 2019, and ending June 30, 2020. Employees with less than 10 years of service were entitled to 65 days of extended unemployment benefits and employees with 10 or more years of service were entitled to 65 additional days of extended unemployment benefits through registration periods beginning December 31, 2020. This provision was funded by a separate Treasury appropriation of using remaining funds previously appropriated under P.L. 111-5, *American Recovery and Reinvestment Act of 2009* and P.L. 111-92, *Worker, Homeowner, Business Assistance Act of 2009* of approximately $142M. These benefits were payable until the end of a person's entitlement or until the appropriation ran out, whichever came first.

The Consolidated Appropriations Act, 2021 (H.R.133, P.L. 116-260) and its Continued Assistance to Rail Workers Act of 2020 subsection subsequently extended the same provisions previously allowed under the CARES Act, through September 6, 2021. Listed below are the notable differences between the two Acts and the original CARES Act, and the American Rescue Plan Act of 2021 (ARPA), which was the last act the agency administered:

- The Treatment of Payments from the Railroad Unemployment Insurance Account subsection of the Consolidated Appropriations Act, 2021 allowed for the temporary removal of sequestration from all RUIA benefits for days beginning January 3, 2021. Sequestration will be re-instated 30 days following the Presidential declaration of the end of the national emergency caused by the pandemic.
- ARPA extended the eligibility period for extended unemployment benefits to anyone who received regular unemployment benefits in the benefit year that began July 1, 2021 and ends June 30, 2022.
- ARPA also provided for an additional $2M appropriation for the payment of extended unemployment benefits

All the relief acts allowed for the continued use of remaining funds previously appropriated as described above in addition to the newly established Treasury accounts created for the additional CARES Act provisions. Additionally, the CARES Act provided an additional $5M for the RRB's Limitation of Administration account to remain available until September 30, 2021. The funding provided therein is to prevent, prepare for, and respond to coronavirus, including the purchase of information technology equipment to improve the mobility of the workforce and provide for additional hiring or overtime hours as needed to administer the Railroad Unemployment Insurance Act. ARPA provided an additional funds for the same. For COVID-19 related funding and activity, see financial statements note 24. COVID-19 Activity.

All the pandemic relief acts listed above have been implemented by the RRB.

Analysis of Systems, Controls and Legal Compliance

Management Assurances

As of September 30, 2022, the Railroad Retirement Board states and assures that, to the best of our knowledge:

1. The Railroad Retirement Board (RRB) management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA). The RRB conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the Agency can provide reasonable assurance that the internal controls within our authority were operating effectively over operations, reporting, external reporting, and compliance as of September 30, 2022, except for the following material weakness:

   Pursuant to implementation of the Statement of Federal Financial Accounting Standards 47 (SFFAS 47), effective in fiscal year 2018, the Office of Management and Budget (OMB), the Department of the Treasury (Treasury), and the United States Government Accountability Office (GAO) determined that the NRRIT will be classified as a consolidation entity, for the purposes of the governmentwide financial statements. Based upon this determination, NRRIT's Net Asset Value must be included within RRB's Balance Sheet, even though the NRRIT is independent from the RRB and is a non-governmental entity. In accordance with the SFFAS 47 determination, the NRRIT and GAO signed a Memorandum of Understanding (MOU) in October 2018 that provided the GAO access to information necessary to support inclusion of the NRRIT's financial information in the governmentwide financial statements starting in fiscal year 2018. The RRB was not a party to this agreement.

   The RRB does not have authority to compel the NRRIT auditors to provide their work papers or speak with RRB's auditors. Regarding the NRRIT, the RRB provides reasonable assurance that the internal controls within our authority were operating effectively over operations, reporting, external reporting, and compliance and in accordance with the MOU between the RRB, NRRIT, Treasury and OMB entered into in 2002.

   Until additional guidance is issued this reported material weakness will exist due to an inability for the auditors to perform the audit procedures required by AICPA AU-C Section 600B *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors),* to assess the internal controls over financial reporting related to the National Railroad Retirement Investment Trust (NRRIT) Investment Net Asset Value as reported in RRB's Balance Sheet.

2. In accordance with the *Federal Information Security Modernization Act of 2014 (FISMA),* this agency has established an Information Security Program and practices and has implemented controls to support the Cybersecurity framework; however, additional work is needed to achieve a rating of effective. This agency's financial management system is managed under contract and is a comprehensive proprietary software application from CGI Federal – Momentum Enterprise Solution – that resides on a cloud hosting service and is discussed in detail in the Financial Management Systems Strategy Section. As a result, the agency's FISMA overall maturity level does not directly impact its financial management system.

3. The financial management systems of this agency maintain accountability for assets and provide reasonable assurance that obligations and costs are in compliance with applicable laws, and that performance data and proprietary and budgetary accounting transactions applicable to the agency are properly recorded and accounted for to permit the timely preparation of accounts and reliable performance information. The financial management systems at this agency satisfy the requirements of the Section 4 of the FMFIA.

4. The financial management systems of this agency provide the agency with reliable, timely, complete, and consistent performance and other financial information to make decisions, and efficiently operate and evaluate programs and substantially satisfies the requirements of the *Government Performance and Results Act of 1993* and OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*.

5. In accordance with Office of Management and Budget (OMB), M-18-16, Appendix A to OMB Circular No. A-123, *Management of Reporting and Data Integrity Risk*, we can provide reasonable assurance that the Data Quality Plan and its associated internal controls substantially support the reliability and validity of this agency's account-level and award-level data reported for display on USASpending.gov in compliance with the *Digital Accountability and Transparency Act of 2014* (DATA Act).

Original signed by:

Erhard R. Chorlé, Chairman

John Bragg, Labor Member

Thomas Jayne, Management Member

Management Control Review Program

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of the entity will be met. We have a well-established agency-wide management control program as required by the *Federal Managers' Financial Integrity Act of 1982* (FMFIA). To achieve the goals of the FMFIA, RRB program and administrative activities incorporate internal controls that ensure 1) accountability for mission accomplishment, 2) continual monitoring and periodic control testing, 3) weaknesses are identified and corrected, and 4) appropriate levels of management are informed and positioned to act timely to prevent or correct problems and initiate improvements.

Our managers are responsible for ensuring effective internal control in their areas of operation. Those managers provide annual certifications that attest to the effectiveness of their controls and operations. Organizational heads also submit annual certifications to the Board providing reasonable assurance that 1) obligations and costs are in compliance with applicable law; 2) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; 3) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets; and 4) programs are efficiently and effectively carried out in accordance with applicable laws and management policies. Our Management Control Review Committee ensures our compliance with FMFIA and other related legislative and regulatory requirements.

We continued to make strides implementing Enterprise Risk Management (ERM) at the RRB by leveraging the Management Control Review (MCR) infrastructure already in place. We previously reported progress in fiscal year 2020, where we successfully incorporated an ERM based reporting structure into the MCR guide, which enhanced our ability to identify potential events that may affect the agency and manage the related risks within our risk appetite. In fiscal year 2021, we fully implemented ERM into the MCR reporting process with risk assessments based on likelihood, impact, and control effectiveness and trained responsible officials on the new process. In fiscal year 2022, we entered year two of full ERM implementation and our efforts to strengthen our internal control environment were recognized by RRB's OIG through closure of Audit Report No. 18-07, Recommendation No. 1. We are committed to strong internal controls and will continue refining and enhancing our MCR/ERM program.

Financial Statement Audit

The RRB's Office of Inspector General (OIG) contracted with RMA Associates LLC (RMA) to render audit opinions on RRB's fiscal year 2022 consolidated financial statements and on Internal Control Over Financial Reporting. We expect to again receive a Disclaimer of Opinion on RRB's fiscal year 2022 financial statements as of and for the year ended September 30, 2022, due to lack of access to the National Railroad Retirement Investment Trust (NRRIT) or NRRIT's auditors for the purposes of conducting RRB's consolidated financial statement audit pursuant to American Institute of Certified Public Accountants auditing standards. Additionally, RMA will issue a Disclaimer of Opinion on RRB's fiscal year 2022 Internal Control over Financial Reporting (ICOFR) based, in part, on the same matter and on other material weaknesses that reportedly exist.

As previously communicated to the OIG and now RMA, the Railroad Retirement and Survivors' Improvement Act of 2001 (the Act) states that NRRIT is not a department, agency, or instrumentality of the Federal Government, and is not subject to Title 31 of the U.S. Code. The Act further states that the NRRIT shall annually engage an independent qualified public accountant to audit the financial statements of the NRRIT, and shall transmit the audited financial statements, together with an Annual Management Report, to Congress and the Executive branch. There is no other legal basis or requirement for NRRIT to provide financial information to another party outside of that which is specified in the Act.

The Agency will continue to cooperate with the RMA and provide all NRRIT related information within its possession which the RMA requests. The RRB does not have the authority to compel the NRRIT auditors to provide their work papers to, or speak with, the RMA. We have provided the RMA access to NRRIT related information in accordance with the 2002 Memorandum of Understanding between the RRB, NRRIT, Department of the Treasury and the Office of Management and Budget[1] and all other information related to NRRIT in our possession and control that the RMA requested in support of its audit.

Pursuant to implementation of the Statement of Federal Financial Accounting Standards 47 (SFFAS 47), effective in fiscal year 2018, the Office of Management and Budget (OMB), the Department of the Treasury (Treasury), and the United States Government Accountability Office (GAO) determined that the NRRIT will be classified as a consolidation entity, for the purposes of the governmentwide financial statements. Based upon this determination, NRRIT's Net Asset Value must be included within RRB's Balance Sheet, even though the NRRIT is independent from the RRB and is a non-governmental entity. In accordance with the SFFAS 47 determination, the NRRIT and GAO signed a Memorandum of Understanding (MOU) in October 2018 that provided the GAO access to information necessary to support inclusion of the NRRIT's financial information in the governmentwide financial statements starting in fiscal year 2018. [2] The RRB was not a party to this agreement.

Again, the RRB does not have authority to compel the NRRIT auditors to provide their work papers or speak with RRB's auditors. Until additional guidance is issued this reported material weakness will exist due to an inability for the auditors to perform the audit procedures required by AICPA AU-C Section 600B *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).*

For fiscal year 2022, the RMA asserts that 9 material weaknesses and 1 non-compliance with laws and regulations reportedly exist. The RRB adamantly disagrees and non-concurs with RMA's assertion that 9 material weaknesses and 1 non-compliance existed as of and for the year then ended September 30, 2022, please refer to RRB's Management Response accompanying the auditor's report in the Financial Section of this Performance and Accountability Report.

Federal Information Security Modernization Act

During fiscal year 2022, the RRB continued to build upon its successes in improving the security posture of the agency. All selected cloud environments, namely IBM zCloud, and Microsoft's (MS) Azure and MS M365 clouds received full Authorities to Operate (ATOs). Additionally, the RRB completed its implementation of shared cybersecurity services for Continuous Diagnostic and Mitigation (CDM), and its modernization of its intrusion detection system. Implementation of the federally directed zero trust architecture strategy continued in fiscal year 2022, with the RRB implementing many controls using tools and services available in MS Azure and M365 cloud

1 MOU for the *Budgetary, Accounting, and Financial Reporting Responsibilities Respecting Assets Held by the National Retirement Investment Trust* entered into by the RRB, NRRIT, Department of the Treasury (Treasury), Office of Management and Budget (OMB), October 2002 (on file at RRB).
2 MOU for the *NRRIT Inclusion in Government-Wide financial Statements and GAO Access to Information,* entered into by the National Railroad Retirement Investment Trust (NRRIT) and the U.S. Government Accountability Office (GAO), dated October 31, 2018 (on file at RRB).

environments. These actions directly and strongly impacted our ability to improve the overall risk management posture for the agency. Through these efforts, we addressed and closed 21 POAMs and 23 OIG findings during fiscal year 2022. As the RRB continues to develop and implement its IT modernization initiatives, we will proactively address the remaining findings and recommendations in order to improve the Agency's security posture and to sustain at acceptable levels.

Preliminary audit results for the fiscal year 2022 FISMA audit indicate that Kearney & Company will assess our overall maturity at Level 2 – Defined, maintaining the rating from 2021. It is important to note the fiscal year 2022 FISMA Audit was significantly modified in scope due to changes pursuant to the Core Inspector General (IG) Metrics for fiscal year 2022 as determined pursuant to OMB Memorandum, M-22-05, *Fiscal Year 2021-2022 Guidance on Federal Information Security and Privacy Management Requirements.* Much of the success the RRB realized in the implementation of new services and achievement of full authorities was not part of the measured scope of the fiscal year 2022 FISMA audit. The RRB successfully conducted two full disaster recovery tests during the fiscal year, but that significant achievement bore minimal impact on the fiscal year 2022 FISMA scores. The RRB will continue to work to maximize its performance against the measured controls as it continues to modernize its enterprise. The RRB will continue to make incremental steps to reach the overall maturity goal of Level 4 – Managed and Measurable.

Financial Management Systems Strategy

The RRB is committed to an integrated and automated financial management system that focuses on the agency's mission and accountability. Our goals are to (1) achieve compliance with applicable laws, regulations, standards and requirements; (2) identify requirements for financial systems support; (3) improve and facilitate user access to financial information; (4) reduce redundant data entry, storage and processing; and (5) improve security, control and disaster recovery capability for information processed and stored on remote servers, mainframe, local area network and personal computer systems.

The RRB's financial management system is a comprehensive proprietary software application from CGI Federal – Momentum Enterprise Solution – that resides on a cloud hosting service. The RRB's system is referred to as the Financial Management Integrated System (FMIS). Momentum meets the core financial system requirements set by the Financial Systems Integration Office (FSIO) and is Federal Enterprise Architecture compliant. The hosting service is also provided by CGI Federal which is a commercial shared service provider for financial system services. Its cloud system has achieved compliance with the General Services Administration's (GSA) FedRAMP security requirements and is an authorized cloud service provider. As such, FMIS is separate and distinct from RRB's internally managed Agency Enterprise General Information Systems (AEGIS), Benefit Payment Operations (BPO) and Financial Interchange (FI) system.

FMIS supports the RRB's budget formulation and execution, general ledger and trust fund accounting, procurement, contract management, fixed assets, accounts payable and both administrative and program accounts receivable requirements. In order to facilitate meeting the Integrated Award Environment (IAE) initiative managed by GSA, Unique Entity Identifier (UEI) as well as additional mandatory enhancements, the RRB has contracted with CGI Federal to upgrade the FMIS software (Momentum Financials) from version 7.6 to version 7.9. The upgraded version went live March 31, 2022.

The RRB currently utilizes both commercial and Federal shared service providers for other E-Government functions, including payroll (GSA), travel (CWTSatoTravel) and employee relocation services (Bureau of the Fiscal Service). The RRB's human resources shared service provider is IBM (i.e. GSA, RRB's previous provider, transitioned the functions to IBM in FY 2019). The payroll and travel functions are integrated with FMIS through electronic interfaces.

Forward-Looking Information

Information Technology Modernization

Our mission essential programs are straining under the burden of being maintained by legacy computer systems built 40 years ago. To continue providing the excellent service to our beneficiaries, our IT modernization efforts are being leveraged to transform these legacy systems and build modern digital services while safeguarding information anywhere, anytime, in all ways throughout the information life cycle. As part of modernization, we have the opportunity to leverage more efficient and effective technologies that will positively impact our infrastructure and use of software applications and data to provide timely and accurate services to our customers. The modernization will require an updated architecture to directly address our service delivery from a managed cloud services perspective. With ever increasing IT security and privacy risks, we aim to make our systems and processes more robust with advanced privacy and security controls. This IT modernization is a three-phased, iterative and incremental approach to confirm program integrity and meet operational performance standards, all while improving our customer's experiences with our services.

In fiscal year 2021, we took a new strategic direction and transitioned the RRB's computer mainframe operations, located at RRB's Data Center and disaster recovery site to IBM operations on the IBM zCloud for Government. The transition provides RRB optimization of mainframe operations and enables further Information Technology Modernization and Application Modernization. In fiscal year 2022, we completed the final phase of the RRB Data Center Mainframe Migration to the IBM Cloud project. We also initiated in FY 2021 and completed in FY 2022, the migration to cloud email through Microsoft's cloud solution (M365). In addition, we implemented Microsoft Teams, SharePoint Online, and awarded contracts for the completion of the remaining infrastructure components for the Stabilize Phase, the first of our three-phased strategy – Stabilize | Modernize | Perform.

Additionally, in FY 2022, to strengthen the cybersecurity of the agency and improve information security monitoring, we implemented Continuous Diagnostics and Mitigation (CDM) in partnership with the Department of Homeland Security (DHS) and the Cybersecurity Infrastructure Security Agency (CISA). We also completed full authorities to operate (ATOs) for each new cloud environment. Finally, to transition our telecommunications services from Networx to Enterprise Infrastructure Solutions (EIS), we accomplished all installation efforts except for hardware that was delayed due to global supply chain challenges. In FY 2023, we expect to complete the EIS transition and close the Stabilize Phase, positioning the Agency to enter its Modernize Phase focused on the creation and delivery of citizen-centric online services. These improvements will provide the RRB with the opportunity to more efficiently and effectively carry out its mission and serve our citizens.

Human Capital Management

The RRB continues to place emphasis on the strategic management of our human capital, particularly in the areas of workforce planning, knowledge management, training, development, recruitment and succession planning. In this past year, and in order to move the RRB forward in terms of its human capital management, RRB defined, refined and redefined personnel practices and policies to ensure employee performance is tied to and otherwise aligned with the effective and efficient accomplishment of the RRB's mission and our commitment to the railroad public we serve. We have done so by developing, procuring or maximizing human capital technologies, streamlining human capital practices, and branding our recruitment strategies and efforts. We continue to evaluate human capital efforts to ensure we maintain a developed, diverse, inclusive, engaged and accountable workforce and seek industry benchmarks and practices so as to develop and train our employees and supervisors both in technical and soft skills in alignment with our agency mission, values and goals.

Summary of Actuarial Forecast

The Statement of Social Insurance (SOSI) presents an actuarial analysis of the financial position of the railroad retirement system as of October 1, 2021, under our intermediate employment assumption. The Required Supplementary Information presents sensitivity analyses showing the impact of changes in employment and investment return assumptions. Although under our intermediate assumption no cash flow problems arise during fiscal years 2022-2096, the sensitivity analyses show that, under the current financing structure, actual levels of railroad employment and investment return over the coming years will determine whether additional corrective action is necessary.

Section 7105 of the Technical and Miscellaneous Revenue Act of 1988 requires the RRB to submit an annual report to Congress on the financial status of the railroad unemployment insurance system. Projections were made for the various components of income and outgo under each of three employment assumptions for the 11 fiscal years 2022-2032. The results indicate that experience-based contribution rates will respond to fluctuating employment and unemployment levels and, with short-term borrowing, will maintain the solvency of the Railroad Unemployment Insurance Account (RUIA).

Due to the pandemic and its impact on unemployment and sickness claims, the Railroad Retirement Account extended $120 million in loans to the RUIA during 2020 and early 2021, as provided for by Section 10(d) of the Railroad Unemployment Insurance Act. The system resolves itself when excess RUIA taxes are collected through a combination of experience rating surcharges and lower unemployment/sickness benefits. Based on the June 2022 Section 7105 Report, these outstanding loans are expected to be repaid by the end of fiscal year 2022, although experience may be worse than projected. Under the pessimistic assumption, there is the possibility of a short-term loan in fiscal year 2027 that will be repaid in the same fiscal year.

Limitations of the Financial Statements

The limitations of the principal financial statements are as follows:

The principal financial statements are prepared to report the financial position and results of operations of the reporting entity, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from the books and records of the entity in accordance with Federal Generally Accepted Accounting Principles and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government.

PERFORMANCE SECTION
(Unaudited)

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PERFORMANCE SECTION (Unaudited)

Government Performance and Results Act Report

The following performance report is based on the major goals and objectives for fiscal year 2022 from the RRB's Annual Performance Plan. The indicators we developed support our mission and communicate our intentions to meet challenges and seek opportunities for greater efficiency, effectiveness and economy.

To achieve our performance goals, the RRB holds managers accountable for achieving program results and improving program effectiveness by focusing on results, service quality and customer satisfaction. In addition, the annual performance plan is used to help managers improve service delivery by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality. To provide reasonable assurance that the reported performance information is relevant and reliable, performance goals are incorporated into performance standards for managers and supervisors and monitored on an agency-wide basis.

The following is a consolidated presentation of our actual performance for fiscal years 2019 through March 31, 2022 (except as noted), followed by a discussion of our unmet performance goals and objectives for fiscal year 2021. At the time this report was prepared, actual fiscal year 2022 information was unavailable. Unmet fiscal year 2022 goals and indicators will be presented in next year's report. This performance report was prepared by RRB employees.

Railroad Retirement Board Fiscal Year 2022 Performance Plan	**2019 Actual (At $123.5m [2/])**	**2020 Actual (At $123.5m [3/])**	**2021 Actual (At $123.5m [4/])**	**2022 Planned [1/] (At $123.5m)**	**2022 Actual [1/] (At $124.0m [5/6/])**
STRATEGIC GOAL I: Modernize Information Technology (IT) Operations to Sustain Mission Essential Services					
Strategic Objective: Legacy Systems Modernization Goal leader: Terryne F. Murphy, Chief Information Officer					
I-A-1. Prepare to consolidate and rationalize applications to improve the effectiveness and efficiency of mission essential functions.	New Goal for FY 2021	New Goal for FY2021	Azure Migration: 100%	Azure Migration: 100%	Goal Complete
I-A-2. Evaluate the results of the customer surveys obtained through the LSMS re-engineering assessment contract deliverable to identify and deliver a broader range of online citizen centric services that will specifically address our customer's expectations and improve overall customer service.	New Goal for FY 2021	New Goal for FY 2021	100%	Goal Complete	Goal Complete
I-A-3. Transition Mission Essential Programs from the End-of-Life Mainframe hardware.	10%	50%	100%	Goal Complete	Goal Complete

Railroad Retirement Board Fiscal Year 2022 Performance Plan	**2019 Actual (At $123.5m [2/])**	**2020 Actual (At $123.5m [3/])**	**2021 Actual (At $123.5m [4/])**	**2022 Planned [1/] (At $123.5m)**	**2022 Actual [1/] (At $124.0m [5/6/])**
I-A-4. Evaluate the re-engineering assessment contract deliverable and determine a modernization path forward consistent with agency priorities and within available funding to address mission critical functions.	New Goal for FY2021	New Goal for FY 2021	100%	Goal Complete	Goal Complete
I-A-5. Enhance infrastructure components to stabilize the information systems and the related ecosystems to prepare for the modernize phase.	New Goal For FY 2021	New Goal for FY2021	100%	100%	Goal Complete
I-A-6. Complete the development of business rules strategy and data layer components of the modernization.	New Goal for FY2022	New Goal for FY2022	New Goal for FY2022	75%	25%
I-A-7. Deliver citizen-centric services and applications to railroad employees through mobile- and web-ready interfaces.	New Goal for FY2022	New Goal for FY2022	New Goal for FY2022	50%	0
I-A-8. Complete the streamlining of core business processes and modernize key applications, which support these processes.	New Goal for FY2022	New Goal for FY2022	New Goal for FY2022	25%	0
I-A-9. Refine critical management processes in the following areas within the IT organization: change, project, program and configuration.	New Goal for FY2022	New Goal for FY2022	New Goal for FY2022	100%	50%
I-A-10. Evaluate the reengineering assessment deliverables to determine a cost effective path forward to application rationalization and streamline business processes.	New Goal for FY2022	New Goal for FY2022	New Goal for FY2022	25%	50%

Railroad Retirement Board Fiscal Year 2022 Performance Plan	**2019 Actual (At $123.5m [2/])**	**2020 Actual (At $123.5m [3/])**	**2021 Actual (At $123.5m [4/])**	**2022 Planned [1/] (At $123.5m)**	**2022 Actual [1/] (At $124.0m [5/6/])**
STRATEGIC GOAL II: Provide Excellent Customer Service					
Strategic Objective: Pay benefits timely. Goal leader for objectives II-A-1 through II-A-5; II-A-7 and II-A-8: Arturo Cardenas, Director of Programs Goal leader for objective II-A-6: Mark Blythe, Director of Field Service Goal leader for objective II-A-9: Spiridoula Mavrothalasitis, Director of Hearings and Appeals					

Railroad Retirement Board Fiscal Year 2022 Performance Plan	**2019 Actual (At $123.5m 2/)**	**2020 Actual (At $123.5m 3/)**	**2021 Actual (At $123.5m 4/)**	**2022 Planned 1/ (At $123.5m)**	**2022 Actual 1/ (At $124.0m 5/6/)**
II-A-1. RRB makes a decision to pay or deny a railroad retirement employee or spouse initial annuity application within 35 days of the annuity beginning date, if advanced filed. (Measure: % ≤ 35 days)	95.4%	96.4%	97.0%	94.0%	96.6%
II-A-2. RRB makes a decision to pay or deny a railroad retirement employee or spouse initial annuity application within 60 days of the date the application was filed. (Measure: % ≤ 60 days)	96.5%	97.5%	97.0%	94.0%	95.7%
II-A-3. RRB makes a decision to pay, deny or transfer to SSA an initial annuity application for a railroad retirement survivor not already receiving a benefit within 60 days of the annuity beginning date, or date filed (whichever is later). (Measure: % ≤ 60 days)	96.0%	95.0%	92.2%	94.0%	88.2%
II-A-4. RRB makes a decision to pay, deny or transfer to SSA an initial annuity application for a railroad retirement survivor already receiving benefits as a spouse within 30 days of the RRB's receipt of first notice of the employee's death. (Measure: % ≤ 30 days)	96.6%	95.2%	94.8%	94.0%	93.8%
II-A-5. RRB makes a decision to pay or deny a lump sum death benefit within 60 days of the date the application was filed. (Measure: % ≤ 60 days)	97.3%	97.3%	95.0%	96.0%	92.6%
II-A-6. RRB certifies a payment or releases a letter of denial of UI or SI benefits within 10 days of the date RRB receives the claim. (Measure: % ≤ 10 days)	99.9%	99.9%	99.9%	98.5%	99.9%
II-A-7. RRB makes a decision to pay or deny a benefit for a disabled applicant or family member within 100 days of the date the application is filed. (Measure: % ≤ 100 days)	12.5%	13.5%	18.6%	70.0%	12.6%

Railroad Retirement Board Fiscal Year 2022 Performance Plan	**2019 Actual (At $123.5m [2/])**	**2020 Actual (At $123.5m [3/])**	**2021 Actual (At $123.5m [4/])**	**2022 Planned [1/] (At $123.5m)**	**2022 Actual [1/] (At $124.0m [5/6/])**
II-A-8. RRB makes a payment to a disabled applicant within 25 days of the date of decision or earliest payment date, whichever is later. (Measure: % ≤ 25 days)	85.2%	88.5%	87.5%	92.0%	87.1%
II-A-9. Reduce the number of days elapsed between the date the appeal is filed and a decision is rendered. (Measure: average elapsed days)	207	205	208	207	178
Strategic Objective: Provide a range of choices in service delivery methods. Goal leader: Arturo Cardenas, Director of Programs					
II-B-1. Offer electronic options to our customers, allowing them alternative ways to perform primary services via the Internet or interactive voice response systems. (Measure: Number of services available through electronic media)	19 services available	19 services available	19 services available	23 services available	19 services available
II-B-2. Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act. a) Employers using ERS:	99.2%	98.9%	99.1%	99.0%	99.5%
(Measures: percentage of employers who use electronic media to file reports; number of services available through electronic media) b) Internet services:	30 Internet services available	30 Internet services available	30 Internet services available	31 Internet services available	30 Internet services available

Railroad Retirement Board Fiscal Year 2022 Performance Plan	**2019 Actual (At $123.5m [2/])**	**2020 Actual (At $123.5m [3/])**	**2021 Actual (At $123.5m [4/])**	**2022 Planned [1/] (At $123.5m)**	**2022 Actual [1/] (At $124.0m [5/6/])**
STRATEGIC GOAL III: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources					
Strategic Objective: Ensure that trust fund assets are protected, collected, recorded, and reported appropriately. Goal leader: Shawna R. Weekley, Chief Financial Officer					

Railroad Retirement Board Fiscal Year 2022 Performance Plan		**2019 Actual (At $123.5m [2/])**	**2020 Actual (At $123.5m [3/])**	**2021 Actual (At $123.5m [4/])**	**2022 Planned [1/] (At $123.5m)**	**2022 Actual [1/] (At $124.0m [5/6/])**
III-A-1. Debts will be collected through billing, offset, reclamation, referral to outside collection programs, and a variety of other collection efforts. (Measure: total overpayments recovered in the fiscal year / total overpayments established in the fiscal year.)		91.70%	95.18%	88.68%	85.00%	89.46%
Strategic Objective: Ensure the accuracy and integrity of benefit programs. Goal leader III-B-1(a)(b) and III-B-3, 4, and 5: Arturo Cardenas, Director of Programs Goal leader III-B-2a: Mark Blythe, Director of Field Service Goal leader III-B-2b: Micheal Pawlak, Director of Unemployment Payment Support Division						
III-B-1. Achieve a railroad retirement benefit payment accuracy rate [8/] of at least 99%. (Measure: percent accuracy rate)	a) Initial payment	99.83%	99.57%	99.79%	99.50%	99.82%
	b) Sample post	99.97%	Not Applicable Post Study Canceled	99.59%	99.50%	99.29%
III-B-2. Achieve a railroad unemployment/sickness insurance benefit payment accuracy rate [8/] of at least 99%. (Measure: percent accuracy rate)	a) Unemploy-ment	96.23%	96.62%	97.58%	95.50%	93.97%
	b) Sickness	97.93%	97.88%	97.38%	95.00%	97.32%
III-B-3. Overall Initial Disability Determination Accuracy. (Measure: % of Case Accuracy)		73.60%	86.10%	Not Available	95.00%	Not Available
III-B-4. Maintain the level of RRA improper payments below the OMB threshold. (Measure: prior to fiscal year 2014, below 2.5%; beginning fiscal year 2014, below 1.5%)		Not Applicable Reporting Relief [7/]	Not Applicable Reporting Relief [7/]	Not Applicable Reporting Relief [7/]	Not Applicable Reporting Relief [7/]	Not Applicable Reporting Relief [7/]

Railroad Retirement Board Fiscal Year 2022 Performance Plan	**2019 Actual (At $123.5m [2/])**	**2020 Actual (At $123.5m [3/])**	**2021 Actual (At $123.5m [4/])**	**2022 Planned [1/] (At $123.5m)**	**2022 Actual [1/] (At $124.0m [5/6/])**
III-B-5. Achieve a return of at least $3.60 for each dollar spent on program integrity activities. (Measure for fiscal year 2011: recoveries and savings per dollar spent. Measure for fiscal years 2012 and following: recoverables and savings per dollar spent).	$6.66: $1.00	$6.03: $1:00	$7.38: $1.00	$3.85: $1.00	Not Available
Strategic Objective: Ensure effectiveness, efficiency, and security of operations. Goal leader: Terryne F. Murphy, Chief Information Officer					
III-C-1. Complete modernization of RRB processing systems in accordance with long-range planning goals.	Complete	Complete	Complete	Complete	Complete
III-C-2. Deliver – Deliver on Budget. Percent of IT Projects costs within 10% of budgeted costs.	100%	100%	100%	85%	100%
III-C-3. Deliver – Meet Customer Expectations. RRB.gov online services, continuous availability experienced by end users. a. Continuous availability target	98.99%	99.31%	98.80%	99.00%	99.64%
b. Hours of outage allowed per month	7.38 hours	4.83 hours	8.83 hours	7 hours	2.5 hours
III-C-4. Innovate – Design for Modularity. Strategy for Continuity of Operations Improvements.	Cloud based enterprise test lab: No.	Cloud based enterprise test lab: No.	Microsoft Azure Cloud: Yes.	Microsoft Azure Cloud: Yes.	Microsoft Azure Cloud: Yes.
III-C-5. Innovate – Adopt New Technologies. Percentage of investments that evaluated cloud alternatives.	100%	100%	100%	100%	100%
III-C-6. Protect – Email Data Loss Prevention. Percentage of externally bound emails and their attachments automatically encrypted that contain personally identifiable or credit card information.	100%	100%	100%	100%	100%

Railroad Retirement Board Fiscal Year 2022 Performance Plan	**2019 Actual (At $123.5m [2/])**	**2020 Actual (At $123.5m [3/])**	**2021 Actual (At $123.5m [4/])**	**2022 Planned [1/] (At $123.5m)**	**2022 Actual [1/] (At $124.0m [5/6/])**
III-C-7. Protect – Percentage of agency employees required to use a Personal Identity Verification card to authenticate.	73%	Unprivileged Users>66% Privileged Users 63%	Unprivileged Users>54% Privileged Users 98%	Unprivileged Users>85% Privileged Users 100%	Unprivileged Users>51% Privileged Users 100%
Strategic Objective: Effectively carry out responsibilities with respect to the National Railroad Retirement Investment Trust. Goal leader: Ana M. Kocur, General Counsel					
III-D-1. Timely review information reported by the National Railroad Retirement Investment Trust to carry out RRB's oversight responsibility under section 15(j) (5) (F) of the Railroad Retirement Act. Reports are to be reviewed within 30 days of receipt. (Measure: Yes/No)	Yes	Yes	Yes	Yes	Yes

Footnotes:

1/ Planned amounts reflect the fiscal year 2022 performance targets shown in the RRB's Congressional Justification of Budget Estimates, released on March 28, 2022. Unless otherwise noted, actual results represent status as of March 31, 2022, and as reported in the RRB's FY 2024 Budget Submission, dated September 12, 2022.

2/ Public Law 115-245, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019, provided $123,500,000 in funding and includes $10,000,000 devoted specifically to RRB information technology investment initiatives. The $10,000,000 will remain available until expended.

3/ Public Law 116-94, the Further Consolidated Appropriations Act, 2020, provided $123,500,000 in funding and includes $10,000,000 devoted specifically to RRB information technology investment initiatives. The $10,000,000 will remain available until expended.

4/ Public Law 116-260, the Consolidated Appropriations Act, 2021, provided $123,500,000 in funding and includes $9,000,000 devoted specifically to RRB information technology investment initiatives. The $9,000,000 will remain available until expended.

5/ Public Law 117-103, the Consolidated Appropriation Act, 2022, provided $124,000,000 in funding.

6/ Fiscal year 2022 actual results represent status as of March 31, 2022 (except as noted).

7/ In FY 2018, OMB granted reporting relief for the RRA program because the improper payment analysis demonstrated it consistently fell below the thresholds for significant improper payments. The RRA program went into a three-year risk assessment cycle. In FY 2020, a risk assessment was conducted and found that the RRA program continued to fall below the thresholds for significant improper payments and another three-year risk assessment cycle began, now known as Phase 1. The RRA program is scheduled to conduct another risk assessment in FY 2023 and is expected to remain below the statutory thresholds for significant improper payments and stay in Phase 1.

8/ The payment accuracy rate is the percentage of dollars paid correctly as a result of adjudication actions performed.

Discussion of Unmet Performance Goals and Indicators for Fiscal Year 2021

INDICATOR	*DISCUSSION OF VARIANCE*
Performance Indicator II-A-3: RRB makes a decision to pay, deny or transfer to SSA an initial annuity application for a railroad retirement survivor not already receiving a benefit within 60 days of the annuity beginning date, or date filed (whichever is later). (Measure: % ≤ 60 days) Our fiscal year 2021 goal was 94.0%, and the actual was 92.2%.	RSBD's Survivor Initial Section (SIS) is currently staffed with new and inexperienced initial claims examiners who completed initial training in August 2020. These new examiners represent half of the entire SIS examining staff, which contributed to delays in application processing for this timeliness performance metric.
Performance Indicator II-A-5: RRB makes a decision to pay or deny a lump sum death benefit within 60 days of the date the application was filed. (Measure: % ≤ 60 days) Our fiscal year 2021 goal was 96.0%, and the actual was 95.0%.	RSBD's Survivor Initial Section (SIS) is currently staffed with new and inexperienced initial claims examiners who completed initial training in August 2020. These new examiners represent half of the entire SIS examining staff, which contributed to delays in application processing for this timeliness performance metric.
Performance Indicator II-A-7: RRB makes a decision to pay or deny a benefit for a disabled applicant or family member within 100 days of the date the application is filed. (Measure: % ≤ 100 days) Our fiscal year 2021 goal was 70.0%, and the actual was 18.6%.	DBD did not reach its goal of 70% initial filings rated within 100 days due to DBD's significant reduction of cases with older filing dates. At the end of the fiscal year, DBD had eliminated 2017 filings and only 21 cases remained with filing dates from 2018, which is an 82.93% decrease. DBD did increase the percentage of cases rated within 100 days in FY21 compared to prior fiscal years by more than 5% and improved the average processing time by more than 30 days. The team will continue to prioritize current calendar year pending, considering at the start of the fiscal year approximately 73% of the pending work had filing dates in 2021 per the workload management tool, USTAR.

INDICATOR	*DISCUSSION OF VARIANCE*
Performance Indicator II-A-8: RRB makes a payment to a disabled applicant within 25 days of the date of decision or earliest payment date, whichever is later. (Measure for fiscal year 2008: % ≤ 20 days. Measure for fiscal year 2009 and later: % ≤ 25 days). Our fiscal year 2021 goal was 92.0%, and the actual was 87.5%.	This payment goal is shared by both RBD and SBD. The survivor disability initial application volume represents on average approximately 10% of the initial disability applications received annually. Since the SBD volume is small, one missed payment can lower the overall payment percentage. Both RBD and SBD were staffed with new initial claims examiners that completed initial training in August 2020. The initial trainees were inexperienced in adjudicating initial RBD and SBD disability cases. This resulted in a larger volume of inexperienced retirement and survivor initial claims examiners responsible for adjudicating these cases. Legal partition/garnishment adjustments also have a direct impact on RBD's ability to award initial disability payments timely. Due to the nature of the legal partition/garnishment work it's processed in the RBD Legal Partition/Garnishment Unit and requires additional processing, which cannot be handled by a GS-8 initial retirement claims examiner. The Legal Partition/Garnishment Unit in RBD remains understaffed. RSBD is required to confirm annuitant addresses and direct deposit information prior to finalizing the payment award if the application filing date is six months or older. The majority of disability applications are rated after the six-month timeframe.
Performance Indicator II-B-1: Offer electronic options to our customers, allowing them alternative ways to perform primary services via the Internet or interactive voice response systems. (Measure: Number of services available through electronic media) Our fiscal year 2021 goal was 23 services available, and the actual was 19 services available.	Policy and Systems did not reach the projected goal of 23 internet services available for FY 2021 due to higher priority projects including CARES, CARWA, and ARP Acts, as well as zCloud and Azure Cloud migrations.
Performance Indicator III-C-3 Deliver – Meet Customer Expectations. RRB.gov online services, continuous availability experienced by end users. a. Continuous availability target b. Hours of outage allowed per month Our fiscal year 2021 goal was 7 hours, and the actual was 8.83 hours.	Variance due to outages necessary to complete the agency's Mainframe Migration to the zCloud.

INDICATOR	*DISCUSSION OF VARIANCE*
Performance Indicator III-C-7. Protect – Percentage of agency employees required to use a Personal Identity Verification card to authenticate. Our fiscal year 2021 goal was: Unprivileged Users>85%; Privileged Users 100%. Our fiscal year 2021 actual was: Unprivileged Users 58%; Privileged Users 98%	Variance due to unforeseen challenges due to the pandemic and employee's ability to consistently visit a credentialing center as before the pandemic started. These challenges caused some of our users to be un-enforced, which resulted in 58% for unprivileged network users. We started using a different solution called CyberArk for tracking and protecting the network for privileged network users. This increased the agency's enforcement of privileged users from the previous fiscal year.

Program Evaluations

PROGRAM EVALUATION	*RESULTS IN FISCAL YEAR 2022*
Federal Managers' Financial Integrity Act Reports	See "Analysis of Systems, Controls and Legal Compliance" in the "Management's Discussion and Analysis" section.
Annual actuarial report required by the Railroad Retirement Act of 1974 and the Railroad Retirement Solvency Act of 1983	The report, which was completed in June 2020, concludes that, barring a sudden, unanticipated, large drop in railroad employment or substantial investment losses, the railroad retirement system will experience no cash flow problems during the next 25 years under any of the three employment assumptions. The report did not include any recommendations for financing changes.
Railroad Unemployment Insurance System, annual report required by section 7105 of the Technical and Miscellaneous Revenue Act of 1988	The report, which was released in June 2020, addresses the 11 fiscal year period 2020 through 2030. The report indicated that even as maximum benefits are expected to increase 44 percent from 2019 to 2030, except for small short-term cash flow problems in fiscal years 2020-2022, experience-based contribution rates are expected to keep the unemployment insurance system solvent. The report did not include any recommendations for financing changes at this time.
Customer service performance reports	The RRB continuously monitors the timeliness and accuracy of our performance in managing program workloads. These results are reflected in the performance objectives shown in the charts within this Performance Section, and published on our website at www.RRB.gov.
Program integrity report	Our most recent program integrity report was for fiscal year 2021. It showed that program integrity activities resulted in the establishment of about $12.5 million in recoverables, benefit savings of $1.9 million, and 43 cases referred to the Office of Inspector General.
Quality assurance reviews and special studies	RRA and RUIA adjudicative and payment accuracy is measured in regular diagnostic reviews conducted by quality assurance staff within the RRB's Program Evaluation and Management Services (PEMS) component. Initial disability determination accuracy is evaluated by quality assurance staff within PEMS and by an external contractor (Juncture). PEMS also evaluates policies and processes through special studies, as needed. PEMS reports to the Director of Programs.

PROGRAM EVALUATION	*RESULTS IN FISCAL YEAR 2022*
Occupational disability reviews	Advisory doctors, representing the rail industry (labor and management), are authorized by law to review agency medical decisions. Case review audits were completed in 2000, 2008, and 2018.
Performance budget monitoring	Results of performance budget monitoring are shown in the chart of performance objectives on the following pages. Actual performance data are reviewed, validated and certified prior to inclusion in this report. Validation and certification processes are documented as part of the RRB's management control review process.
Computer security and privacy assessment	RRB continues to make progress toward achieving full certification and compliance with the Federal Information Security Management Act (FISMA), Office of Management and Budget directives and National Institute of Standards and Technology guidance for its information systems as evidenced in the documented improvements in FISMA metrics for FY2020.
Electronic government (e-Gov) activities	See pages 53 through 54 of this section.
Payment integrity evaluation	See "Payment Integrity" in the "Other Information" section.
RRB Office of Inspector General audits	See "Inspector General's Statement on Management and Performance Challenges" and "Management's Comments" in the "Other Information" section.

Automation, e-Government and Customer Service Initiatives

As the RRB continues its commitment to accomplish its top priority – the IT Modernization (or RRB Transformation), during fiscal year 2022, there were several enhancements to existing applications, which are intended to incrementally improve the services provided to the US Railroad Industry.

In FY 2022, we continued adoption of the U.S. General Services Administration's (GSA) Login.gov service for identity proofing and multi-factor authentication at the RRB. The Login.gov service was invaluable during the COVID-19 pandemic, as it allowed claimants to verify their identity online and immediately apply for unemployment benefits, or file claims for unemployment and sickness benefits, without calling, mailing forms, or visiting offices. Login.gov seamlessly scaled up to accommodate increased traffic and usage due to the pandemic and extended periods of unemployment, to meet the needs of claimants entitled to benefits under the Railroad Unemployment Insurance Act (RUIA), the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES), the Continued Assistance to Railway Workers Act of 2020 (CARWA), and the American Rescue Plan Act of 2021 (ARPA).

SPEED is an automation initiative designed to process post-entitlement annuity adjustments in both retirement and survivor cases that result from excess earnings and work deductions. SPEED allows the RRB to adjust annuity payments for earnings on a timely basis, which minimizes any underpayments or overpayments that may result from changes in earnings. SPEED is being built in a multi-phase approach. However, the agency's re-platforming and engineering projects starting in fiscal year 2020 and fiscal year 2021 have an impact on the SPEED project. In consideration of those two higher priorities, in May 2020, we determined a tentative priority ranking of deliverables for SPEED after the projects are completed. As such, we have deferred the SPEED enhancements until completion of those higher priority projects.

Sequestration of RUIA Benefits

Under provisions of the Budget Control Act of 2011 (BCA), across-the-board cuts in Federal spending took effect March 1, 2013. While railroad retirement, survivor and disability payments are not affected by this measure, unemployment and sickness insurance benefits payable under the RUIA are impacted. Benefits payable October 1, 2019, through September 30, 2020, were reduced by 5.9 percent. The reduction was required by the sequestration order issued by the President in accordance with the BCA. For fiscal year 2021, a sequestration reduction of 5.7 percent was applied starting on October 1, 2020, through January 2, 2021. For fiscal year 2022, due to the pandemic, the sequestration order continued to be temporarily lifted under the Continued Assistance to Railway Workers Act of 2020 for days beginning January 3, 2021, and will be re-instated following the Presidential declaration of the end of the national emergency caused by the same.

Strategic Management of Human Capital

Like many agencies, the RRB has an aging workforce. About 37 percent of our employees have 20 or more years of service and 26 percent of the current workforce will be eligible for retirement by fiscal year 2022. To prepare for the expected turnover, the agency is placing increased emphasis on strategic management of human capital. We have a succession plan in place which includes a workforce analysis that identifies historical data, trends, and projected attrition to evaluate and prioritize future needs and vacancies in our workforce. The results from the workforce analysis form the basis for formulating specific strategies, hiring plans and initiatives that support the agency's succession plan. A methodology for measuring skill gaps continues to be developed. Once final, RRB will utilize our Learning Management System (LMS) to implement the methodology. We have developed a job analysis procedure and outputs to identify critical competencies for every agency position. Competencies will be organized using a newly developed competency model framework that identifies RRB core, technical/position, supervisor/leadership, and executive competencies, and proficiency levels for incumbent job performer success. This process will allow the RRB to continuously and accurately identify skill gaps at the individual level and take the necessary training and development steps to address skill deficiencies.

The Training and Development Section within the Bureau of Human Resources continues to utilize the results from training needs assessments and surveys to assist in prioritizing the RRB's training needs. We are also making use of technology in this area, utilizing the LMS, an internet-based program which effectively formalizes many aspects of training for all agency employees, while also providing self-assessments to the student and feedback to supervisors on their progress. In addition, our Field Service supervisors/managers have access to the latest webinar technology to facilitate the remote training of new employees, as well as the ongoing training of experienced field staff.

The Workforce Organization Management Section (WOMS) identifies appropriate target markets for our recruitment efforts to ensure we receive applications from a talented and diverse pool of applicants. Through USAJOBS, we have been able to reach candidates from many sectors. We also utilize different recruitment strategies, like resume mining and targeted advertising, to ensure we are attracting quality candidates.

Information Security Program

We continue to make progress towards a compliant Information Security program to improve the RRB's security posture. RRB has implemented an Information Security Continuous Monitoring (ISCM) Strategy as outlined in OMB Memorandum M-20-04, *Fiscal Year 2019-2020 Guidance on Federal Information Security and Privacy Management Requirements*. This strategy addressed the gaps in the Information Security program. We partnered with the Department of Homeland Security (DHS) in the Continuous Diagnostic and Mitigation (CDM) program and continue by participating the CDM Dynamic and Evolving Federal Enterprise Network Defense (DEFEND) program. This partnership with DHS further improves our Information Security continuous monitoring compliance towards vulnerability assessment, hardware and software management, configuration management, and privileged account management. The RRB continues to employ the DHS EINSTEIN-3 Accelerated (E3A) toolset that ensures all of the Domain Name System (DNS) and Simple Mail Transfer Protocol (SMTP) are monitored by these services as we migrated to Microsoft Exchange Online.

We continue to manage the risk of the critical infrastructure considering asset management, remote access, identity management, and network protection. Specifically:

- Assessment Management – we have enrolled in the DHS CDM DEFEND program to provide better visibility of current hardware and software and to automatically detect unauthorized hardware and software.
    - The RRB has implemented each of the four phases of the CDM program and is forwarding RRB data to the CDM Federal Dashboard:

    - Hardware Asset Management “HWAM” to provide visibility into all hardware devices on the RRB Network
    - Vulnerability Management “VULN” to provide visibility to known vulnerabilities present on the network
    - Software Asset Management “SWAM” to provide visibility into all software installed on the RRB network.
    - Configuration Settings Management “CSM” to manage configuration settings of assets on the RRB network.

- Identity Management – The RRB enforces multi-factor authentication for general users and have installed a privileged access management system (i.e., CyberArk) for system administrators.

- Remote Access – we deployed managed services for hardware encryption and have upgraded our firewalls to strengthen information security controls for remote access. Note: enforcement of PIV is instrumental for remote access.

- Network Protection – as part of the RRB ISCM strategy, we will continue to improve the Defense in Depth configuration in place, namely the Intrusion Prevention System (IPS), Network Access Control (NAC), and the Security Information and Event Management (SIEM).

- Zero Trust Strategy - the RRB is developing a strategic approach to implementing cybersecurity controls that secures our organization by eliminating implicit trust and continuously validating every stage of network interaction pursuant to MOB Memorandum M-22-09. Rooted in the principle of “never trust, always verify,” the RRB’s Zero Trust strategy will be designed to protect our current environment, and as we modernize, our future environments enabling a digital transformation by using strong authentication methods, leveraging network segmentation, preventing lateral movement, providing layer 7 threat prevention, and simplifying granular, “least access” policies.

FINANCIAL SECTION
(Unaudited)

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RAILROAD RETIREMENT BOARD
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2022 AND 2021
(in dollars)

	(Unaudited) FY 2022	(Unaudited) FY 2021
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$556,363,636	$546,221,190
Investments, net (Note 4)	1,884,879,914	1,819,354,646
Accounts Receivable, net (Note 6)	5,549,647,672	5,313,763,039
Other Assets	2,070,792	928,585
Total Intragovernmental	**$7,992,962,014**	**$7,680,267,460**
Other than intragovernmental:		
Accounts Receivable, net (Notes 6)	72,685,588	62,549,100
General Property, Plant and Equipment, net (Note 7)	2,842,211	1,769,709
NRRIT Net Assets (Note 5)	22,977,127,399	28,484,929,000
Other Assets	5,330	1,354
Total other than intragovernmental	23,052,660,528	28,549,249,163
TOTAL ASSETS	**$31,045,622,542**	**$36,229,516,623**
LIABILITIES		
Intragovernmental:		
Accounts Payable	$534,700,000	$541,940,000
Debt (Note 8)	4,452,546,221	4,605,140,569
Other Liabilities (Note 8)	348,451,334	1,671,920
Total Intragovernmental	**5,335,697,555**	**5,148,752,489**
Other than intragovernmental		
Accounts Payable	4,407,416	6,227,750
Federal employee benefits payable	7,156,646	9,057,555
Benefits Due and Payable	1,198,917,622	1,173,362,943
Other Liabilities (Note 8)	127,651,825	112,915,141
Total other than intragovernmental	1,338,133,509	1,301,563,389
TOTAL LIABILITIES	**$6,673,831,064**	**$6,450,315,878**
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET POSITION		
Unexpended Appropriations - Funds from Dedicated Collections (Note 16)	$958,968	$912,351
Unexpended Appropriations - Funds from other than Dedicated Collections	379,250,400	384,027,969
Total Unexpended Appropriations (Consolidated)	380,209,368	384,940,320
Cumulative Results of Operations - Funds from Dedicated Collections (Note 16)	23,985,985,671	29,388,686,214
Cumulative Results of Operations - Funds from other than Dedicated Collections	5,596,439	5,574,211
Total Cumulative Results of Operations (Consolidated)	23,991,582,110	29,394,260,425
TOTAL NET POSITION	**24,371,791,478**	**29,779,200,745**
TOTAL LIABILITIES AND NET POSITION	**$31,045,622,542**	**$36,229,516,623**

The accompanying notes are an integral part of these statements.

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENTS OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(in dollars)

	(Unaudited) FY 2022	(Unaudited) FY 2021
Gross Program Costs		
Railroad Retirement Program		
Gross costs	$13,698,874,736	$13,428,744,358
Less: earned revenue	13,263,272	15,214,248
Net program costs	13,685,611,464	13,413,530,110
Railroad Unemployment and Sickness Insurance Program		
Gross costs	125,370,507	308,628,262
Less: earned revenue	14,930,206	13,534,783
Net program costs	110,440,301	295,093,479
Costs not assigned to programs		
Less: earned revenues not attributed to programs	58,876	58,992
Net cost of operations	**$13,795,992,889**	**$13,708,564,597**

The accompanying notes are an integral part of these financial statements

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(in dollars)

(Unaudited)
FY 2022

	Funds from Dedicated Collections (Consolidated Totals) (Note 16)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$912,351	$384,027,969		$384,940,320
Appropriations received	941,018,759	11,000,000		952,018,759
Other Adjustments	(140,050)	(1,006,753)		(1,146,803)
Appropriations used	(940,832,092)	(14,770,816)		(955,602,908)
Net Change in Unexpended Appropriations	46,617	(4,777,569)		(4,730,952)
Total Unexpended Appropriations	**$958,968**	**$379,250,400**		**$380,209,368**
Cumulative Results from Operations:				
Beginning Balances	$29,388,686,126	$5,574,213		$29,394,260,339
Appropriations used	940,832,092	14,770,816		955,602,908
Non-exchange revenue (Note 25)	6,433,208,868	64,692	(898)	6,433,272,662
Transfers in from NRRIT (Note 10)	1,964,000,000			1,964,000,000
Transfers in/out without reimbursement	4,896,756,564	270,065,496		5,166,822,060
Imputed financing	7,456,545			7,456,545
Change in NRRIT assets	(5,507,801,601)			(5,507,801,601)
Capital Transfers to the General Fund		(270,078,256)		(270,078,256)
Accruals for Capital Transfers to the General Fund	(346,702,099)			(346,702,099)
Gain/(Loss) contingency	(9,257,559)			(9,257,559)
Net Cost of Operations	13,781,193,265	14,800,522	(898)	13,795,992,889
Net Change in Cumulative Results of Operations	**(5,402,700,455)**	**22,226**	**-**	**(5,402,678,229)**
Total Cumulative Results of Operations	**23,985,985,671**	**5,596,439**		**23,991,582,110**
Net Position	**$23,986,944,639**	**$384,846,839**		**$24,371,791,478**

The accompanying notes are an integral part of these statements.

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(in dollars)

(Unaudited)
FY 2021

	Funds from Dedicated Collections (Consolidated Totals) (Note 16)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$908,778	$468,892,067		$469,800,845
Appropriations received	1,337,154,770	43,483,300		1,380,638,070
Other Adjustments	(142,034)	(1,199,319)		(1,341,353)
Appropriations used	(1,337,009,163)	(127,148,079)		(1,464,157,242)
Net Change in Unexpended Appropriations	3,573	(84,864,098)		(84,860,525)
Total Unexpended Appropriations	**$912,351**	**$384,027,969**		**$384,940,320**
Cumulative Results from Operations:				
Beginning Balances	$25,407,345,556	$6,901,074		$25,414,246,630
Appropriations used	1,337,009,163	127,148,079		1,464,157,242
Non-exchange revenue (Note 25)	5,418,988,418	55,215	(999)	5,419,042,634
Transfers in from NRRIT (Note 10)	2,838,000,000			2,838,000,000
Transfers in/out without reimbursement	4,174,198,028			4,174,198,028
Imputed financing	7,396,829			7,396,829
Change in NRRIT assets	3,662,640,000			3,662,640,000
Capital Transfers to the General Fund				
Accruals for Capital Transfers to the General Fund				
Gain/(Loss) contingency	123,143,659			123,143,659
Net Cost of Operations	13,580,035,439	128,530,157	(999)	13,708,564,597
Net Change in Cumulative Results of Operations	**3,981,340,658**	**(1,326,863)**	**-**	**3,980,013,795**
Total Cumulative Results of Operations	**29,388,686,214**	**5,574,211**		**29,394,260,425**
Net Position	**$29,389,598,565**	**$389,602,180**		**$29,779,200,745**

The accompanying notes are an integral part of these statements.

RAILROAD RETIREMENT BOARD
COMBINED STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(in dollars)

	(Unaudited) **FY 2022**	(Unaudited) **FY 2021**
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 26)	$421,476,529	$512,219,620
Appropriations (discretionary and mandatory)	9,881,704,123	9,934,906,053
Borrowing authority (discretionary and mandatory) (Note 18)	4,843,700,000	5,028,800,000
Spending authority from offsetting collections (discretionary and mandatory)	196,468,134	184,795,226
Total budgetary resources	**$15,343,348,786**	**$15,660,720,899**
Status of budgetary resources		
New obligations and upward adjustments (total)	$14,936,600,412	$15,250,326,726
Unobligated balance, end of year		
Apportioned, unexpired accounts	343,472,023	381,509,228
Unapportioned, unexpired accounts	10,181,672	11,880,161
Unexpired unobligated balance, end of year	353,653,695	393,389,389
Expired unobligated balance, end of year	53,094,679	17,004,784
Unobligated balance, end of year (total)	406,748,374	410,394,173
Total budgetary resources	**$15,343,348,786**	**$15,660,720,899**
Outlays, net		
Outlays, net (total) (discretionary and mandatory)	$14,697,041,720	$15,030,176,234
Distributed offsetting receipts (-)	(5,928,109,000)	(4,941,048,871)
Agency outlays, net (discretionary and mandatory)	**$8,768,932,720**	**$10,089,127,363**

The accompanying notes are an integral part of the financial statements.

Railroad Retirement Board

Statement of Social Insurance (Note 13, Note 15)

Actuarial Surplus or (Deficiency)

75-year Projection as of October 1, 2021 (Unaudited)

(Present values in billions of dollars)

	10/1/2021	10/1/2020	10/1/2019	10/1/2018	10/1/2017
Current participants who have attained retirement age:					
Contributions and earmarked taxes	$104.6	$94.1	$92.3	$98.4	$87.6
Expenditures for scheduled future benefits	157.5	144.8	142.6	151.7	134.6
Present Value of future revenue less future expenditures	(52.9)	(50.7)	(50.3)	(53.3)	(47.0)
Current participants not yet having attained retirement age:					
Contributions and earmarked taxes	93.9	95.5	92.5	100.2	87.3
Expenditures for scheduled future benefits	103.8	103.3	96.3	104.8	92.3
Present Value of future revenue less future expenditures	(9.9)	(7.8)	(3.8)	(4.6)	(5.0)
Present value of future revenue less future expenditures for current participants	(62.8)	(58.6)	(54.1)	(57.9)	(52.0)
Plus: Asset Experience Gain/(Loss) for following quarter ending 12/31	0.8	2.1	N/A	N/A	N/A
Net present value for current participants (closed group measure)	(62.0)	(56.5)	(54.1)	(57.9)	(52.0)
Plus: Treasury securities and assets held by the program	30.5	26.2	27.3	28.3	27.9
Closed group surplus/(unfunded obligation)	($31.5)	($30.3)	($26.9)	($29.5)	($24.2)
Future participants:					
Contributions and earmarked taxes	$70.2	$68.4	$55.3	$63.2	$52.9
Expenditures for scheduled future benefits	37.3	36.7	27.2	32.3	27.5
Present Value of future revenue less future expenditures	32.9	31.7	28.1	31.0	25.4
Present value of future revenue less future expenditures for current and future participants	(30.0)	(26.8)	(26.0)	(26.9)	(26.6)
Plus: Asset Experience Gain/(Loss) for following quarter ending 12/31	0.8	2.1	N/A	N/A	N/A
Net present value for current and future participants (open group measure)	(29.2)	(24.7)	(26.0)	(26.9)	(26.6)
Plus: Treasury securities and assets held by the program	30.5	26.2	27.3	28.3	27.9
Open group surplus/(unfunded obligation)	$1.4	$1.4	$1.3	$1.4	$1.2

Detail may not add to totals due to rounding.
The accompanying notes are an integral part of these financial statements.

Railroad Retirement Board

Statement of Changes in Social Insurance Amounts

Open Group Measure

For the Two-Year Period Ended September 30, 2021 (Unaudited)

(dollars in billions)

Net Present Value beginning of year 2020	$ (26.0)
Reasons for changes in the NPV during 2020:	
Changes in valuation period	1.3
Changes in demographic data, assumptions, and methods	0.2
Changes in economic data, assumptions, and methods	0.1
Changes in law or policy	NA
Changes in methodology and programmatic data	(0.3)
Changes in Medicare healthcare and other healthcare assumptions	NA
Other changes	NA
Net change during 2020	1.3
Net Present Value end of year 2020/beginning of year 2021	$ (24.7)
Reasons for changes in the NPV during 2021:	
Changes in valuation period	(1.8)
Changes in demographic data, assumptions, and methods	(0.2)
Changes in economic data, assumptions, and methods	(2.4)
Changes in law or policy	NA
Changes in methodology and programmatic data	NA
Changes in Medicare healthcare and other healthcare assumptions	NA
Other changes	NA
Net change during 2021	(4.4)
Net Present Value end of year 2021	$ (29.1)

Detail may not add to totals due to rounding.

Net Present Values in the table above are present values of future revenues, adjusted for asset experience during the quarter ending 12/31/2021, less future expenditures.

The accompanying notes are an integral part of these financial statements.
Please see note 13 for more information on each of the changes above.

Notes to the Financial Statements: Fiscal Years Ended September 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Unaudited)

A. *Basis of Presentation*
Public Law 107-289, the Accountability of Tax Dollars Act of 2002, added the RRB as an agency required to prepare audited financial statements for fiscal year 2003, and subsequent years. OMB guidance requires that Performance and Accountability Reports for fiscal year 2022 are to be submitted to the President, the Congress, and the Director of OMB by November 15, 2022. As required by law, OMB has also prescribed the form and content of financial statements under OMB Circular A-136. The RRB's financial statements were prepared in accordance with the form and content prescribed by OMB and with generally accepted accounting principles and standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The principal statements (prepared on a consolidated basis, except for the Statement of Budgetary Resources, which was prepared on a combined basis, and eliminating all significant inter-fund balances and transactions) are comprised of the Balance Sheet and Statements of Net Cost, Changes in Net Position, Budgetary Resources, Social Insurance, and Changes in Social Insurance Amounts. These statements are different from the financial reports, also prepared by the RRB pursuant to OMB directives, used to monitor and control the RRB's use of budgetary resources.

The current year balance sheet net asset amount for the NRRIT is an unaudited figure that is within acceptable materiality amount. It is used to meet the goal of November 15, 2022, for release of the RRB's financial statements. The prior year balance sheet NRRIT amount is audited. The prior year balance sheet audited NRRIT amount was used in the computations for the SOSI.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

B. *Reporting Entity*
The railroad retirement and the railroad unemployment and sickness insurance programs are financed through the following accounts:

- Railroad Retirement Account, 60X8011, funds retirement, survivor, and disability benefits in excess of social security equivalent benefits from payroll taxes on employers and employees and other income sources. Account 60X8011 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 231f(c) (1).

- Social Security Equivalent Benefit Account, 60X8010, funds the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits. Account 60X8010 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 231n-1(c) (1).

- Dual Benefits Payments Account, 60 0111, funds the phase-out costs of certain vested dual benefits from general appropriations. Account 60 0111 is considered a general fund. Our authority to use these collections is 45 U.S.C. § 231n (d).

- Federal Payments to the Railroad Retirement Accounts, 60 0113, a two year fund, is used as payment for interest on uncashed checks appropriated in fiscal year 2021, by P. L. 115-245, Further Consolidated Appropriations Act, 2020. Account 60 0113 is considered a fund from dedicated collections

- Federal Payments to the Railroad Retirement Accounts, 60X0113, was established by OMB, not by legislation, and is used as a conduit for transferring certain income taxes on benefits; and funds provided by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. Account 60X0113 is considered a fund from dedicated collections. This account has no basis in law.

- Limitation on Administration Account, 60 8237, pays salaries and expenses to administer the railroad retirement program and the railroad unemployment and sickness insurance program. This account is financed by the RR Account, the SSEB Account, and the Railroad Unemployment Insurance Trust Fund, Administrative Expenses. Account 60 8237 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 231n-1(c) and 45 U.S.C. § 231n (h).

- Limitation on Administration Account, 60X8237, Public Law 107-217, Sec. 121(d)(3), authorizes Federal agencies to retain indefinitely as “no-year money” any unexpended portion of the fiscal year appropriated funds, up to the estimated cost of the operation and maintenance of the delegated properties. Funds carried over may only be expended for operation and maintenance and repair of the facility. In addition, this fund contains the Limitation on Administration funds for extended unemployment benefits provided under Public Laws 111-92, 112-96, and 112-240. Account 60X8237 is considered a fund from dedicated collections.

- Under ARPA of 2021, LOA 60X8237 received appropriations for hiring and IT from pass thru account 60210121. This portion of funding for LOA 60X8237 is considered as fund other than fund from dedicated collections.

- Railroad Unemployment Insurance Trust Fund, Benefit Payments, 60X8051.001, funds railroad unemployment and sickness insurance benefits from contributions by railroad employers. Account 60X8051.001 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 360.

- Railroad Unemployment Insurance Trust Fund, Administrative Expenses, 60X8051.002, was established to pay salaries and expenses to administer the program. Account 60X8051.002 is considered a fund from dedicated collections. This fund is financed by contributions from railroad employers. Monies are transferred from this fund, based on cost accounting estimates and records, to the Limitation on Administration Account (60 8237) from which salaries and expenses are paid for both the railroad retirement program and the railroad unemployment and sickness insurance program. Our authority to use these collections is 45 U.S.C. § 361.

- Limitation on the Office of Inspector General, 60 8018, was established to fund the administration of the Inspector General's Office. Account 60 8018 is considered a fund from dedicated collections. Our authority to use these collections is Public Law 117-103.

- Under ARPA of 2021, LOA 60X8018 received appropriations for audit, investigatory and review activities from pass thru account 60210124. This portion of funding for LOA 60X8018 is considered as a Fund other than a fund from dedicated collections.

- Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act, 60X0114: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.

- Railroad Unemployment Insurance Extended Benefit Payments, for Limitation Account – 60X0118: Funds provided under Public Law 111-92, Worker, Homeownership, and Business Assistance Act of 2009, and Public Law 112-96, Middle Class Tax Relief and Job Creation Act of 2012, and Public Law 112-240, American Taxpayer Relief Act of 2012.

- Railroad Unemployment Insurance Extended Benefit Payments – 60X0117: Funds provided under Public Law 111-92, Worker, Homeownership, and Business Assistance Act of 2009. Per Division A of the CAREs Act, section 2114 amends the extended benefits that was originally created by ARRA to use of existing appropriation of $133 million. Under ARPA of 2021, additional appropriation is provided to cover the cost of additional extended unemployment benefits to remain available until expended.

- Railroad Unemployment Insurance Waiver of 7 Day Period – 6020/210123: General fund appropriation provided by Division A of the CAREs Act, section 2112.

- Railroad Unemployment Insurance Enhanced Benefit Payments – 60X0122: General fund appropriation provided by Division A of the CAREs Act, section 2113.

- Payment to Limitation on Administration – 6020/210121: General fund provided by the CAREs Act as a pass thru to LOA 6020/218237.

- Payment to Limitation on Administration – 6021/210121: General fund provided by the ARPA of 2021 as a pass thru to LOA 60X8237 (hiring and IT)

- Payment to Limitation on Administration – 6021/210124: General fund provided by the ARPA of 2021 as a pass thru to LOA 60X8018 for audit, investigatory and review activities.

- Limitation on Administration – 6020/218237: General fund passed thru from 6020/210121 under CAREs Act

- General Fund 601099 - Transfer of Civil Monetary Penalty to the General Funds of the U.S. Government

- General Fund 603234 – Capital Transfer of Payroll Tax Shortfall to the General Fund of the U.S. Government

C. *Budgets and Budgetary Accounting*
Budget requests are prepared and submitted by the RRB in accordance with OMB Circular A-11 and other specific guidance issued by OMB. The RRB prepares and submits to OMB Apportionment and Reapportionment Requests (SF-132) in accordance with OMB Circular A-11 for all funds appropriated by the Congress or permanently appropriated. Although OMB may apportion funds by category, time period, or object class of expense, the RRB controls and allocates all apportioned funds by three-digit object class codes of expense. For budgetary accounting, all receipts are recorded on a cash basis of accounting and obligations are recorded against the object class codes when they are incurred, regardless of when the resources acquired are to be consumed. Obligations are amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. The RRB prepares and submits Reports on Budget Execution (SF-133) to OMB, reporting all obligations incurred against the amounts apportioned.

D. *Basis of Accounting*
As required by law, the Dual Benefits Payment Account is on a cash basis of accounting. Payroll taxes and unemployment contributions are recorded on a modified cash basis in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7. All other transactions are recorded on an accrual basis of accounting and a budgetary basis. Under the accrual method, revenues (except payroll taxes and unemployment contributions which are on a modified cash basis) are recognized when earned and expenses are recognized when a liability is incurred.

For budgetary accounting, financial transactions are recorded when obligations are incurred, regardless of when the resources acquired are to be consumed.

The accompanying consolidated financial statements of the RRB include all funds maintained by the RRB, after elimination of all significant inter-fund balances and transactions.

E. *Concepts*
The Fund Balance with Treasury (FBWT) is the aggregate amount of funds on deposit with the Department of the Treasury, excluding seized cash deposited. The FBWT is increased by (1) receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations; and (2) receiving transfers and reimbursements from other agencies. It also is increased by amounts borrowed from the Bureau of the Fiscal Service, the Federal Financing Bank, or other entities, and amounts collected and credited to appropriation or fund accounts. The FBWT is reduced by (1) disbursements made to pay liabilities or to purchase assets, goods, and services; (2) investments in U.S. securities (securities issued by the Bureau of the Fiscal Service or other Federal Government agencies); (3) cancellation of expired appropriations; (4) transfers and reimbursements to other entities or to the General Fund of the Treasury; and (5) sequestration or rescission of appropriations.

F. *Funds from Dedicated Collections*
SFFAS No. 43, Funds from Dedicated Collections, amends SFFAS No. 27, Identifying and Reporting Earmarked Funds. Generally, funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-Federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. Funds from Dedicated Collections should be shown as a

separate presentation and disclosure in the financial statements. The three required criteria for funds from dedicated collections are:

- A statute committing the Federal Government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal Government by a non-Federal source only for designated activities, benefits, or purposes;
- Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguish the fund from the Federal Government's general revenues.

Refer to Note 16, Funds from Dedicated Collections.

G. *Application of Critical Accounting Estimates*
The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

2. Related Parties (Unaudited)

The RRB has significant transactions with the following governmental and non-governmental entities:

- Treasury collects payroll taxes from the railroads on behalf of the RRB. The taxes collected are credited by Treasury to the RRB's trust fund account via an appropriation warrant. In fiscal years 2022 and 2021, net payroll taxes transferred to the RRB by Treasury were $6.4 billion and $5.3 billion, respectively.

  Treasury provides payment services to Federal agencies and operates collections and deposit systems. The RRB invests in government account securities through the Bureau of the Fiscal Service. In fiscal years 2022 and 2021, investments, including accrued interest, totaled $1.9 billion and $1.8 billion, respectively. In addition, Treasury advances funds to the RRB for the financial interchange which are repaid annually. The amount paid by the RRB to Treasury in fiscal year 2022 due to the financial interchange advances during fiscal year 2021 included principal of $5.0 billion and interest of $92.3 million. The amount paid by the RRB to Treasury in fiscal year 2021 due to the financial interchange advances during fiscal year 2020 included principal of $4.9 billion and interest of $99.9 million.

- SSA and RRB participate in an annual financial interchange. The financial interchange is intended to place the social security trust funds in the same position in which they would have been had railroad employment been covered by the Social Security Act and

Federal Insurance Contributions Act. In fiscal years 2022 and 2021, the RRB trust funds realized $5.5 billion and $4.9 billion through the financial interchange, respectively.

Under Section 7(b) (2) of the Railroad Retirement Act of 1974, the RRB is required to pay certain individuals, described in this section, monthly social security benefits on behalf of SSA. SSA reimburses the RRB for benefits paid on behalf of SSA. The amounts reimbursed were $2.2 billion for fiscal year 2022 and $2.0 billion for fiscal year 2021.

- CMS participates in the annual financial interchange in the same manner as described for SSA. The RRB transferred $516 million and $568 million to CMS in fiscal years 2022 and 2021, respectively.

  In addition to the financial interchange transactions, CMS reimburses the RRB for certain expenses it incurs associated with administering the Medicare program. The amounts reimbursed in fiscal years 2022 and 2021 were $13.6 million and $15.2 million, respectively. The fiscal year 2022 amount does not include the funds received for purposes of the SMAC contract which are recorded as a transfer and is described below.

  Finally, CMS funds are transferred to the RRB for the Specialty Medicare Administrative Contractor (SMAC) contract that provides specified health insurance benefit administration services.

- GSA provides payroll processing and human resources services to the RRB. In addition, the RRB paid rent to GSA in the amount of $2.3 million for fiscal year 2022 and $3.7 million for fiscal year 2021.

- The Department of Labor invests RUIA contributions. Accounts receivable with the Department of Labor amounted to $85.8 million and $28.5 million for fiscal years 2022 and 2021, respectively.

- NRRIT transfers funds to the RRB for payment of railroad retirement benefits. During fiscal years 2022 and 2021, the NRRIT transferred $1,964 million and $2,838 million, respectively, to the RR Account. The NRRIT holds and invests funds not immediately needed to pay benefits under the RRA. The net assets of the NRRIT are reported on the RRB's balance sheet as a non-governmental investment. The RRB reports this information based on information provided by the NRRIT for that purpose.

3. Fund Balances with Treasury (Unaudited)

Fund balances with Treasury at September 30 consisted of:

	2022	2021
1. Status of Fund Balance with Treasury		
(1) Unobligated Balance		
(a) Available	$343,472,023	$ 381,509,228
(b) Unavailable	10,181,672	11,880,161
(2) Obligated Balance not yet Disbursed	202,709,941	152,831,801
(3) Non-Budgetary FBWT	-	-
Total	**$556,363,636**	**$546,221,190**
2. Other Information: The above represents cash held in Treasury. Unobligated and obligated funds not held in cash are invested in Treasury securities.		

4. Investments (Unaudited)

The investments in Treasury securities represent the investments of two of the RRB's funds from dedicated collections, the RR and the SSEB Accounts.

	Amounts for Balance Sheet Reporting		
	Cost	Interest Receivable	Investments Net
Intragovernmental Securities:			
Non-Marketable Par Value 2022	$1,882,097,000	$2,782,914	$1,884,879,914
Non-Marketable Par Value 2021	$1,816,941,000	$2,413,646	$1,819,354,646

The balance on September 30, 2022, consisted of investments in 3.375 percent par value specials (with market value equal to face value) maturing on October 3, 2022. The balance on September 30, 2021, consisted of investments in 3.000 percent par value specials (with market value equal to face value) maturing on October 1, 2021. Par value specials mature on the first working day of the month following the month of issue and have a yield based on the average yield of marketable Treasury notes with maturity dates at least 3 years away.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with the RR and SSEB Accounts. The cash receipts from the railroads for the RR and SSEB Accounts are deposited in the Treasury, which uses the cash for general government purposes. Treasury securities are issued to the RRB as evidence of its receipts. Treasury securities are an asset to the RRB and a liability to the Treasury. Because the RRB and the Treasury are both parts of the Federal Government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. government-wide financial statements.

Treasury securities provide the RRB with authority to draw upon the Treasury to make future benefit payments or other expenditures. When the RRB requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Federal Government finances all other expenditures.

5. NRRIT Net Assets (Unaudited)

The balance sheet amounts represent the net asset value of NRRIT assets, at fair value, as of September 30, 2022 and 2021. These figures were provided to the RRB by the NRRIT for the fiscal years ended September 30, 2022 and 2021.

Readers of these financial statements should be aware that the Railroad Retirement and Survivors' Improvement Act of 2001 authorizes the NRRIT to invest railroad retirement assets in a diversified investment portfolio in the same manner as those of private sector retirement plans.

6. Accounts Receivable (Unaudited)

- *Intragovernmental*

Accounts receivable - Intragovernmental at September 30 consisted of:

	2022	2021
Financial Interchange – Principal	$5,366,960,000	$5,197,500,000
Financial Interchange – Interest	96,840,000	87,800,000
Department of Labor	85,847,672	28,463,039
Total	**$5,549,647,672**	**$5,313,763,039**

- *Accounts Receivable, Net*

Accounts receivable, net at September 30 consisted of:

	2022	2021
Accounts receivable – Benefit overpayments	$68,714,316	$57,208,926
Accounts receivable – Past due RUI contributions and taxes	800,397	292,563
Accounts receivable – Interest, penalty & administrative costs	8,869,814	7,750,617
Accounts receivable - Criminal Restitution	14,035,888	13,664,221
Sub-Total	**$92,420,415**	**$78,916,327**
Accounts receivable - Criminal Restitution - Long Island Railroad	296,592,644	296,676,434
Total Gross Receivables	**$389,013,059**	**$375,592,761**
Less: Allowances for doubtful accounts	18,489,987	15,234,725
Less: Allowances for doubtful accounts-Criminal Restitution	4,210,767	4,099,266
Less: Allowances for doubtful accounts-Criminal Restitution -Long Island Railroad	293,626,717	293,709,670
Total Net Receivables	**$72,685,588**	**$62,549,100**

The allowance for doubtful accounts for the railroad retirement program was calculated, including debts classified as currently not collectible and excluding the criminal restitution receivables, by averaging the percentages determined from the past five fiscal years of amounts due the RRB that would probably not be collected, and applying those percentages against accounts receivable.

The allowance for doubtful accounts for the criminal restitution is estimated at 30%. The allowance for doubtful accounts for the criminal restitution – Long Island is estimated at 99% as the probability of collecting full restitution is unlikely, given that the large Long Island restitution amount due is from four individuals. The percentage is applied against the accounts receivable.

7. General Property, Plant and Equipment (Unaudited)

These assets are stated at cost less accumulated depreciation/amortization. Beginning with fiscal year 2014, acquisitions are capitalized if the cost is $50,000 or more and the service life is 2 years or greater. Depreciation/amortization is computed on the straight-line method. These assets consisted of:

		At September 30, 2022		
Classes of Fixed Assets	**Service Lives**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Structures, facilities, and leasehold improvements	15 years	$2,723,793	$2,723,793	$0
IT software	5 years	28,854,099	28,671,002	183,097
Equipment	5-10 years	7,042,673	7,032,780	9,893
Internal-Use Software in Development		2,649,221		2,649,221
Total		**$41,269,786**	**$38,427,575**	**$2,842,211**

		At September 30, 2021		
Classes of Fixed Assets	**Service Lives**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Structures, facilities, and leasehold improvements	15 years	$2,723,793	$2,723,793	$0
IT software	5 years	28,854,099	28,373,418	480,681
Equipment	5-10 years	7,042,673	7,024,632	18,041
Internal-Use Software in Development		1,270,987		1,270,987
Total		**$39,891,552**	**$38,121,843**	**$1,769,709**

The table below discloses activity for General Property, Plant and Equipment as of September 30, 2022 and 2021, respectively (in dollars):

	FY 2022	**FY 2021**
General Property, Plant and Equipment - Beginning Balances	**$1,769,709**	**$2,275,201**
Capitalized Acquisitions	1,378,296	341,472
Depreciation Expense	(305,794)	(846,964)
General Property, Plant and Equipment - Ending Balances	**$2,842,211**	**$1,769,709**

8. Liabilities (Unaudited)

Liabilities at September 30 consisted of:

- *Total Liabilities Not Covered by Budgetary Resources:*

	2022	2021
A. Intragovernmental:		
(1) Other Liabilities	$238,850	$231,014
B. Other than Intragovernmental Liabilities:		
(1) Accounts Payable	556,110	556,110
(2) Federal employee and veteran benefits payable	7,792,106	8,561,736
Total Other than Intragovernmental Liabilities	**8,348,216**	**9,117,846**
Total Liabilities Not Covered by Budgetary Resources	**$8,587,066**	**$9,348,860**
Total Liabilities Covered by Budgetary Resources	6,659,942,823	6,437,196,694
Total Liabilities Not Requiring Budgetary Resources	5,301,175	3,770,324
Total Liabilities	**$6,673,831,064**	**$6,450,315,878**

- *Federal Debt and Interest Payable*

Intragovernmental debt results from borrowing from Treasury to fund benefit payments from the SSEB Account.

	2022	2021
Beginning Balance, Principal	$4,567,300,000	$4,384,400,000
New Borrowing	4,843,700,000	5,034,600,000
Repayments	(4,993,600,000)	(4,851,700,000)
Ending Balance, Principal	**$4,417,400,000**	**$4,567,300,000**
Accrued Interest	35,146,221	37,840,569
Total	**$4,452,546,221**	**$4,605,140,569**

- *Benefits Due and Payable*

Benefits due and payable are accrued for all benefits to which recipients are entitled for the month of September, which, by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing, such as benefit payments due but not paid. The amounts include uncashed checks of $17,864,144 and $ 16,732,442, at September 30, 2022 and 2021, respectively. Under Public Law 100-86, the amount of RRB benefits represented by checks which remain uncashed for 12 months after the check issue date are credited (including interest thereon) to the accounts from which the checks were drawn. The principal amount of uncashed checks must remain in a liability account until the RRB determines that entitlement no longer exists, or another check is issued to the beneficiary.

A special workload of approximately 10,602 benefit cases, estimated at $5.2 million, has been identified and will be processed over the next few years.

- *Other Liabilities*

Other liabilities at September 30 consisted of:

	Non-Current	Current	2022 Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable		$1,510,385	$1,510,385
Unfunded FECA Liability		238,850	238,850
Custodial Liability		346,702,099	346,702,099
Total Intragovernmental		**$348,451,334**	**$348,451,334**
Other than Intragovernmental:			
Other Liabilities With Related Budgetary Obligations		7,296,057	7,296,057
Accrued Payroll		1,514,511	1,514,511
Withholdings Payable		23,141	23,141
Contingent Liability (see Note 9 for details)	$100,918,423		100,918,423
Other		17,899,693	17,899,693
Total Other than Intragovernmental	**100,918,423**	**26,733,402**	**127,651,825**
Total Other Liabilities	**$100,918,423**	**$375,184,736**	**$476,103,159**

	Non-Current	Current	2021 Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable		$1,440,907	$1,440,907
Unfunded FECA Liability		231,013	231,013
Total Intragovernmental		**$1,671,920**	**$1,671,920**
Other than Intragovernmental:			
Other Liabilities With Related Budgetary Obligations		0	0
Accrued Payroll		4,438,226	4,438,226
Withholdings Payable			
Contingent Liability (see Note 9 for details)	$91,660,866		91,660,866
Other		16,816,049	16,816,049
Total Other than Intragovernmental	**91,660,866**	**21,254,275**	**112,915,141**
Total Other Liabilities	**$91,660,866**	**$22,926,195**	**$114,587,061**

9. Commitments and Contingencies (Unaudited)

The RRB is involved in the following actions:

Legal Contingencies:

- Several Class I railroads have filed claims for refund of taxes with the Internal Revenue Service (IRS). Of the $22.1 million in claims, the RRB's legal counsel has determined that it is probable that the RR and SSEB Accounts are contingently liable for $22.1 million. Under the anti-disclosure provision of the IRS code, we are not permitted to disclose any details related to these claims. No provision has been made in the accompanying financial statements regarding the reasonably possible claims other than this disclosure. Details may not add to totals due to rounding.

- One railroad filed suit requesting a refund of $13.0 million for tax on stock transferred to its employees upon the exercise of non-qualified stock options and the vesting of performance stock or restricted stock units. The refund request also includes tax on relocation benefits for the railroad employees and their families. The RRB's general counsel has determined that the likelihood of loss is probable.

Other Contingencies: We also recorded a contingent liability in the amount of $65.8 million, for forthcoming adjustments to the financial interchange for military service credits due SSA.

Commitments: As of September 30, 2022, the RRB had contractual arrangements which may result in future financial obligations of $42.3 million.

Contingent Loss Table

		Estimated Range of Loss	
FY 2022	**Accrued Liabilities**	**Lower End**	**Upper End**
Legal Contingencies:			
Probable	$35,118,423	$35,118,423	$35,118,423
Reasonably Possible	$0	$0	$0
Other Contingencies:			
Probable	$65,800,000	$65,800,000	$65,800,000
Reasonably Possible	$0	$0	$0

		Estimated Range of Loss	
FY 2021	**Accrued Liabilities**	**Lower End**	**Upper End**
Legal Contingencies:			
Probable	$26,560,866	$26,560,866	$26,560,866
Reasonably Possible	$0	$0	$0
Other Contingencies:			
Probable	$65,100,000	$65,100,000	$65,100,000
Reasonably Possible	$0	$0	$0

10. Transfers To/From NRRIT (Unaudited)

The RRB received a total of $1,964 million and $2,838 million from the NRRIT during fiscal years 2022 and 2021, respectively. These funds were received into the Railroad Retirement Account. Transfers were to fund the payment of benefits.

11. Undelivered Orders at the End of the Period (Unaudited)

	2022	2021
Federal Undelivered Orders	$0	$0
Non-Federal Undelivered Orders	50,345,739	38,305,869
Total Federal/Non-Federal Undelivered Orders	**$50,345,739**	**$38,305,869**
Paid Undelivered Orders	$0	$0
Unpaid Undelivered Orders	50,345,739	38,305,869
Total Paid/Unpaid Undelivered Orders	**$50,345,739**	**$38,305,869**
Total Undelivered Orders	**$50,345,739**	**$38,305,869**

12. Explanation of Differences Between the Combined Statement of Budgetary Resources and the Budget of the United States Government (Unaudited)

A reconciliation was completed of budgetary resources, obligations incurred, distributed offsetting receipts, and outlays, as presented in the Statement of Budgetary Resources for the year ended September 30, 2021, to amounts included in the Budget of the United States Government. A reconciliation was not performed for the period ended September 30, 2022, since the RRB's Performance and Accountability Report is published in November 2022, and OMB's MAX system will not have actual budget data available until after the RRB's P&AR is published. Budget with the actual amounts for the current year FY2022 will be available at a later date at https://www.whitehouse.gov/omb/budget

The Budget of the United States Government and the RRB's Statement of Budgetary Resources differ because of the following transaction types:

	Fiscal Year 2021 (in millions)	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
1.	Combined Statement of Budgetary Resources – September 30, 2021	$15,661	$15,250	$4,941	$10,089
2.	Expenditure Transfers from Trust Funds	(135)			
3.	Unobligated Balance, Brought Forward October 1, 2020 as adjusted	(502)			
4.	Recoveries of Prior Year Unpaid Obligations	(2)			
5.	Sickness Insurance Benefit Recoveries	(13)			
6.	Administrative Expense Reimbursement	(35)			
7.	Interfund Transfers: Federal Payment Obligations – Income Taxes Collected on Benefits (0113), Payment to Limitation on Administration (0121)	(1,365)			
8.	Intrafund Transfers: Receipts from the Old-Age and Survivors Insurance (OASI) Trust Fund	(4,792)			
9.	Intrafund Transfers: Receipts from the Disability Insurance (DI) Trust Fund	(113)			
10.	General Fund Payment – Limitation on Administration RRB and RRB OIG			28	(28)
	FINANCIAL INTERCHANGE				
11.	Accrued Receipts from the OASI and DI Trust Funds			662	(662)
12.	Accrued Transfers to the Federal Hospital Insurance Trust Fund			634	(634)
	NRRIT				
13.	NRRIT Obligations / Outlays	2,906	2,906		2,906
14.	Intrafund Transfers: NRRIT Transfer to RRA	(2,838)		2,838	(2,838)
15.	Proprietary Receipts: NRRIT – Gains and Losses	(6,291)		6,291	(6,291)
16.	Proprietary Receipts: NRRIT – Interest and Dividends	(469)		469	(469)
17.	Rounding	(3)	(3)		(1)
18.	**Budget of the United States Government FY 2021 Actuals**	**$2,009**	**$18,153**	**$15,863**	**$2,072**

13. Social Insurance (Unaudited)

- Surplus/(unfunded obligation) represents combined values for the RR Account, SSEB Account, and NRRIT.

- Estimated future revenue includes tier I taxes, tier II taxes, income taxes on benefits, and financial interchange income, where financial interchange income consists of financial interchange transfers plus financial interchange advances from general revenues less repayment of financial interchange advances from general revenues. Beginning in fiscal year 2020, future revenue includes an adjustment for asset experience gain / (loss) as reflected in the projections that is different than the expected long-term investment return.

- Estimated future expenditures include benefit and administrative costs.

- Detail may not add to totals due to rounding. Employee and beneficiary status are determined as of 1/1/2021, whereas present values are as of 10/1/2021.

- Due to the use of the Account Benefits Ratios to determine and automatically adjust tier II tax rates, higher Treasury security and assets balances result in lower tax rates and consequently lower future tax income whereas lower Treasury security and assets balances result in higher rates and income.

- Statement of Changes in Social Insurance Amounts:

  - Changes in valuation period:

    - ***Between 10/1/2019 and 10/1/2020:*** Changes in the valuation period from fiscal years 2020-2094 to fiscal years 2021-2095 resulted in a change of about $1.3 billion in the open group measure between 10/1/2019 and 10/1/2020.

    - ***Between 10/1/2020 and 10/1/2021:*** Changes in the valuation period from fiscal years 2021-2095 to fiscal years 2022-2096 resulted in a change of about $(1.8) billion in the open group measure between 10/1/2020 and 10/1/2021.

  - Changes in demographic data, assumptions, and methods:

    - ***Between 10/1/2019 and 10/1/2020:*** Demographic assumptions were updated for this valuation to reflect recent experience and expectations for the future. Changes in demographic data, assumptions, and methods resulted in a change of about $0.2 billion in the open group measure between 10/1/2019 and 10/1/2020.

    - ***Between 10/1/2020 and 10/1/2021:*** Demographic assumptions were not changed between the Statement of Social Insurance as of 10/1/2020 and the Statement of Social Insurance as of 10/1/2021, with the exception of an update to the mortality loads. There were updates to projected levels of railroad employment and demographic data. Changes in demographic data, assumptions, and methods resulted in a change of about $(0.2) billion in the open group measure between 10/1/2020 and 10/1/2021.

- Changes in economic data, assumptions, and methods:

  - ***Between 10/1/2019 and 10/1/2020:*** Ultimate economic assumptions were changed between the Statement of Social Insurance as of 10/1/2019 and the Statement of Social Insurance as of 10/1/2020. The COLA was changed from 2.6% to 2.4%, the wage increase assumption was changed from 3.6% to 3.4%, and the long-term investment return assumption was changed from 7.0% to 6.5%. There were also changes in select economic assumptions. The actual COLA of 1.3% was used for 2021 in place of the 0.5% COLA assumed for 2021 in the prior year's report. The ultimate 2.4% COLA was assumed for 2022 instead of a 1.5% assumed COLA. A 0.5% wage increase assumption was used for 2020 instead of a 2.0% wage increase assumption. The actual rate of investment return for the quarter ended 12/31/2020 was 12.0%. The 6.5% long-term investment assumption was used for all other years of the projection period. Changes in economic data and assumptions resulted in a change of about $0.1 billion in the open group measure from 10/1/2019 to 10/1/2020.

  - ***Between 10/1/2020 and 10/1/2021:*** Ultimate economic assumptions were not changed between the Statement of Social Insurance as of 10/1/2020 and the Statement of Social Insurance as of 10/1/2021, but there were changes in select economic assumptions. The actual COLA of 5.9% was used for 2022 in place of the 2.4% COLA assumed for 2022 in the prior year's report. COLAs of 7.8% and 5.2% were assumed for 2023 and 2024, respectively, instead of a 2.4% COLA. A 2.5% wage increase assumption was used for 2021 instead of a 3.4% wage increase assumption. Actual investment return was 19.3% for 2021 and 4.6% for quarter ended 12/31/2021 instead of 6.5% assumed last year. The 6.5% long-term investment assumption was used for all other years of the projection period. Changes in economic data, assumptions, and methods resulted in a change of about $(2.4) billion in the open group measure from 10/1/2020 to 10/1/2021.

- There were no changes in law or policy.

- Changes in methodology and programmatic data:

  - ***Between 10/1/2019 and 10/1/2020:*** Beginning in fiscal year 2020, the long-term investment return assumption is used to discount all projected cash flows with an explicit adjustment for asset experience gain / (loss) as reflected in the projections that is different than this discount rate. In particular, the present values reflect a 6.5% discount rate for the quarter ending 12/31/2020 instead of the actual investment return for the quarter, which had been used in prior years. An adjustment was made to the Statement of Social Insurance to reflect the asset experience gain/(loss) for this quarter as of 9/30/2020 equal to $2.1 billion. This method change resulted in a change of about $(0.3) billion (or about 1%) in the open group measure from 10/1/2019 to 10/1/2020.

A comparison of the fiscal year 2020 results before and after the method change is shown below (detail may not add to totals due to rounding):

(in $billions)	Prior Method	New Method	Change	%
PV of Expenditures	$258.5	$284.8	$26.3	10%
PV of Income	$234.1	$258.0	$23.9	10%
Asset Experience Gain / (Loss)	n/a	$2.1		
Net Present Value (open group measure)	$(24.4)	$(24.7)	$(0.3)	1%
Value of Assets	$26.2	$26.2		
Open Group Surplus (resources over expenditures)	$1.7	$1.4	$(0.3)	(18)%

This new method will be applied prospectively. It produces a comparable Net Present Value (open group measure) as the prior method. The Surplus in prior periods changes by the same dollar amount as for the Net Present Value (NPV) but is a larger percentage change since it is a smaller starting value. The impacts for prior periods are shown below (details may not match due to rounding):

(in $billions)	Prior Method	New Method	Change	%
FY 2020 NPV	$(24.4)	$(24.7)	$(0.3)	1%
Open Group Surplus	$1.7	$1.4	$(0.3)	(18)%
FY 2019 NPV	$(26.0)	$(26.2)	$(0.2)	1%
Open Group Surplus	$1.3	$1.1	$(0.2)	(15)%
FY 2018 NPV	$(26.9)	$(27.1)	$(0.2)	1%
Open Group Surplus	$1.4	$1.2	$(0.2)	(14)%
FY 2017 NPV	$(26.6)	$(26.6)	$0.0	0%
Open Group Surplus	$1.2	$1.2	$0.0	0%
FY 2016 NPV	$(24.9)	$(25.0)	$(0.1)	0%
Open Group Surplus	$1.7	$1.6	$(0.1)	(6)%

The new method is preferable because it uses a uniform discount rate across the entire projection period. The actual asset experience in the first quarter of the projection will be recognized explicitly as an adjustment rather than being incorporated in the discount of projected cash flows.

The method change impact on the present values of expenditures and income (before asset experience adjustments) depends on the relationship between the actual return for the quarter and the expected return. When asset experience is very strong as it was for the quarter ended 12/31/2020, the prior method present values are much lower than in years with comparable weaker asset experience. When the actual asset experience is close to the expected return, then the impacts are not material. The change in PV of Expenditures for prior periods is shown below (in $billions). The change in PV of Income (before asset experience adjustment) is a similar percentage in every year.

PV of Expenditures	Prior Method	New Method	Change	%
FY 2020 (9/30/2020)	$258.5	$284.8	$26.3	10%
FY 2019 (9/30/2019)	$266.1	$258.1	$(8.0)	(3)%
FY 2018 (9/30/2018)	$288.8	$264.0	$(24.8)	(9)%
FY 2017 (9/30/2017)	$254.5	$259.9	$5.4	2%
FY 2016 (9/30/2016)	$265.1	$263.0	$(2.1)	(1)%

  - ***Between 10/1/2020 and 10/1/2021:*** There were no changes in methodology and programmatic data.

- Medicare healthcare and other healthcare assumptions are not applicable to the railroad retirement program.

14. Sustainability Financial Statements Disclosure (Unaudited)

The sustainability financial statements are based on management's assumptions. These sustainability financial statements show the actuarial present value of the RRB's estimated future income to be received and future expenditures to be paid using a projection period sufficient to illustrate long-term sustainability. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligations as they come due. The Statements of Social Insurance and Changes in Social Insurance Amounts are based on income and benefit formulas in current law and assume that scheduled benefits will continue after any related trust funds are exhausted. The statements of long-term fiscal projections are based on the continuation of current policy. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable. In preparing the sustainability financial statements, management considers and selects assumptions and data that it believes provide a reasonable basis to illustrate whether current policy or law is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures, and sustainability, for example, implementation of policy changes to avoid trust fund exhaustion or unsustainable debt levels. Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material.

The Statement of Social Insurance as of 10/1/2021 includes an adjustment to the Net Present Value for the asset experience gain/(loss) during the period 10/1/2021 – 12/31/2021. This explicit adjustment to the Net Present Value for the asset experience gain/(loss) during the period 10/1 - 12/31 was included in the Statement of Social Insurance effective 10/1/2020. In prior years, the actual rate of return for the period 10/1 - 12/31 was used to discount projected income and expenditures rather than the long-term investment return assumption. The actual rate of return for this period is a significant fact that is reflected in the 75-year projection of income for the Statement of Social Insurance.

Because of the way the RUIA rating system is structured, there is no long-term financial impact on the Trust funds due to the loans from the RR account to the RUI account. We anticipate any outstanding loans will be repaid by the end of 2022.

15. Significant Assumptions (Unaudited)

The estimated future revenue and expenditures in the SOSI and Required Supplementary Information are based on the assumption that the program will continue as presently constructed. The calculations assume that all future transfers required by current law under the financial interchange will be made.

The estimated future revenue and expenditures are also based on various economic, employment, and other actuarial assumptions. The ultimate economic assumptions are a 6.5 percent investment return, a 2.4 percent annual increase in the cost of living, and a 3.4 percent annual wage increase. These assumptions are adjusted in the near term for actual experience and expectations, as described in the 2022 Section 502 Report.

The employment assumption for the SOSI is employment assumption II, the intermediate employment assumption, as used in the 2022 Section 502 Report. Under employment assumption II, (1) railroad passenger employment is assumed to remain level at 45,000, and (2) the employment base, excluding passenger employment, is assumed to decline at a constant annual rate of 1.5 percent for 25 years, at a reducing rate over the next 25 years, and remain level thereafter.

Instead of projecting future employment levels based on the 2021 average employment of 188,100 that had been reduced by the COVID-19 pandemic, we phased into the 195,400 average employment for 2020 over the next three years, reflecting an expectation that employment levels will gradually increase over the next few years as the pandemic restrictions continue to be lifted, manufacturing fully recovers, and railroads add employees to meet demand. The remainder of the projection reflects this higher target level of employment.

The Section 502 Report is as of December 31. These results are rolled back to Fiscal Year End September 30 reflecting expected cash flows and expected long-term investment return. The disclosure includes an explicit adjustment for asset experience reflected in the valuation that is different from expected experience.

Actuarial assumptions and methods are those published in the Technical Supplement to the “Twenty-Eighth Actuarial Valuation of the Assets and Liabilities Under the Railroad Retirement Acts as of December 31, 2019.” This report may be found on the RRB’s website, www.rrb.gov.

Actuarial assumptions published in the Twenty-Eighth Actuarial Valuation include:

Table S-1.	2016 Base Year RRB Annuitants Mortality Table
Table S-2.	2016 Base Year RRB Disabled Mortality Table for Annuitants with Disability Freeze
Table S-3.	2016 Base Year RRB Disabled Mortality Table for Annuitants without Disability Freeze
Table S-4.	2015 RRB Active Service Mortality Table
Table S-5.	2016 Base Year RRB Spouse Total Termination Table
Table S-6.	Probability of a retired employee having a spouse eligible for railroad retirement benefits
Table S-7.	2013 RRB Mortality Table for Widows
Table S-8.	1997 RRB Remarriage Table
Table S-9.	2004 RRB Total Termination Table for Disabled Children
Table S-10.	2013 RRB Mortality Improvement Scale
Table S-11.	Calendar year rates of immediate age retirement
Table S-12.	Rates of immediate disability retirement and of eligibility for disability freeze
Table S-13.	Calendar year rates of final withdrawal
Table S-14.	Service months and salary scales
Table S-15.	Family characteristics of railroad employees assumed for the valuation of survivor benefits

16. Funds from Dedicated Collections (Unaudited)

Treasury securities reflect a government commitment to the program and allow the program to continue to provide benefits required by law. When the benefits are paid, the way the Government finances the benefits is similar to the way it finances other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit). Funds from dedicated collections are discussed in additional detail in Note 1.B to the financial statements.

Note 16 Funds from Dedicated Collections

	0010 SSEB	0011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	0237 Limitation on Administration	0051.002 RUIA Admin Expenses	0010 Limitation on OIG	Total Funds from Dedicated Collections (Combined)	Eliminations between Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet as of September 30, 2022										
Intragovernmental										
Fund Balance with Treasury	$29,745,017	$40,340,999	$18,391,430	$901,672	$71,270,980	$3,331,602	$8,285,300	$172,267,000		$172,267,000
Investments, net	1,111,817,745	773,062,169						1,884,879,914		1,884,879,914
Accounts receivable, net	5,463,800,000		82,922,072		2	2,925,600		5,549,647,674		5,549,647,674
Advances and Prepayments					62,564		2,008,223	2,070,787		2,070,787
Total intragovernmental assets	6,605,362,762	813,403,168	101,313,502	901,672	71,333,546	6,257,202	10,293,523	7,608,865,375		7,608,865,375
Other than intragovernmental										
Accounts receivable, net		58,261,318	11,784,844		71,928		5,544	70,123,634	(2)	70,123,632
General property, plant and equipment, net					2,842,210		1	2,842,211		2,842,211
NRRIT Net Invested Assets		22,977,127,399						22,977,127,399		22,977,127,399
Other assets					5,330			5,330		5,330
Total other than intragovernmental		23,035,388,717	11,784,844		2,919,468		5,545	23,050,098,574	(2)	23,050,098,572
Total assets	$6,605,362,762	$23,848,791,885	$113,098,346	$901,672	$74,253,014	$6,257,202	$10,299,068	$30,658,963,949	(2)	$30,658,963,947
Intragovernmental										
Accounts Payable	$534,014,671	$919,754	($6,529)			($227,937)		$534,699,959	(1)	$534,699,958
Debt	4,452,546,221							4,452,546,221		4,452,546,221
Other liabilities	346,702,099				1,512,826		236,409	348,451,334		348,451,334
Total Intragovernmental liabilities	5,333,262,991	919,754	(6,529)		1,512,826	(227,937)	236,409	5,335,697,514	(1)	5,335,697,513
Accounts Payable	869,828	965,981			2,068,059		395,602	4,299,470		4,299,470
Federal employee benefits payable					6,701,005		455,641	7,156,646		7,156,646
Benefits Due and Payable	657,224,520	522,090,200	17,091,050					1,197,210,014		1,197,210,014
Other liabilities	69,235,932	56,878,240			1,424,187		113,465	127,651,824		127,651,824
Total other than Intragovernmental	727,320,280	579,942,457	17,891,058		10,203,251		964,708	1,336,321,754		1,336,321,754
Total liabilities	6,060,583,271	580,862,251	17,884,529		11,716,077	(227,937)	1,201,117	6,672,019,308	-	6,672,019,308
Unexpended Appropriations				901,672	57,296			958,968		958,968
Cumulative Results of Operations	544,779,491	23,267,929,634	95,213,817		62,479,641	6,485,139	9,097,950	23,985,985,672	(2)	23,985,985,670
Total Liabilities and Net Position	$6,605,362,762	$23,848,791,885	$113,098,346	$901,672	$74,253,014	$6,257,202	$10,299,067	$30,658,963,948	(2)	$30,658,963,946
Statement of Net Cost for the Year Ended September 30, 2022										
Gross Program Costs	$7,908,867,824	$5,631,690,402	$107,929,982	$9,341	$150,887,367		$12,440,678	$13,811,825,594	($2,393,096)	$13,809,432,498
Less Earned Revenues		3,372	14,929,846		12,463,568		1,221,332	28,618,118	425,000	28,193,118
Net Program Costs	7,908,867,824	5,631,687,030	93,000,136	9,341	138,423,799		11,219,346	13,783,207,476	(1,968,096)	13,781,239,380
Costs Not Attributable to Program Costs										
Less Earned Revenues Not Attributable to Program Costs					46,115			46,115		46,115
Net Cost of Operations	$7,908,867,824	$5,631,687,030	$93,000,136	$9,341	$138,377,684		$11,219,346	$13,783,161,361	($1,968,096)	$13,781,193,265
Statement of Changes in Net Position for the Year Ended September 30, 2022										
Unexpended Appropriations										
Beginning Balance				$855,055	$57,296			$912,351		$912,351
Corrections of errors (+/-)										
Beginning Balance, as Adjusted				855,055	57,296			912,351		912,351
Appropriations received				941,018,759				941,018,759		941,018,759
Other Adjustments				(140,050)				(140,050)		(140,050)
Appropriations used				(940,832,092)				(940,832,092)		(940,832,092)
Total unexpended appropriations				$901,672	$57,296			$958,968		$958,968
Cumulative Results of Operations										
Beginning Balance	$425,981,048	$28,973,007,121	($69,921,386)		$44,258,436	$6,842,633	$8,518,274	$29,388,686,126		$29,388,686,126
Corrections of errors (+/-)										
Beginning Balance, as Adjusted	425,981,048	28,973,007,121	(69,921,386)		44,258,436	6,842,633	8,518,274	29,388,686,126		29,388,686,126
Appropriations Used				940,832,092				940,832,092		940,832,092
Other than intragovernmental non-exchange revenue	(3,436,932)	(3,047,315)	252,735,919			24,942,428	(33)	271,195,032		271,195,032
Total other than intragovernmental non-exchange revenue	(3,436,932)	(3,047,315)	252,735,919	940,832,092		24,942,428	(33)	1,212,027,124		1,212,027,124
Intragovernmental non-exchange revenue	2,896,176,752	$3,266,831,669	843,565			81,046		6,163,981,932	(1,968,096)	6,162,013,836
Transfers In From NRRIT		$1,964,000,000						1,964,000,000		1,964,000,000
Change in NRRIT Assets		(5,507,801,601)						(5,507,801,601)		(5,507,801,601)
Transfers-in/out without reimbursement	5,782,328,545	215,134,148	4,555,855	(940,822,751)	149,606,693	(25,380,968)	11,332,741	4,896,756,563		4,896,756,563
Imputed financing					6,990,197		466,348	7,456,545		7,456,545
Capital Accrual to be transferred to the General Fund	(346,702,099)							(346,702,099)		(346,702,099)
Other	(700,000)	(8,557,558)						(9,257,558)		(9,257,558)
Net Cost of Operations	(7,908,867,824)	(5,631,687,030)	(93,000,136)	(9,341)	(138,377,684)		(11,219,346)	(13,783,161,361)	(1,968,096)	(13,785,129,457)
Net Change and Cumulative Results of Operations	118,798,442	(5,705,077,487)	165,135,203		18,221,206	(357,494)	579,675	(5,402,700,455)		(5,402,700,455)
Cumulative Results of Operations: Ending	$544,779,490	$23,267,929,634	95,213,817		$62,479,642	$6,485,139	$9,097,949	$23,985,985,671		$23,985,985,671
Net position, end of period	$544,779,490	$23,267,929,634	$95,213,817	$901,672	$62,536,938	$6,485,139	$9,097,949	$23,986,944,639		$23,986,944,639

Note 16 Funds from Dedicated Collections*

	8010 SSEB	8011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	8237 Limitation on Administration	8051.002 RUIA Admin Expenses	8018 Limitation on OIG	Total Funds from Dedicated Collections (Combined)	Eliminations between Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet as of September 30, 2021										
Intragovermental										
Fund Balance with Treasury	$24,096,524	$34,557,628	$18,893,952	$855,056	$62,217,962	$3,258,234	$8,757,357	$152,636,712		$152,636,712
Investments, net	956,400,134	862,954,512						1,819,354,646		1,819,354,646
Accounts receivable, net	5,285,300,000		25,106,577		2	3,356,463	-0	5,313,763,041	0	5,313,763,041
Loans Receivable, net		105,399,085						105,399,085	(105,399,085)	0
Advances and Prepayments					62,564		866,022	928,585	0	928,585
Total intragovernmental assets	6,265,796,658	1,002,911,225	44,000,528	855,056	62,280,528	6,614,697	9,623,379	7,392,082,070	(105,399,085)	7,286,682,985
Other than intragovernmental										
Accounts receivable, net		49,244,411	11,620,058		42,262		3,626	60,910,358		60,910,358
General property, plant, and equipment, net					1,769,708			1,769,708		1,769,708
NRRIT Net Invested Assets		28,484,929,000						28,484,929,000		28,484,929,000
Other assets					1,354			1,354		1,354
Total other than intragovernmental	0	28,534,173,411	11,620,058	0	1,813,324	0	3,626	28,547,610,420	0	28,547,610,420
Total assets	$6,265,796,658	$29,537,084,636	$55,620,587	$855,056	$64,093,851	$6,614,697	$9,627,005	$35,939,692,490	-$105,399,085	$35,834,293,406
Intragovernmental										
Accounts Payable	$541,254,671	$919,793	-$6,529		$0	($227,937)	$0	$541,939,999	$0	$541,939,999
Debt	4,605,140,569	0	105,399,085					4,710,539,654	-105,399,085	4,605,140,569
Other liabilities					1,378,052		293,869	1,671,920		1,671,920
Total Intragovernmental liabilities	5,146,395,240	919,793	105,392,556	0	1,378,052	-227,937	293,869	5,254,151,573	-105,399,085	5,148,752,488
Accounts Payable	0	0			5,528,788		190,361	5,719,150		5,719,150
Federal employee benefits payable					8,755,859		301,696	9,057,555		9,057,555
Benefits Due and Payable	628,320,370	519,780,718	20,149,417					1,168,250,505		1,168,250,505
Other liabilities	65,100,000	43,376,915			4,115,422		322,804	112,915,142		112,915,142
Total other than intragovernmental	693,420,370	563,157,634	20,149,417	0	18,400,069	0	814,862	1,295,942,352	0	1,295,942,352
Total liabilities	5,839,815,610	564,077,427	125,541,973	0	19,778,121	-227,937	1,108,731	6,550,093,925	-105,399,085	6,444,694,840
Unexpended Appropriations				855,056	57,296			912,351		912,351
Cumulative Results of Operations	425,981,048	28,973,007,209	-69,921,386		44,258,435	6,842,633	8,518,274	29,388,686,214		29,388,686,214
Total Liabilities and Net Position	$6,265,796,658	$29,537,084,636	$55,620,587	$855,056	$64,093,852	$6,614,697	$9,627,005	$35,939,692,490	($105,399,085)	$35,834,293,406
Statement of Net Cost for the Period Ended September 30, 2021										
Gross Program Costs	$7,631,837,651	$5,626,827,969	$175,023,451	$10,813	$166,309,395	$0	$12,176,380	$13,612,185,660	($3,334,894)	$13,608,850,765
Less Earned Revenues	0	-975	13,543,086		13,898,347		1,741,876	29,182,334	(425,000)	28,757,335
Net Program Costs	$7,631,837,651	$5,626,828,944	$161,480,365	$10,813	$152,411,048	$0	$10,434,504	$13,583,003,326	($2,909,894)	$13,580,093,430
Costs Not Attributable to Program Costs										
Less Earned Revenues Not										
Attributable to Program Costs					58,989			58,989		58,989
Net Cost of Operations	$7,631,837,651	$5,626,828,944	$161,480,365	$10,813	$152,352,060	$0	$10,434,504	$13,582,944,337	($2,909,894)	$13,580,034,442
Statement of Changes in Net Position for the Period Ended September 30, 2021										
Unexpended Appropriations										
Beginning Balance				$857,902	$50,875			$908,777		$908,777
Corrections of errors (+/-)										
Beginning Balance, as Adjusted	0	0	0	857,901.69	50,875.18	-	-	908,776.87	0	908,776.87
Other Adjustments				(142,033.43)				(142,033)		(142,033)
Appropriations received				1,337,154,771				1,337,154,771		1,337,154,771
Apropriations used				-1,337,015,584	6,421			(1,337,009,163)		-1,337,009,163
Total unexpended appropriations				$855,056	$57,296			$912,351		$912,351
Cumulative Results of Operations										
Beginning Balance	$662,364,905	$24,686,932,391	($7,881,697)		$47,052,616	$11,690,525	$7,186,816	$25,407,345,556		$25,407,345,556
Corrections of errors (+/-)										
Beginning Balance, as Adjusted	662,364,905	24,686,932,391	(7,881,697)	-	47,052,616	11,690,525	7,186,816	25,407,345,556		25,407,345,556
Appropriations Used				1,337,015,584	(6,421)			1,337,009,163		1,337,009,163
Other than intragovernmental non-exchange revenue		417,635	89,115,602			22,445,286		111,978,523		111,978,523
Miscellaneous taxes and receipts		0						0		0
Total other than intragovernmental non-exchange revenue	0	417,635	89,115,602	0	0	22,445,286	0	111,978,523		111,978,523
Intragovernmental non-exchange revenue	2,417,719,769	2,891,680,357	383,056			135,612		5,309,918,793	(2,909,894)	5,307,008,899
Transfers In From NRRIT		2,838,000,000						2,838,000,000		2,838,000,000
Change in NRRIT Assets		3,662,640,000						3,662,640,000		3,662,640,000
Transfers-in/out without reimbursement	4,863,634,026	511,122,112	9,942,019	-1,337,004,771	142,602,028	-27,428,790	11,331,404	4,174,198,028		4,174,198,028
Imputed financing					6,962,271		434,558	7,396,829		7,396,829
Other	114,100,000	9,043,659						123,143,659		123,143,659
Net Cost of Operations	(7,631,837,651)	(5,626,828,944)	(161,480,365)	(10,813)	(152,352,060)	0	(10,434,504)	(13,582,944,337)	2,909,894	(13,580,034,443)
Net Change and Cumulative Results of Operations	(236,383,856)	4,286,074,818	(62,039,689)	0	(2,794,181)	(4,847,892)	1,331,458	3,981,340,658	0	3,981,340,658
Cumulative Results of Operations: Ending	$425,981,048	$28,973,007,209	-$69,921,386	$0	$44,258,435	$6,842,633	$8,518,274	$29,388,686,214	$0	$29,388,686,214
Net position, end of period	$425,981,048	$28,973,007,209	-$69,921,386	$855,056	$44,315,731	$6,842,633	$8,518,274	$29,389,598,566	$0	$29,389,598,566

* Details may not add to totals due to rounding

17. Terms of Borrowing Authority Used (Unaudited)

The RRB, Social Security Administration, and Centers for Medicare and Medicaid Services are parties to a financing arrangement described as the "financial interchange".

The financial interchange between the railroad retirement and social security systems is intended to put the Social Security Old-Age, Survivors, and Disability Insurance and Hospital Insurance trust funds in the same position they would have been had railroad employment been covered under the Social Security and Federal Insurance Contributions Acts.

Financial interchange transfers are made in a lump sum for a whole fiscal year in the June following the close of a fiscal year. The Railroad Retirement Solvency Act of 1983, as amended, provided for monthly advances of the financial interchange from the U.S. Treasury general fund to be repaid when the financial interchange is settled each June. Each advance/loan is equal to an estimate of the transfer the RRB would have received in the preceding month if the financial interchange with social security were on an up-to-date basis, with interest adjustments. The RRB must repay these advances/loans when it receives the transfer from social security against which the money was advanced.

Section 7(c)(4) of the 1974 RRA, as amended, provides the rules for repayment of the financial interchange advances and references Section 7(c)(3) for the interest rate to be used.

The interest rate on the repayment of the advances is the same as that used in the actual financial interchange determination from the close of the prior fiscal year until the date of the transfer.

18. Available Borrowing Authority, End of the Period (Unaudited)

The amount of RRB available borrowing authority at the end of the period associated with financial interchange advances is $4,843,700,000.

19. Legal Arrangements Affecting Use of Unobligated Balances (Unaudited)

The portion of RRB trust fund receipts collected in the current fiscal year that exceed the amount needed to pay benefits or other valid obligations remain in the RRB trust funds as unobligated balances. These receipts can become available in the current year if needed for valid obligations. RRB receipts are assets of the trust fund and available for obligation as needed in the future.

20. Subsequent Events (Unaudited)

There was a decrease of $5,508 million in NRRIT net assets from the SOSI, October 1, 2021, valuation date and the September 30, 2022, balance sheet date. Other than this event, no other material events or transactions have occurred subsequent to September 30, 2022 of which we are aware. We have evaluated subsequent events through November 15, 2022, the date the financial statements were released.

21. Permanent Indefinite Appropriations (Unaudited)

In fiscal year 2022, the Railroad Retirement Board had the following permanent indefinite appropriations that were available until expended:

a. 60X0113 – Federal Payments to the Railroad Retirement Accounts, 60X0113, was established by OMB, not by legislation, and is used as a conduit for transferring certain income taxes on benefits; receiving credit for the interest portion of uncashed check transfers; and funds provided by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. Account 60X0113 is considered a fund from dedicated collections. This account has no basis in law.

b. 60X0122 – Railroad Unemployment Insurance Enhanced Benefit Payments, 060X0122, funds railroad unemployment insurance benefits provided by the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act of 2020, P.L 116-136. Our authority to use these collections is P.L. 116-136.

c. 60X8010 – Social Security Equivalent Benefit Account, 60X8010, funds the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits. Account 60X8010 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 231n-1(c) (1).

d. 60X8011 – Railroad Retirement Account, 60X8011, funds retirement, survivor, and disability benefits in excess of social security equivalent benefits from payroll taxes on employers and employees and other income sources. Account 60X8011 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 231f(c) (1).

e. 60X8051.001 – Railroad Unemployment Insurance Trust Fund, Benefit Payments, 60X8051.001, funds railroad unemployment and sickness insurance benefits from contributions by railroad employers. Account 60X8051.001 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 360.

f. 60X8051.002 – Railroad Unemployment Insurance Trust Fund, Administrative Expenses, 60X8051.002, was established to pay salaries and expenses to administer the program. Account 60X8051.002 is considered a fund from dedicated collections. This fund is financed by contributions from railroad employers. Monies are transferred from this fund, based on cost accounting estimates and records, to the Limitation on Administration Account (60 8237) from which salaries and expenses are paid for both the railroad retirement program and the railroad unemployment and sickness insurance program. Our authority to use these collections is 45 U.S.C. § 361.

22. Budget and Accrual Reconciliation (Unaudited)

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

The increase in net cost over the previous year is due to higher railroad retirement benefit payments in Fiscal Year 2022. The year over year difference in accounts receivable is due to an increase in the annual Financial Interchange (FI) settlement from Social Security Administration (SSA). The decrease in other liabilities is due to less payables owed to Centers for Medicare and Medicaid services (CMS). The decrease in other is due to the net effect of higher warrants received in Fiscal Year 2022 offset by higher delivered orders unpaid in Fiscal Year 2022.

Budget and Accrual Reconciliation for the year ended September 30, 2022

	Intra-governmental	With the public	Total FY 2022
NET COST	**$129,834,824**	**$13,666,158,065**	**$13,795,992,889**
Components of Net Cost That Are Not Part of Net Outlays:			
Increase/(decrease) in assets:			
Accounts receivable	(5,786,485,000)	9,014,344	(5,777,470,656)
Other assets	1,126,100	1,076,478	2,202,578
(Increase)/decrease in liabilities:			
Accounts payable	2,703,689	(21,922,940)	(19,219,251)
Salaries and benefits	521	4,048,784	4,049,305
Other liabilities	645,268,164	753,988	646,022,152
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(7,456,545)		(7,456,545)
Transfers out (in) without reimbursement	1,069,132,443	24,835	1,069,157,278
Total Components of Net Cost That Are Not Part of Net Outlays	**(4,075,710,628)**	**(7,004,511)**	**(4,082,715,139)**
Components of Net Outlays That Are Not Part of Net Cost:			
Other	(9,342)	(944,335,688)	(944,345,030)
Total Components of Net Outlays That Are Not Part of Net Cost	(9,342)	(944,335,688)	(944,345,030)
NET OUTLAYS	**($3,945,885,146)**	**$12,714,817,866**	**$8,768,932,720**

Budget and Accrual Reconciliation
For the year ended September 30, 2021

	Intra-governmental	With the public	Total FY 2021
NET COST	**$127,042,327**	**$13,581,522,270**	**$13,708,564,597**
Components of Net Cost That Are Not Part of Net Outlays:			
Increase/(decrease) in assets:			
Accounts receivable	(4,923,597,997)	4,642,584	(4,918,955,413)
Other assets	152,297	(531,788)	(379,491)
(Increase)/decrease in liabilities:			
Accounts payable	720,433	(20,073,775)	(19,353,342)
Salaries and benefits	(36,768)	(710,211)	(746,979)
Other liabilities	765,774,723	(394,304)	765,380,419
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(7,396,830)		(7,396,830)
Transfers out (in) without reimbursement	1,925,921,242		1,925,921,242
Total Components of Net Cost That Are Not Part of Net Outlays	**(2,238,462,900)**	**(17,067,494)**	**(2,255,530,394)**
Components of Net Outlays That Are Not Part of Net Cost:			
Other	2,892,661	(1,366,799,501)	(1,363,906,840)
Total Components of Net Outlays That Are Not Part of Net Cost	2,892,661	(1,366,799,501)	(1,363,906,840)
NET OUTLAYS	**($2,108,527,912)**	**$12,197,655,275**	**$10,089,127,363**

23. Reclassification of Financial Statement Line Items for Financial Report Compilation Process (Unaudited)

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the Railroad Retirement Board's financial statements and Railroad Retirement Board's Reclassified statement of Net Cost prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2021 FR can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2022 FR will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government.

The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Pursuant to OMB Circular A-136 Section II.3.8.38, Significant entities using the Balance Sheet Template in section II.3.2.2 are not required to disclose any Balance Sheet information in this Note. RRB used that Balance Sheet template in the financial section on page 61. Furthermore, RRB is presenting the SCNP on a consolidated basis and disclosing Note 16 for Dedicated Collections (with combined and consolidated amounts). Therefore, RRB is not required to complete a reclassification of the SCNP in FY 2022.

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ending September 30, 2022

FY 2022 Railroad Retirement Board SNC		Line Items Used to Prepare FY 2022 Government-wide SNC					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other than Dedicated Collections (with Eliminations)**	**Eliminations Between Dedicated and Other than Dedicated**	**Total**	**Reclassified Financial Statement Line**
Gross Program Costs:							
Railroad Retirement Program							
Gross costs	$13,698,874,736						
		$13,548,422,588	$0	$18,648,331	$0	$13,567,070,919	Non-federal gross cost
		21,524,053	0	0	0	21,524,053	Benefit program costs
		7,456,545	0	0	0	7,456,545	Imputed costs
		7,674,818	(425,000)	343,592	0	7,593,410	Buy/sell cost
		89,623,426	(8,443)	0	(898)	89,614,085	Borrowing and other interest expense
		5,615,724	0	0	0	5,615,724	Other expenses (without reciprocals)
Total Gross Cost		**13,680,317,154**	**(433,443)**	**18,991,923**	**(898)**	**13,698,874,736**	***Total***
Less: Earned Revenue	(13,263,272)						
		341,712	0	0	0	341,712	Non-federal earned revenue
		(14,029,984)	425,000	0	0	(13,604,984)	Buy/sell revenue (exchange)
Total Earned Revenue		**(13,688,272)**	**425,000**	**0**	**0**	**(13,263,272)**	**Total**
Net program costs	**13,685,611,464**	**13,666,628,882**	**(8,443)**	**18,991,923**	**(898)**	**13,685,611,464**	**Program Total**
Railroad Unemployment and Sickness Insurance Program							
Gross Costs	125,370,507						
		129,548,787	0	(4,178,280)	0	125,370,507	Non-federal gross cost
		1,959,652	(1,959,652)	0	0	0	7.3-Buy/sell cost
Total Earned Revenue	(14,930,206)						
		(14,929,846)	0	0	0	(14,929,846)	Non-federal earned revenue
		0	0	(360)	0	(360)	Non-federal earned revenue
Net program costs	**110,440,301**	**116,578,593**	**(1,959,652)**	**(4,178,640)**	**0**	**110,440,301**	**Program Total**
Less: Earned Revenues not attributed to programs	(46,115)						
	(12,761)						
		0	0	(12,761)	0	(12,761)	Non-federal earned revenue
		6,586	0	0	0	6,586	Non-federal earned revenue
		(52,701)	0	0	0	(52,701)	Federal Buy/sell revenue (exchange)
Total Earned Revenue not attributed to programs	**(58,876)**	**(46,115)**	**0**	**(12,761)**	**0**	**(58,876)**	**Total**
Net Cost	**$13,795,992,889**	**$13,783,161,360**	**($1,968,095)**	**$14,800,522**	**($898)**	**$13,795,992,889**	**Net Cost**

24. COVID-19 Activity (Unaudited)

The RRB received pandemic relief funding through CARES, ARPA, and CARWA to provide benefits to the railroad workers who are impacted by the COVID-19. The RRB's COVID-19 activities are funded by DEF code N, O, and V. The details of the various COVID-19 funding sources are described in the MD&A section on page 32.
COVID-19 activity appropriations received and used are as follows:

COVID-19 Activity Funded by DEF Code L, M, N, O, P, U, or V	FY 2022	FY 2021
Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from PY	$105,149,347	$120,188,739
New Budget Authority (+)	0	30,475,000
Rescissions (-)/Other Changes (+/-) to Budgetary Resources	737,968	94,675
Budgetary Resources Obligated (-)	(8,415,148)	(45,609,067)
Budgetary Resources: Ending Unobligated (and unexpired) Balance to be Carried Forward	$97,472,167	$105,149,347
Outlays, Net (Total)	$9,409,142	$41,034,743

25. Non-Custodial Non-Exchange Revenues (Unaudited)

Railroad Retirement Board has non exchange revenue that consist of payroll tax collected by Treasury from railroads on behalf of the RRB, income tax on railroad retirement benefits, unemployment insurance contributions paid by railroad employers and interest earned on Treasury securities.

RRB received payroll taxes, which were paid by railroad employers and their employees as the primary source of funding for the railroad retirement and survivor benefit programs. By law, railroad retirement taxes are coordinated with social security taxes.

Payroll taxes and unemployment contributions are recorded on a modified cash basis in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7. All other transactions are recorded on an accrual basis of accounting and a budgetary basis. Under the accrual method, revenues (except payroll taxes and unemployment contributions which are on a modified cash basis) are recognized when earned and expenses are recognized when a liability is incurred.

The Internal Revenue Service (IRS) collects Railroad Retirement Tax Act taxes on behalf of RRB. The IRS refunds RRTA taxes to railroads. The IRS bills RRB on a cash basis and does not accrue an account receivable for the refunds paid.

FY 2022 Collection of non-custodial non-exchange revenue and carrier refunds below.

Non-Exchange Revenue	FY 2022 Tax Year	FY 2021 Tax Year	FY 2020 Tax Year	All Other Prior Tax Years	FY 2022 Collections
Payroll Tax	$6,425,165,659	$0	$0	$0	$6,425,165,659
Interest Revenue	44,533,673	(2,179,491)	78,312	1,056,441	43,488,935
Subtotal	6,469,699,332	(2,179,491)	78,312	1,056,441	6,468,654,594
Less: amounts collected for non-federal entities	(277,233,493)	(186,636)	(78,312)	(1,056,441)	(278,554,882)
Total amount of federal revenues collected	$6,192,465,839	($2,366,127)	$0	$0	$6,190,099,712

Refunds	FY 2022 Tax Year	FY 2021 Tax Year	FY 2020 Tax Year	All Other Prior Tax Years	FY 2022 Refunds
Carrier Refunds	$35,381,931	$0	$0	$0	$35,381,931
Total amount of refunds	$35,381,931	$0	$0	$0	$35,381,931

FY 2021 Collection of non-custodial non-exchange revenue and carrier refunds below.

Non-Exchange Revenue	FY 2021 Tax Year	FY 2020 Tax Year	FY 2019 Tax Year	All Other Prior Tax Years	FY 2021 Collections
Payroll Tax	$5,306,606,793	$0	$0	$0	$5,306,606,793
Interest Revenue	150,738,344	(1,722,265)	158,689	850,671	150,025,439
Subtotal	5,457,345,137	(1,722,265)	158,689	850,671	5,456,632,232
Less: amounts collected for non-federal entities	(110,918,818)	(104,564)	(158,689)	(850,671)	(112,032,742)
Total amount of federal revenues collected	$5,346,426,319	($1,826,829)	$0	$0	$5,344,599,490

Refunds	FY 2021 Tax Year	FY 2020 Tax Year	FY 2019 Tax Year	All Other Prior Tax Years	FY 2021 Refunds
Carrier Refunds	$37,589,596	$0	$0	$0	$37,589,596
Total amount of refunds	$37,589,596	$0	$0	$0	$37,589,596

26. Unobligated balance from prior year budget authority (Unaudited)

The Unobligated balance from prior year budget authority, net (discretionary and mandatory) of $421.5 million from prior year budget authority includes the prior year unobligated balance of $410.4 million plus $11.1 million current year recoveries of prior year paid/unpaid obligations.

Required Supplementary Information (Unaudited)

Program Financing

Payroll taxes paid by railroad employers and employees are the primary source of funding for the railroad retirement-survivor benefit programs. Railroad retirement taxes, which have historically been higher than social security taxes, are calculated, like benefit payments, on a two-tier basis. Railroad retirement tier I payroll taxes are coordinated with social security taxes so that employees and employers pay tier I taxes at the same rate as social security taxes. In addition, both employees and employers pay tier II taxes that are used to finance railroad retirement benefit payments over and above social security levels. The tier II tax rate is based on the ratio of certain asset balances to the sum of benefit payments and administrative expenses.

Revenues in excess of benefit payments are invested to provide additional trust fund income. The NRRIT oversees most investments, including all investments in non-governmental assets.

Additional trust fund income is derived from the financial interchange with the social security trust funds, revenues from Federal income taxes on railroad retirement benefits, and appropriations from general treasury revenues provided after 1974 as part of a phase-out of certain vested dual benefits.

The financial interchange between the railroad retirement and social security systems is intended to put the Social Security Administration (SSA) Federal Old-Age, Survivors, and Disability Insurance (FOASI/DI) trust funds and the Centers for Medicare and Medicaid Services (CMS) Federal Hospital Insurance (FHI) trust fund in the same position they would have been had railroad employment been covered under the Social Security and Federal Insurance Contributions Acts. It follows that all computations under the FI are performed according to social security law.

Placing the social security trust funds in the same position they would have been had railroad employment been covered under social security since its inception involves computing the additional amount of social security payroll and income taxes that social security would have received and computing the amount of additional benefits that social security would have paid to railroad retirement beneficiaries during the same fiscal year. In the computation of the latter amount, credit is given for any social security benefits actually paid to railroad retirement beneficiaries. When benefit reimbursements exceed payroll and income taxes, the difference, with an allowance for interest and administrative expenses, is transferred from the social security trust funds to the SSEB Account. If taxes exceed benefit reimbursements, a transfer would be made in favor of the social security trust funds.

On a present value basis, funds provided through the FI are expected to equal $99.4 billion, reflecting net payments from social security offset by a smaller transfer to CMS. The FI funds are 37.0% of the estimated future revenue of $268.7 billion. Although the contributions and expenditures related to the FI have historically been included in the SOSI, they are in effect primarily contributions and expenditures of SSA that are administered by the RRB.

Benefits

Full age annuities are payable at age 60 to workers with 30 years of service. For those with less than 30 years of service, reduced annuities are payable at age 62 and unreduced annuities are payable at full retirement age, which is gradually rising from 65 to 67, depending on year of birth. Disability annuities can be paid on the basis of total or occupational disability. Annuities are also payable to spouses and divorced spouses of retired workers and to widow(er)s, surviving divorced spouses, partitioned surviving spouses, partitioned surviving divorced spouses, remarried widow(er)s, children, and parents of deceased railroad workers. Qualified railroad retirement beneficiaries are covered by Medicare in the same way as social security beneficiaries.

Jurisdiction over the payment of retirement and survivor benefits is shared by the RRB and SSA. The RRB has jurisdiction over the payment of retirement benefits if the employee had at least 10 years of railroad service, or five years if performed after 1995; for survivor benefits, there is an additional requirement that the employee’s last regular employment before retirement or death was in the railroad industry. If a railroad employee or his or her survivors do not qualify for railroad retirement benefits, the RRB transfers the employee’s railroad retirement credits to SSA, where they are treated as social security credits.

Program Finances and Sustainability

The RRB must submit to the President and the Congress a report on the actuarial status of the railroad retirement system. Projections are made of the various components of income and outgo under three employment assumptions.

The SOSI presents an actuarial analysis of the financial position of the railroad retirement system as of October 1, 2021. The figures in the table are based on the 2022 Section 502 Report extended through fiscal year 2096. The present values of estimated future revenue and expenditures in the table are based on estimates of revenue and expenditures through the fiscal year 2096. The estimates include revenue and expenditures related to future participants as well as to former and present railroad employees. The present values are computed on the basis of economic and demographic assumptions and employment assumption II, the intermediate employment assumption, as used in the 2022 Section 502 Report. Under employment assumption II, (1) railroad passenger employment is assumed to remain level at 45,000, and (2) the employment base, excluding passenger employment, is assumed to decline at a constant annual rate of 1.5 percent for 25 years, at a reducing rate for the next 25 years, and remain level thereafter.

Instead of projecting future employment levels based on the 2021 average employment of 188,100 that had been reduced by the COVID-19 pandemic, we phased into the 195,400 average employment for 2020 over the next three years, reflecting an expectation that employment levels will gradually increase over the next few years as the pandemic restrictions continue to be lifted, manufacturing fully recovers, and railroads add employees to meet demand. The remainder of the projection reflects this higher target level of employment.

Actuarial Estimates

Actuarial estimates of the long-range financial condition of the railroad retirement program are presented here. Throughout this section, the following terms will generally be used as indicated:

- Revenue: sources of revenue are payroll taxes, income taxes, investment income, and financial interchange transfers.

- Revenue excluding interest: [a] revenue, as defined above, excluding the investment income from assets of the trust fund.

- Expenditures**:** benefit payments and administrative expenses.

- Cashflow**:** either (1) revenue excluding interest or (2) expenditures, depending on the context, expressed in nominal dollars.

- Net Cashflow**:** revenue excluding interest less expenditures, expressed in nominal dollars.

The SOSI and the required supplementary information are based on actuarial and economic assumptions used in the 2022 Section 502 Report extended through fiscal year 2096, the Railroad Retirement Act, and the Railroad Retirement Tax Act and, for the financial interchange, the Social Security and Federal Insurance Contributions Acts. The charts in the required supplementary information are on a calendar year basis. This information includes:

(1) actuarial present values of future estimated expenditures for and estimated revenue from, or on behalf of, current and future program participants;

(2) estimated annual revenue excluding interest and expenditures in nominal dollars and as a percentage of taxable payroll;

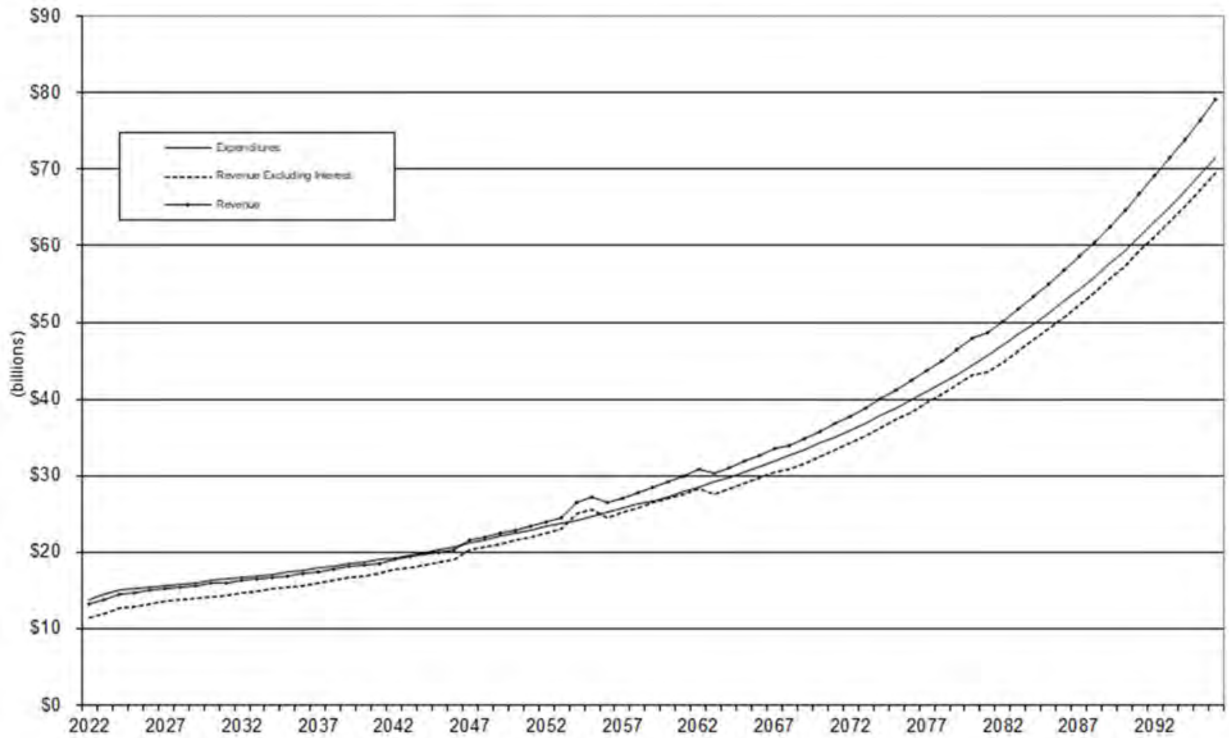
(3) the ratio of estimated annuitants to estimated full-time employees, showing the relationship between the program's benefit recipients and taxpayers; and

(4) an analysis of the sensitivity of the projections to changes in selected assumptions, which is included in recognition of the inherent uncertainty of those assumptions.

Estimated future revenue and expenditures are generally based on a 75-year projection period. Estimated future revenue and expenditures extending far into the future are inherently uncertain, with uncertainty increasing with time.

[a] Interest income in this section refers to total investment income including dividends and capital gains.

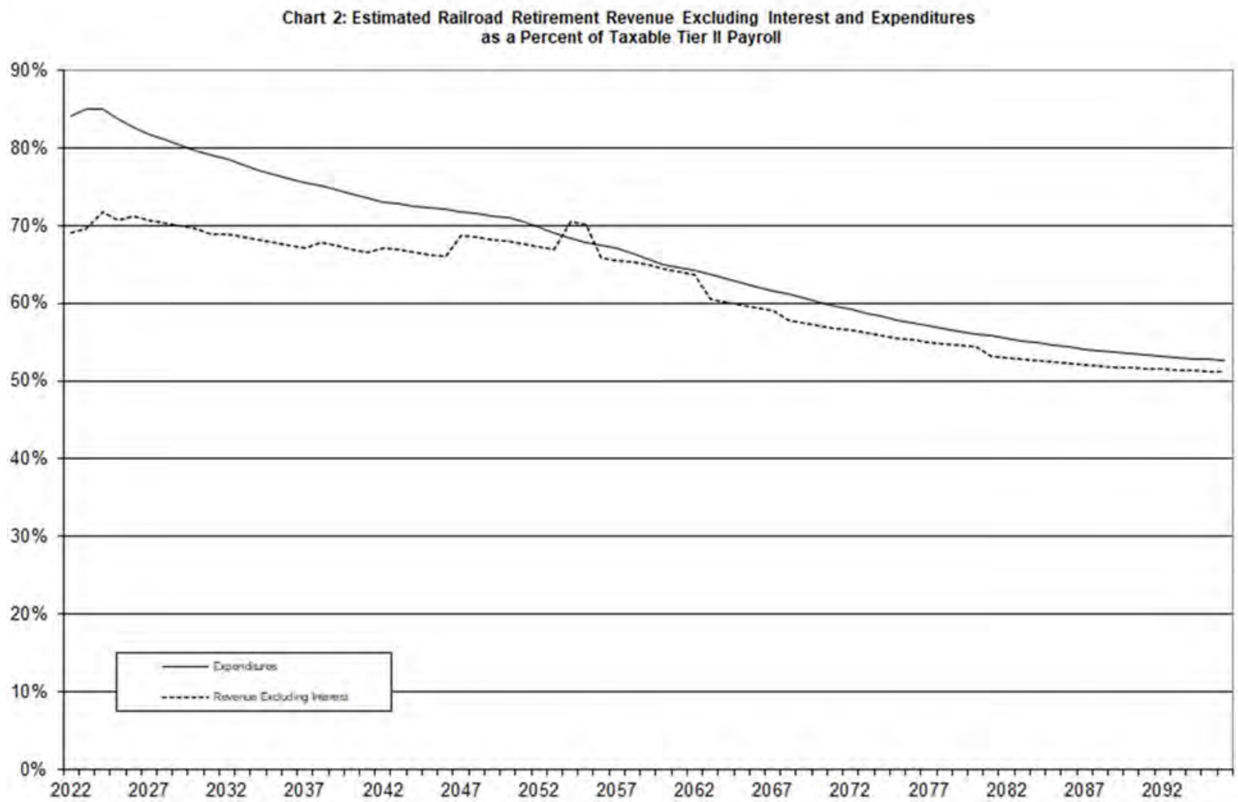
Chart 1: Estimated Revenue and Expenditures



Cashflow Projections – Chart 1 shows actuarial estimates of railroad retirement annual revenue, revenue excluding interest, and expenditures for 2022-2096 in nominal dollars. The estimates are for the open-group population, which includes all persons projected to participate in the railroad retirement program as workers or beneficiaries during the period. Thus, the estimates include payments from, and on behalf of, those who will be employed by the railroads during the period as well as those who already have been employed at the beginning of the period. They also include expenditures made to, and on behalf of, such workers during that period.

As Chart 1 shows, annual revenue exceeds annual expenditures in the years 2047 through 2096. Without investment income, however, annual expenditures are greater than annual revenue throughout the entire period, except in 2054 and 2055. Reasons for this pattern include participant demographics, the assumed drop in railroad employment, and the automatic tier II tax rate adjustment mechanism. The combined balance of the NRRIT, RR Account, and SSEB Account never becomes negative largely because (i) a sufficient balance exists at the beginning of the projection period and (ii) tier II tax rates respond automatically to changing account balances.

Percentage of Taxable Payroll – Chart 2 shows estimated annual revenue excluding interest and expenditures for the railroad retirement program expressed as percentages of taxable payroll. Expenditures decrease as a percentage of payroll except for small increases in 2023 and 2024. This is largely due to the projected decline in the number of annuitants per full-time employee. Except for the revenue from tier I payroll taxes, the sources of revenue vary as a percentage of payroll.



Sensitivity Analysis – The projections of the future financial status of the railroad retirement program depend on many economic and demographic assumptions including rail employment, inflation, wage increase, investment return, age retirement, disability retirement, withdrawal, active service mortality, beneficiary mortality, spouse total termination, probability of spouse, remarriage, family composition, disability freeze, service patterns, and salary scales. Because perfect long-range projections are impossible, this section is included to illustrate the sensitivity of the long-range projections to changes in certain key assumptions that have the greatest impact on the results. All present values are calculated as of October 1, 2021, and are based on estimates of revenue and expenditures during the fiscal years 2022-2096 projection period.

Employment – Average employment in the railroad industry has been in decline for decades. Although employment was relatively stable between 2000 and 2015, it began to decrease again in 2015 and is generally expected to continue declining in future years. In particular, employment dropped steadily in 2019 and continued to decline in the first half of 2020. From its lowest point in January of 2021, employment increased slightly before leveling off and then decreasing in January of 2022. Although employment has been increasing gradually during 2022, it has not returned to its pre-pandemic level. Since employment is a key consideration, projections of revenue and expenditures using three different employment assumptions have been made. The SOSI uses employment assumption II, the intermediate assumption, but this section compares results under the three assumptions. Employment assumptions I and II, based on a model developed by the Association of American Railroads, assumed that (1) passenger employment will remain at the level of 45,000 and (2) the employment base, excluding passenger employment, will decline at a constant annual rate (0.2 percent for assumption I and 1.5 percent for assumption II) for 25 years, at a reducing rate over the next 25 years, and remain level thereafter. Employment assumption III differed from employment assumptions I and II by assuming that (1) passenger employment will decline by 500 per year until a level of 36,000 is reached and then remain level, and (2) the employment base, excluding passenger employment, will decline at a constant annual rate of 2.8 percent for 25 years, at a reducing rate over the next 25 years, and remain level thereafter. Although average employment for 2021 was at the low level of 188,100, we are projecting a recovery to higher employment levels over the next three years before returning to the longer-term rates of decline in employment. Employment assumptions I, II, and III are intended to provide an optimistic, moderate (or intermediate), and pessimistic outlook, respectively.

Table 1 shows the excess of assets and the estimated present value of revenue over the estimated present value of expenditures for the three employment assumptions.

Table 1
Excess of Assets and Estimated Present Value of Revenue over Estimated Present Value of Expenditures for Three Employment Assumptions, 2022-2096
(in billions)

Employment Assumption	I	II	III
Present Value	\$2.7	\$1.4	(\$0.5)
Average Tier II tax rate [a]	17.4%	19.4%	21.7%

[a] Average combined employer/employee tier II tax rate is calculated by dividing the present value of tier II taxes by the present value of tier II payroll.

Chart 3a: Combined Balance of the RR Account, NRRIT and SSEB Account under Three Employment Assumptions

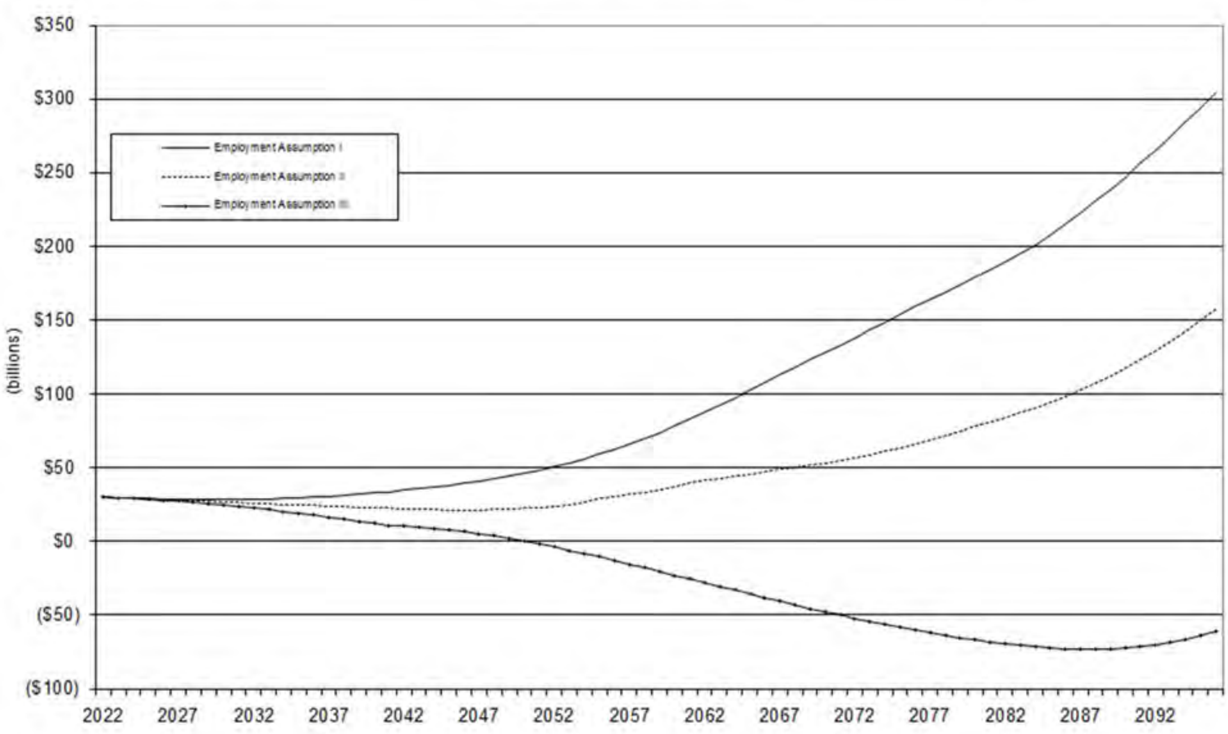


Chart 3a shows the combined balance of the accounts under each of the three employment assumptions. Note that the combined account balance is positive throughout the entire period for assumptions I and II but becomes negative in 2051 for assumption III and remains so until the end of the projection period. Negative after-transfer balances under employment assumption III indicate the amount that would be owed, including interest, if unreduced benefits were paid by borrowing.

Chart 3b shows the Accounts Benefit Ratios (ABR), which is calculated by dividing the fair market value of the assets in the RRA and the NRRIT as of the close of the fiscal year by the total benefits and administrative expenses paid from the RRA and the NRRIT during that fiscal year under the three employment assumptions. Under assumption I, the ABR decreases until 2036, increases until 2075, and remains relatively level for the remainder of the projection period. Under assumption II, the ABR decreases until 2050 and then increases through the end of the projection period. Under assumption III, the ABR decreases steadily, becoming negative in 2051 and never becoming positive by the end of the projection period.

Chart 3b: Account Benefits Ratio under Three Employment Assumptions

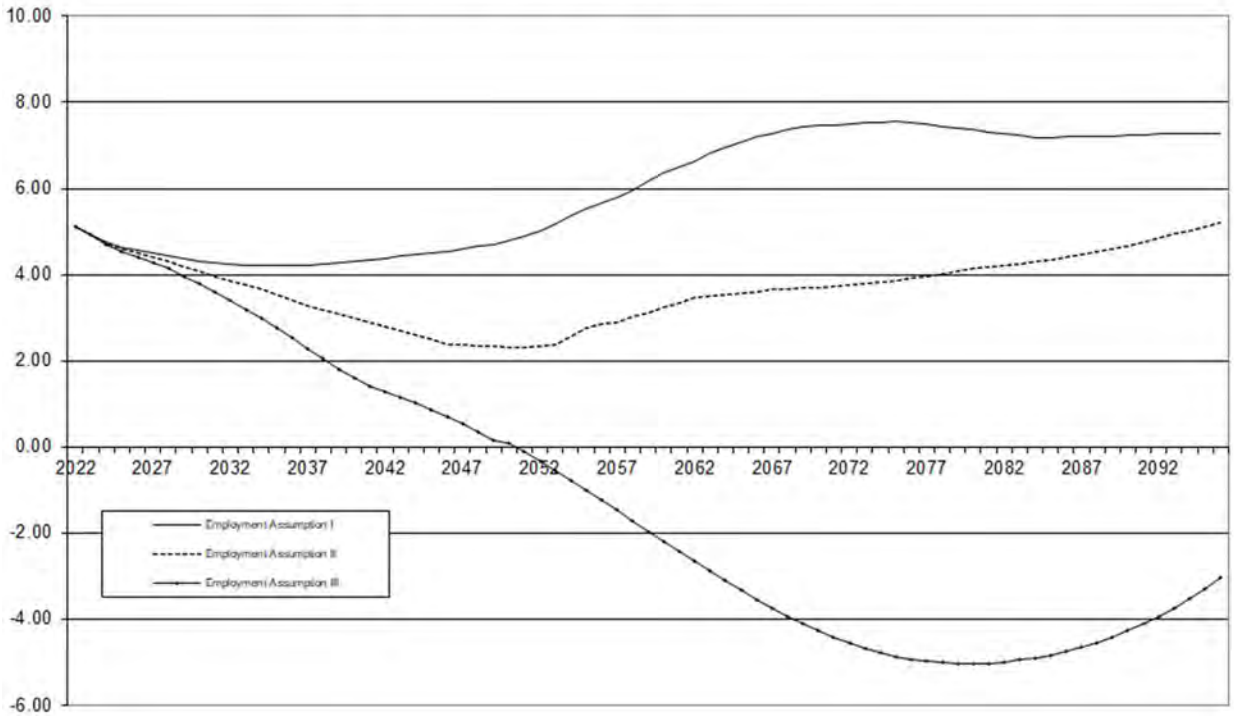
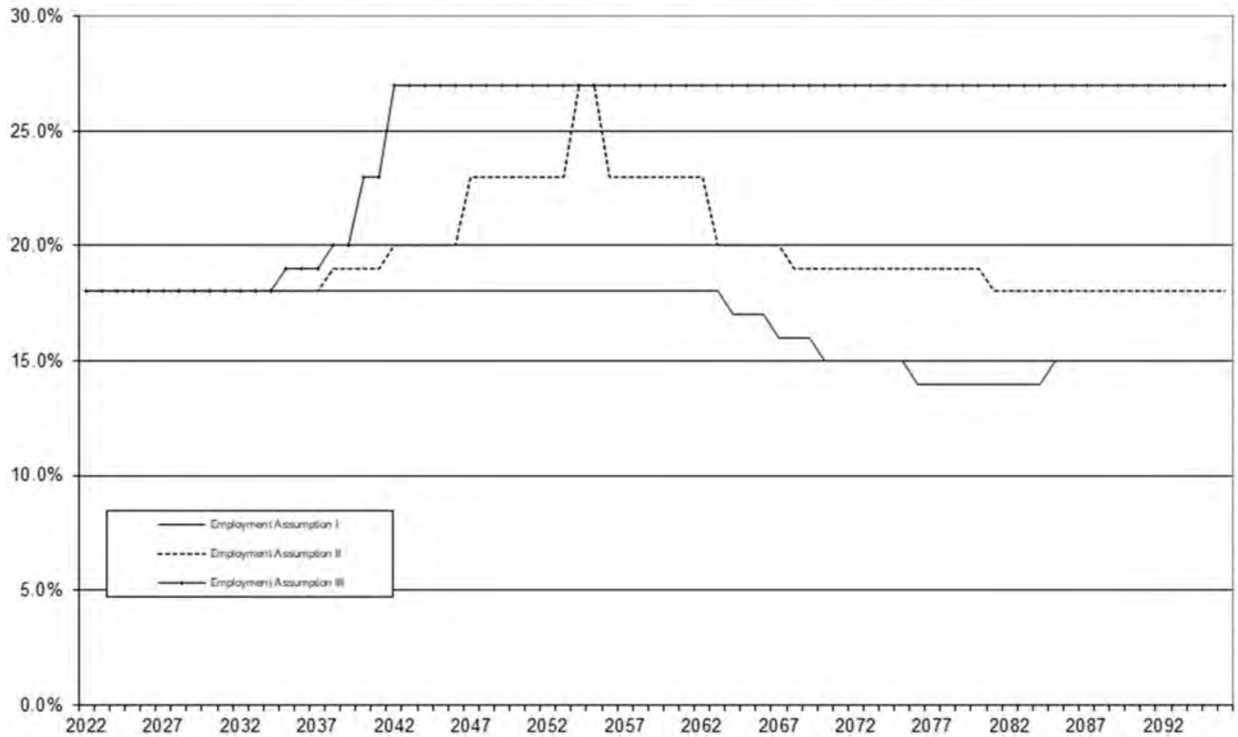


Chart 3c shows the tier II tax rate as determined by the 10-year average ABR under these employment assumptions. The current 18 percent tax rate reaches 14 percent in 2076 under employment assumption I and remains at that level until 2085, when it increases to 15 percent. Under employment assumption II, the current 18 percent tax rate begins to increase in 2038, reaching 27 percent in 2054 and 2055 before decreasing until it reaches 18 percent again in 2081. It remains at that level through the end of the projection period. Under employment assumption III, the current 18 percent tax rate reaches the maximum of 27 percent in 2042, remaining at that level through the end of the projection period.

Chart 3c: Tier II Tax Rate under Three Employment Assumptions



The tier II tax rate for each year is determined by the average account benefits ratio, which is the average for the ten most recent fiscal years of the ratio of fair market value of assets in the RR Account and NRRIT to the total benefits and administrative expenses paid from the RR Account and the NRRIT. Therefore, the tier II tax rate will be affected by the employment assumption. The tier II tax rate adjustment mechanism reduces but does not eliminate the risk of insolvency. The tier I tax rate does not vary by employment assumption.

<u>Investment return</u> – Since investments may include non-governmental assets such as equity and debt securities as well as governmental securities, it is worthwhile to examine the effects of future rates of investment return. In addition to the investment return of 6.5 percent used for our projections, we show the effect on the combined accounts of an investment return of 4 percent and an investment return of 9 percent. Table 2 shows the excess of assets and the estimated present value of revenue over the estimated present value of expenditures for the three investment return assumptions. If the tier II tax rate were fixed, the actuarial surplus would increase with increasing investment return. However, the tier II tax rate adjusts to changing account balances, resulting in the highest average tax rate under the 4 percent scenario and the lowest average tax rate under the 9 percent scenario.

Table 2
Excess of Assets and Estimated Present Value of Revenue over Estimated Present Value of Expenditures for Three Investment Return Assumptions, 2022-2096
(in billions)

Investment Return Assumption	4.0%	6.5%	9.0%
Present Value	$5.9	$1.4	$0.4
Average Tier II tax rate	21.7%	19.4%	16.5%

Chart 4a: Combined Balance of the RR Account, NRRIT and SSEB Account under Three Investment Return Assumptions

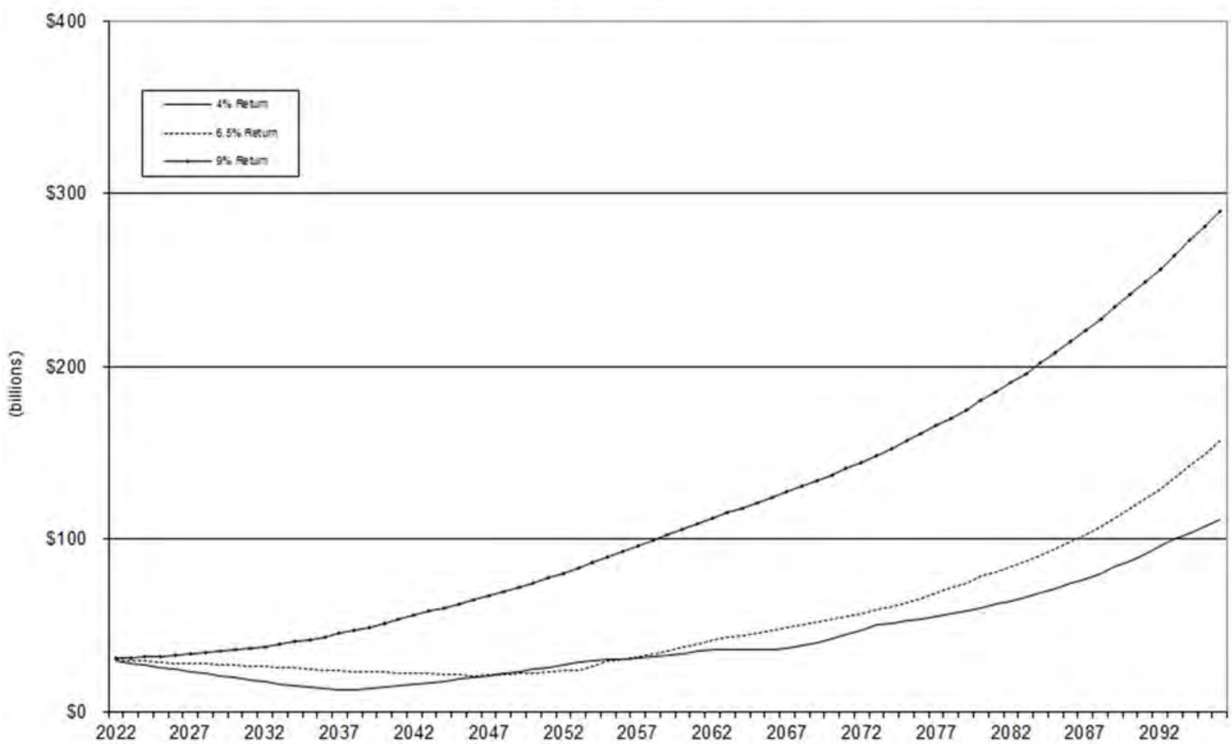


Chart 4a shows the combined account balance under the three investment return assumptions for the projection period. At a 4 percent investment return, the account balance remains positive, reaching its lowest value in 2038, and then increases through the remainder of the projection period. With a 6.5 percent investment return, the account balance decreases until 2046 and then increases again through the remainder of the projection period. A 9 percent investment return results in a combined balance that increases throughout the projection period. Although the 4 percent scenario shows the lowest account balance at the end of the projection period, the concurrent use of a 4 percent discount rate results in the highest surplus on January 1, 2022.

Chart 4b shows the ABR under the same three investment return assumptions. When the return is 4%, the ABR decreases until 2038, increases until 2054, varies between 2054 and 2078, and then increases throughout the remainder of the period. With a 6.5% return, the ABR is lowest in 2050 before increasing for the rest of the period. When the return is 9%, the ABR decreases slightly through 2025, then increases until it becomes fairly level beginning in 2071, with the highest ABR in 2093.

Chart 4b: Account Benefits Ratio under Three Investment Return Assumptions

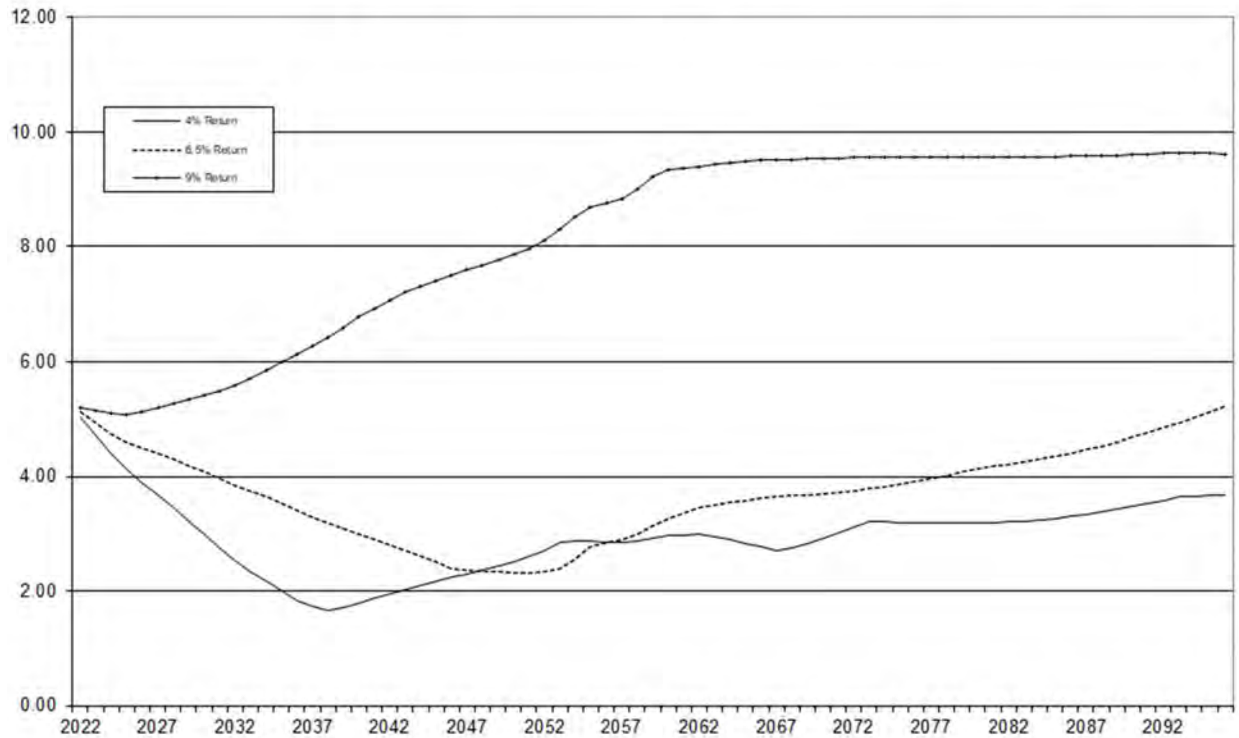
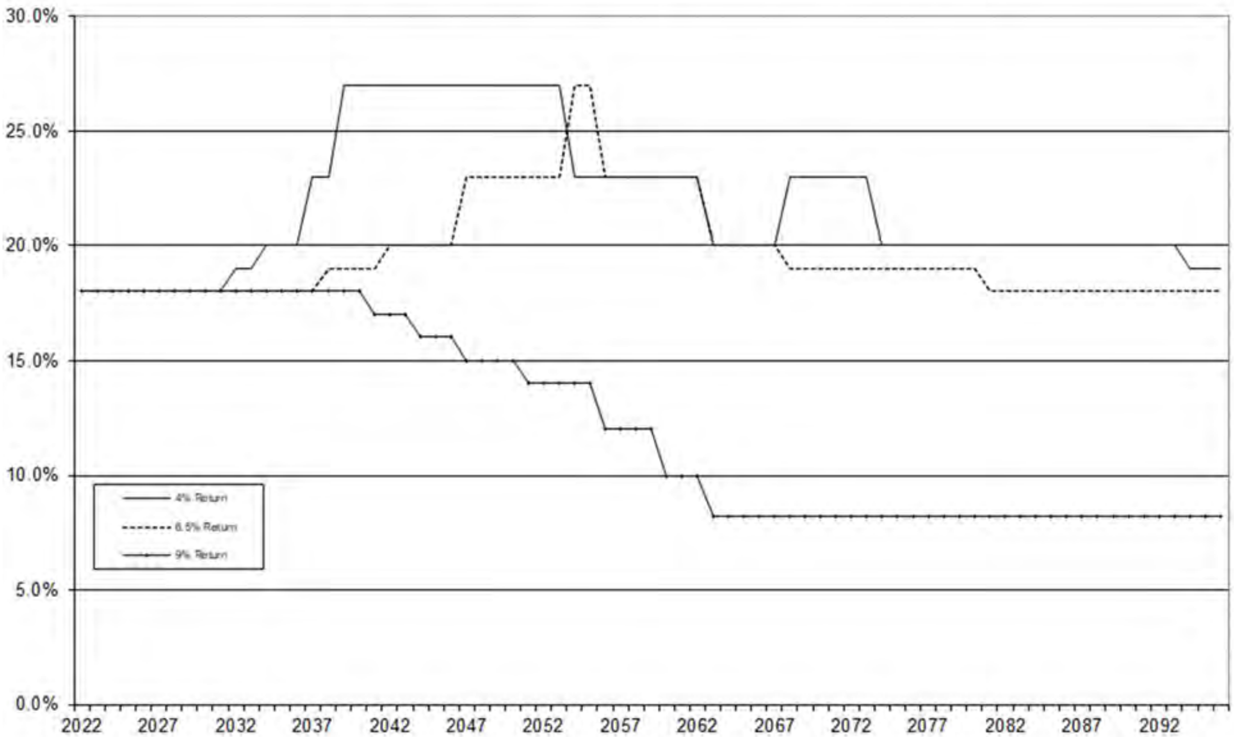


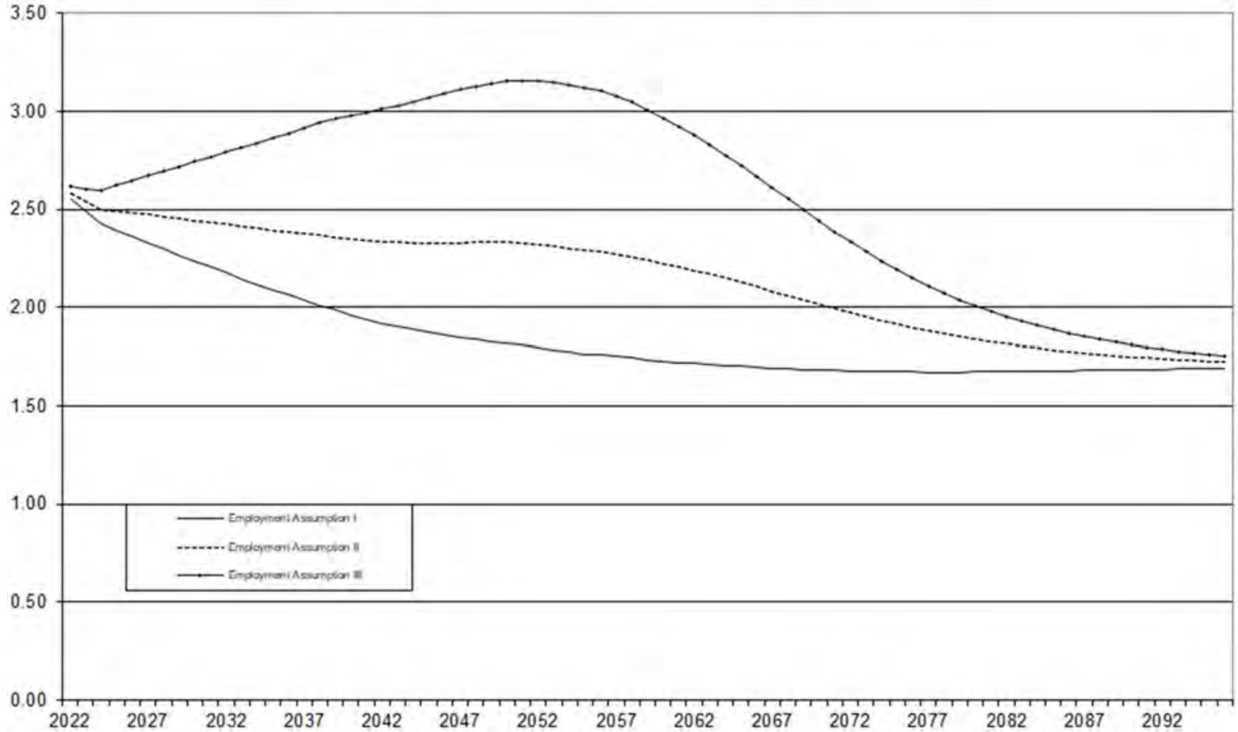
Chart 4c shows the tier II tax rate as determined by the 10-year average ABR under the same three investment return assumptions. With a 4 percent investment return, the maximum tier II tax rate of 27 percent applies in 2039 through 2053. With the 6.5 percent investment return, the 27 percent tax rate applies only in 2054 and 2055. With a 9 percent investment return, the maximum tax rate is never applicable, and the minimum tax rate of 8.2 percent is paid from 2063 through the end of the projection period. As mentioned above, the tier II tax rate is determined based on the ratios of asset values to benefits and administrative expenses, so it will be affected by investment return, but the tier I tax rate will not.

Chart 4c: Tier II Tax Rate under Three Investment Return Assumptions



Ratio of Beneficiaries to Workers – Chart 5 shows the estimated number of annuitants per full-time employee under all three employment assumptions. The average number of annuitants per employee for employment assumptions I and II is highest in 2022. For assumption III, the ratio decreases slightly in 2023 and 2024, then increases until it is highest in 2051 before decreasing again. For all three employment assumptions, the average number of annuitants per employee declines to between 1.7 and 1.8 at the end of the projection period. The convergence in number of annuitants per employee at the end of the projection period results primarily from level employment projected in the latter years under all three employment assumptions.

Chart 5: Average Number of Annuitants per Full-Time Employee



Combining Statement of Budgetary Resources

RAILROAD RETIREMENT BOARD
COMBINING STATEMENT OF BUDGETARY RESOURCES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(in dollars)

	COMBINED RAILROAD RETIREMENT PROGRAM	COMBINED RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM	LIMITATION ON THE OFFICE OF INSPECTOR GENERAL	COMBINED TOTALS
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 26)	$58,591,034	$357,530,183	$5,355,312	$421,476,529
Appropriations (discretionary and mandatory)	9,771,715,805	109,988,318	-	9,881,704,123
Borrowing authority (discretionary and mandatory) (Note 18)	4,843,700,000	-	-	4,843,700,000
Spending authority from offsetting collections (discretionary and mandatory)	166,750,869	15,500,849	14,216,416	196,468,134
Total budgetary resources	**$14,840,757,708**	**$483,019,350**	**$19,571,728**	**$15,343,348,786**
Status of budgetary resources				
New obligations and upward adjustments (total)	$14,792,293,786	$129,906,502	$14,400,124	$14,936,600,412
Unobligated balance, end of year				
Apportioned, unexpired accounts	36,653,448	306,818,575	-	343,472,023
Unapportioned, unexpired accounts	194,710	9,273,839	713,123	10,181,672
Unexpired unobligated balance, end of year	36,848,158	316,092,414	713,123	353,653,695
Expired unobligated balance, end of year	11,615,764	37,020,434	4,458,481	53,094,679
Unobligated balance, end of year (total)	48,463,922	353,112,848	5,171,604	406,748,374
Total budgetary resources	**$14,840,757,708**	**$483,019,350**	**$19,571,728**	**$15,343,348,786**
Outlays, net				
Outlays, net (total) (discretionary and mandatory)	$14,583,796,264	$113,759,827	($514,371)	$14,697,041,720
Distributed offsetting receipts (-)	(5,928,109,000)	-	-	(5,928,109,000)
Agency outlays, net (discretionary and mandatory)	**$8,655,687,264**	**$113,759,827**	**($514,371)**	**$8,768,932,720**

RAILROAD RETIREMENT BOARD
COMBINING STATEMENT OF BUDGETARY RESOURCES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(in dollars)

	COMBINED RAILROAD RETIREMENT PROGRAM	COMBINED RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM	LIMITATION ON THE OFFICE OF INSPECTOR GENERAL	COMBINED TOTALS
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 26)	$41,103,911	$466,316,555	$4,799,154	$512,219,620
Appropriations (discretionary and mandatory)	9,731,156,468	203,249,585	500,000	9,934,906,053
Borrowing authority (discretionary and mandatory) (Note 18)	5,028,800,000	-	-	5,028,800,000
Spending authority from offsetting collections (discretionary and mandatory)	157,408,914	14,144,436	13,241,876	184,795,226
Total budgetary resources	**$14,958,469,293**	**$683,710,576**	**$18,541,030**	**$15,660,720,899**
Status of budgetary resources				
New obligations and upward adjustments (total)	$14,905,751,367	$332,109,443	$12,465,916	$15,250,326,726
Unobligated balance, end of year				
Apportioned, unexpired accounts	38,653,994	342,355,234	500,000	381,509,228
Unapportioned, unexpired accounts	2,063,742	9,245,899	570,520	11,880,161
Unexpired unobligated balance, end of year	40,717,736	351,601,133	1,070,520	393,389,389
Expired unobligated balance, end of year	12,000,190	-	5,004,594	17,004,784
Unobligated balance, end of year (total)	52,717,926	351,601,133	6,075,114	410,394,173
Total budgetary resources	**$14,958,469,293**	**$683,710,576**	**$18,541,030**	**$15,660,720,899**
Outlays, net				
Outlays, net (total) (discretionary and mandatory)	$14,713,869,926	$317,761,375	($1,455,067)	$15,030,176,234
Distributed offsetting receipts (-)	(4,941,048,871)	-	-	(4,941,048,871)
Agency outlays, net (discretionary and mandatory)	**$9,772,821,055**	**$317,761,375**	**($1,455,067)**	**$10,089,127,363**

UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

November 15, 2022

To the Board Members,

We contracted with the independent public accounting (IPA) firm, RMA Associates, LLC (RMA), to audit the financial statements of Railroad Retirement Board (RRB), which included the consolidated balance sheet as of September 30, 2022, the related consolidated statements of net cost and changes in net position, and the combined statement of budgetary resources for the fiscal year then ended, and the statement of social insurance as of October 1, 2021, October 1, 2020, October 1, 2019, October 1, 2018, and October 1, 2017, the statement of changes in social insurance for the two year period ended September 30, 2021, and the related notes to the financial statements. RMA was also engaged to audit RRB's internal control over financial reporting as of September 30, 2022, based on criteria established in the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States.

The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, the Office of Management and Budget (OMB) Bulletin No. 21-04 *Audit Requirements for Federal Financial Statements*, the U.S. Government Accountability Office (GAO) and the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) *Financial Audit Manual*, applicable American Institute of Certified Public Accountants professional standards, and other applicable OMB guidance.

In its audit of the RRB, RMA reported:

- a disclaimer of opinion on the financial statements because RRB could not provide sufficient appropriate evidential matter to support the amounts in the financial statements due to inadequate processes, controls, and records to support transaction and account balances;
- a disclaimer of opinion on internal control over financial reporting because RRB could not provide sufficient appropriate evidential matter to support its internal control over financial reporting due to inadequate processes, controls, and records; and
- one instance of noncompliance or other matters that were required to be reported.

844 N RUSH STREET CHICAGO IL 60611-1275

RMA also identified material weaknesses which are described in Exhibit I of the attached auditor's report. To address the material weaknesses identified in the report, RMA made 15 recommendations. RMA did not make recommendations for two findings because they were repeated from prior OIG reports and remain open. RRB management nonconcurred with the RMA findings. In finalizing their report, RMA evaluated RRB's responses to the findings. Based on the evaluation, RMA's findings and recommendations remain unchanged.

RMA is responsible for the attached auditor's report dated November 15, 2022 and the conclusions expressed therein. We do not express opinions on RRB's financial statements, internal control over financial reporting, or conclusions on compliance and other matters.

We appreciate the assistance provided to our staff and the IPA firm's employees during the engagement.

Sincerely,

MARTIN DICKMAN

Digitally signed by MARTIN DICKMAN
Date: 2022.11.14 14:25:35 -06'00'

Martin J. Dickman
Inspector General

RMA | Associates
Auditors. Consultants. Advisors.

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Arlington, VA 22201
Phone: (571) 429-6600
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Independent Auditor's Report

To Railroad Retirement Board's Board Members and Inspector General:

Report on the Audit of the Financial Statements and Internal Control over Financial Reporting

We were engaged by the Railroad Retirement Board (RRB) Office of Inspector General (OIG) to audit the accompanying financial statements of RRB, which comprise the consolidated balance sheet as of September 30, 2022, related consolidated statements of net cost and changes in net position, combined statement of budgetary resources for the fiscal year (FY) then ended, statement of social insurance as of October 1, 2021, October 1, 2020, October 1, 2019, October 1, 2018, and October 1, 2017, statement of changes in social insurance for the two year period ended September 30, 2021, and related notes to the financial statements (referred to herein as the financial statements). We were also engaged to audit RRB's internal control over financial reporting as of September 30, 2022, based on criteria established in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States (U.S.).

Disclaimer of Opinion

Due to the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the FY 2022 financial statements.

Basis for Disclaimer of Opinion

RRB could not provide sufficient appropriate evidential matter to support the amounts in the financial statements due to inadequate processes, controls, and records to support transaction and account balances. Furthermore, RRB's Performance and Accountability Report (PAR) included mathematical errors and inconsistencies. As a result, we cannot determine the effect of the lack of sufficient appropriate audit evidence on RRB's financial statements as of and for the year ended September 30, 2022.

Other Matters

The financial statements of the prior period were audited by a predecessor auditor. The predecessor auditor issued a disclaimer of opinion as of and for the years ended September 30, 2021, and 2020. The predecessor auditor report was dated November 15, 2021.

Furthermore, the National Railroad Retirement Investment Trust (NRRIT) is a component of RRB, and NRRIT's net assets are $23 billion and compose roughly 74% of total RRB reported assets. RRB could not provide sufficient appropriate evidential matter to support NRRIT balances.

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Disclaimer of Opinion on Internal Control over Financial Reporting

We were engaged to audit RRB's internal control over financial reporting as of September 30, 2022, based on criteria established in *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the U.S. Because of the significance of the material weaknesses described in the Basis for Disclaimer of Opinion on Internal Control over Financial Reporting paragraph below on the achievement of the objectives of the control criteria, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the effectiveness of RRB's internal control over financial reporting.

Basis for Disclaimer of Opinion on Internal Control over Financial Reporting

RRB could not provide sufficient appropriate evidential matter to support its internal control over financial reporting due to inadequate processes, controls, and records. As a result, we cannot determine the effect of the lack of sufficient appropriate audit evidence on RRB's financial internal control over financial reporting as of September 30, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the U.S., and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the U.S. generally accepted auditing standards; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the U.S.; and Office Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Our responsibility also includes conducting an audit of RRB's internal control over financial reporting as of September 30, 2022, based on criteria established in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the U.S. However, because of the matter described in the Basis for Disclaimer of Opinion on Internal Control Over Financial Reporting section, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

We are required to be independent of the RRB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

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Required Supplementary Information

Accounting principles generally accepted in the U.S. require the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the U.S., because we were not provided with the information timely. We do not express an opinion or provide any assurance on the information.

Other Information

Management is responsible for the other information presented in the PAR. The *Message from the Board Members* and *Other Information* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and we do not express an opinion or any form of assurance thereon.

In connection with our engagement to audit the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In accordance with *Government Auditing Standards*, we are required to report material weaknesses and significant deficiencies. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statement will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

We identified material weaknesses described in Exhibit I. We did not identify significant deficiencies. Material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01 and are described in Exhibit I.

Management's Response to Audit Findings and Recommendations

RRB's comments can be found in Exhibit II. RRB's response was not subject to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

The Purpose of the Other Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section of this report is solely to describe deficiencies we consider to be material weaknesses, the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

Arlington, VA
November 15, 2022

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Exhibit I – Material Weaknesses

I. Scope Limitations

A. Lack of Access to NRRIT Audit Results

The Railroad Retirement and Survivors' Improvement Act of 2001 (the Act) states that NRRIT is not a department, agency, or instrumentality of the Federal Government, and is not subject to Title 31 of the U.S. Code. The Act further states that the NRRIT shall annually engage an independent qualified public accountant to audit the financial statements of the NRRIT, and shall transmit the audited financial statements, together with an Annual Management Report, to Congress and the Executive branch. There is no other legal basis or requirement for NRRIT to provide financial information to another party outside of that which is specified in the Act.

The audit scope over the FY 2022 RRB's financial statements was materially limited because the procedures under the American Institute of Certified Public Accountants (AICPA) AU-C Section 600, Part B *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors),* which requires the establishment of ongoing communication between group management responsible for conducting the audit and other auditors (component auditors) who perform work on the financial information that will be used as audit evidence for the group audit, were not performed.

RRB Management did not concur with our finding, stating RRB has no authority to compel the NRRIT auditors to provide their work to RRB. Management further cites Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity*, reasoning that NRRIT is an independent, non-government entity that must be included in RRB's financial statements. However, NRRIT's Net Assets total approximately $23 billion in FY 2022, representing 74% of RRB's Total Assets.

Recommendation:

In OIG Report No. 15-01, Recommendation 8, RRB OIG recommended the RRB Board establish an independent committee that will work to identify a functional solution that will enable communication between the OIG and the NRRIT's component auditor and achieve compliance with the AICPA's standards.

Because the RRB Board has not taken corrective action for this recommendation and the same recommendation is applicable to this finding, no new recommendation was made.

B. Timeliness of Evidential Matter

RRB was not able to provide the required and necessary evidential matter in a timely manner during the audit engagement. Documentation delays included:

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- PAR,
- Federal Managements' Financial Integrity Act (FMFIA) Statement of Assurance,
- Financial Statements,
- Trial Balance, and
- Benefits Due and Payable.

Initially, RRB did not have a process or mechanism in place to properly communicate with the appropriate person or group of persons that could respond timely to auditor requests. In numerous instances, RRB requested due dates to be extended or did not provide the requested evidential matter timely, causing further delays.

Government Accountability Office (GAO) Standards for Internal Control in the Federal Government, Principle 10 – *Design Control Activities, Design of Appropriate Types of Control Activities Attribute*, states, "*for the Appropriate documentation of transactions and internal control, management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.*"

RRB's inability to provide sufficient and appropriate audit evidence timely resulted in a disclaimer of opinion on RRB's financial statements.

RRB Management did not concur with our finding, stating that they met substantially all of RMA's due dates. However, there were a significant number of overdue Provided by Auditee (PBAs) during the audit. A total of 62 PBAs were marked as overdue over the course of the audit.

Recommendations:

RMA recommends RRB Bureau of Fiscal Operations (BFO):

1. Establish and maintain relationships with key business process owners, including sub-processes, across the RRB to obtain documentation relevant to the support of all aspects of financial management practices in a timely manner.
2. Develop communication or "knowledge sharing" training to ensure RRB stakeholders understand the requirements of financial management and the importance of providing sufficient and appropriate supporting documentation in a timely manner.
3. Develop training or reference guides for stakeholders to utilize when providing documentation to ensure the documentation provided meets the required needs.
4. Develop and communicate an enterprise-wide financial reporting timeline, which includes monthly, quarterly, and yearly deadlines.

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C. Statement of Assurance Reporting

As part of RRB's agencywide internal controls, RRB provided a draft version of Management's Assurances for FY 2022. Within the draft, RRB reported a modified statement of assurance with one material weakness related to the net asset value of NRRIT reported on RRB's Consolidated Balance Sheet. RRB is unable to adequately support the modified statement of assurance due to the concentration of assets reported under NRRIT. RRB's total asset balance as of September 30, 2022, was $31 billion and NRRIT made up $23 billion of that balance. NRRIT represents 74% of total assets.

Per OMB Circular A-123 *Management's Responsibility for Enterprise Risk Management and Internal Control*, the statement of assurance represents the Agency head's informed judgment as to the overall adequacy and effectiveness of internal control within the Agency related to operations, reporting, and compliance. The statement must take one of the following forms:

- Unmodified statement of assurance (no material weaknesses or lack of compliance reported);
- Modified statement of assurance, considering the exceptions explicitly noted (one or more material weaknesses or lack of compliance reported); or
- Statement of no assurance (no processes in place or pervasive material weaknesses).

The NRRIT internal control environment is beyond RRB's authority per the Memorandum of Understanding between RRB, NRRIT, Treasury, and OMB entered into in 2002. Thus, RRB is not able to assess that the internal control environment was designed, implemented, and operating effectively, for almost 74% of the assets reported in the Balance Sheet.

RRB Management did not concur with our finding, stating its inability to obtain NRRIT's evidential matter to support NRRIT financial information that is reported within RRB's financial statements. We agree with management that the inability to provide support for NRRIT is a material weakness as reported in the first material weakness above. However, this material weakness is related to the inappropriate reporting of modified assurance based solely on the NRRIT issue. As noted in the remaining material weaknesses, there are additional control deficiencies that are significant enough for management to provide no assurance in its FMFIA statement at this time.

Recommendation:

5. RMA recommends BFO report a statement of no assurance given the materiality of the NRRIT balances reported in the Balance Sheet.

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II. IT Environment

A. Ineffective IT Control Over Financial Reporting

RRB relies extensively on information technology (IT) systems to initiate, authorize, record, process, summarize, and report financial transactions in the preparation of its financial statements. Internal controls over these financial reporting systems are essential to ensure the integrity, confidentiality, and reliability of critical data while reducing the risk of errors, fraud, and other illegal acts. RRB's IT controls were not effective. IT policies and documentation were formalized but not consistently implemented in the following areas:

- Security Management,
- Access Controls,
- Configuration Management,
- Segregation of Duties, and
- Contingency Planning.

GAO Federal Information System Controls Audit Manual, Chapter 3, *Evaluating and Testing General Controls*, states, "*The evaluation of general controls includes the following five general control categories:*

- *security management, which provides a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of the entity's computer-related controls;*
- *access controls, which limit or detect access to computer resources (data, programs, equipment, and facilities), thereby protecting them against unauthorized modification, loss, and disclosure;*
- *configuration management, which prevents unauthorized changes to information system resources (for example, software programs and hardware configurations) and provides reasonable assurance that systems are configured and operating securely and as intended;*
- *segregation of duties, which includes policies, procedures, and an organizational structure to manage who can control key aspects of computer-related operations; and*
- *contingency planning, so that when unexpected events occur, critical operations continue without disruption or are promptly resumed, and critical and sensitive data are protected.*"

As a result, it was determined that RRB has not implemented the necessary IT internal controls over its financial reporting systems to mitigate the risk of material misstatement. Without effective IT controls over financial reporting, financial systems cannot be relied on, and RRB's financial statements may be materially misstated.

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RRB Management did not concur with our finding, stating the auditors relied on the FISMA work as support for this finding. RMA agrees with RRB management's statement and reiterates the findings identified in the FISMA report. An independent examination or audit of RRB's financial system and related platform would help with a specific financial related assessment of controls applicable to the financial statements.

Recommendation:

6. RMA recommends RRB Bureau of Information Services design and implement the necessary IT controls in the following five areas:

    1. Security Management,
    2. Access Controls,
    3. Configuration Management,
    4. Segregation of Duties, and
    5. Contingency Planning.

III. Financial Reporting

A. Preparing and Reviewing Financial Reports

RRB management did not establish and maintain internal controls to achieve, among other objectives, reliable financial reporting. RRB's process for compiling its PAR, as well as preparing and reviewing its financial statements lacked sufficient controls. RRB's Performance Measure financial data, financial statements and accompanying notes had:

(1) Prior year balances that did not agree with the reported prior year financial statements,
(2) Balances that did not agree with provided evidential matter,
(3) Note disclosures that were missing, incomplete, inaccurate, and/or misleading,
(4) Mathematical errors, and
(5) Formatting consistencies and/or errors.

Specifically, RRB's financial statements and accompanying notes were not prepared (1) in accordance with U.S. GAAP, (2) in compliance with the OMB Circular A-136, *Financial Reporting Requirements*, and (3) RRB's internal controls failed to identify and correct inaccurate balances in the note disclosures.

RRB Management did not concur with our finding, stating that the financial statements were still subject to review and revision up through November 15, 2022. OMB A-136 mandates that "*A complete draft of the AFR, PAR, or AMR is due to OMB's Office of Federal Financial Management (OFFM) and the appropriate OMB Resource Management Office no later than 10 business days before the final AFR, PAR…*" Additionally, RMA requested a draft version of the PAR earlier and management stated that the draft PAR would not be provided until October 28, 2022, as the PAR needed to go

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through RRB's financial reporting internal control process. In the draft PAR received, RMA noted 125 instances of (1) non-compliances with OMB A-136; (2) incomplete or missing note disclosures; (3) mathematical errors; etc.

Recommendations:

RMA recommends RRB BFO:

7. Round financial statements and other related financial information to thousands or millions to decrease the number of mathematical errors due to rounding.
8. Develop and implement effective controls, including a quality assurance process, necessary to ensure:

    a. accounting and reporting are in accordance with U.S. GAAP and financial information is presented in compliance with OMB Circular A-136, *Financial Reporting Requirements.*
    b. account balances are accurate as of and through the reporting period.
    c. the proper validation, review, and approval over financial reporting and PAR compilation.
9. Develop, identify, and make available the training necessary to ensure that staff obtain and update the skills necessary to ensure compliance with:

    a. FASAB concepts and accounting standards.
    b. OMB A-123.
    c. OMB A-136.
    d. GAO Disclosure checklist.
    e. Treasury's U.S. Standard General Ledger annual update.

B. Lack of Corrective Action Plans

RRB does not have a process in place to maintain detailed corrective action plans. More specifically, RRB does not have corrective action plans related to its FY 2021 financial statement audit material weaknesses and noncompliance findings.

OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, requires that "*[m]anagement must maintain more thoroughly detailed corrective action plans internally, which must be made available for OMB and audit review.*"

RRB Management did not concur with our finding, stating that they have a process for preparing corrective action plans related to the internal control program. However, when asked in meetings, RRB management had stated on several occasions that they did not maintain corrective action plans for any findings related to the financial statement audit.

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Recommendations:

10. RMA recommends RRB BFO establish a process to maintain detailed corrective action plans for all internal control deficiencies. More specifically, in order to comply with the requirements of OMB A-123, RMA recommends RRB BFO:

    a. Communicate corrective actions to the appropriate level of the Agency and delegate authority for completing corrective actions to appropriate personnel.
    b. Determine the resources required to correct a control deficiency. The corrective action plan must indicate the types of resources needed (e.g., additional personnel, contract support, training, etc.), including non-financial resources, such as Senior Leadership support for correcting the control deficiency.
    c. Include critical path milestones that affect the overall schedule and performance of the corrective actions needed to resolve the control deficiency. Critical path milestones must lead to a date certain of the correction of the control deficiency.
    d. Require prompt resolution and internal control testing to validate the correction of the control deficiency.
    e. Ensure that accurate records of the status of the identified control deficiency are maintained and updated throughout the entire process.
    f. Ensure that the corrective action plans are consistent with laws, regulations, and Agency policy.
    g. Ensure that performance appraisals of appropriate officials reflect effectiveness in resolving or implementing corrective action for identified material weaknesses.
    h. Fully disclose uncorrected internal control weaknesses and highlight those that are material.

C. Open Obligations Not Timely Reviewed

The required due date for RRB's *Open Obligations Review for Current and Prior Fiscal Years* does not allow sufficient time for management to review, approve, and process any potential adjustments to the obligations. The due date for RRB's review is (1) after the due date that OMB requires the draft PARs to be submitted; and (2) the last day of the Governmentwide Treasury Accounting Symbol (GTAS) Period 12 revision window. More specifically, as part of RMA's testing of open obligation balances, RMA received the memorandum with subject, "Open Obligations Review for Current and Prior Fiscal Years," dated October 5, 2022, and noted that the due date for responses was November 4, 2022. The inability of RRB to review open obligation balances in a timely manner may result in material transactions being recorded after financial reporting deadlines have passed.

OMB A-136, states, "*a complete draft of the [Agency Financial Report] AFR, PAR, or [Annual Management Report] AMR is due to OMB's Office of Federal Financial Management (OFM) and the appropriate OMB Resource Management Office no later than 10 business days before the final AFR, PAR, or AMR is due.*" In addition, Treasury Financial Manual Bulletin No. 2022-14 states, "*[t]he Period 12 Revision Window will open shortly thereafter and will close on November 4, 2022.*"

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RRB Management did not concur with our finding, stating that the third quarter review of open obligation is sufficient for adjusting the year-end balances. As reported above, management's due dates do not allow sufficient time for analysis over fourth quarter obligations.

Recommendation:

11. RMA recommends RRB BFO require responses to the Open Obligations Review for Current and Prior Fiscal Years Memorandum to be submitted at a time that allows RRB to meet its financial reporting deadlines as required by OMB A-136.

D. Unsupported Journal Entries

RRB does not have adequate processes in place to ensure its Journal Entries are properly supported. For example, RRB did not provide sufficient supporting documentation for eliminating entries posted in the third quarter of FY 2022. There were approximately 60 eliminating entries totaling approximately $2 billion.

Additionally, RRB failed to support journal vouchers because it does not maintain the budget fiscal year identity of its disbursements and budget authority. More specifically, RRB was not able to support a total of $654 million in journal vouchers relating to disbursements and budget authority and may not be able to adequately support an additional $30 million. These conditions were identified because RRB does not perform adequate analysis of transactions that are reclassified due to GTAS edit checks.

GAO Standards for Internal Control in the Federal Government, Principle 10 – *Design Control Activities, Design of Appropriate Types of Control Activities Attribute*, states, "*for the Appropriate documentation of transactions and internal control, management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.*"

RRB Management did not concur with our finding, stating that the information requested was not clear and that no additional information or discussion on the topic of eliminating entries was requested. A meeting with RRB management was held on October 7, 2022, to try to gain a better understanding of what supporting documentation might be available since the eliminating entries are not posted within RRB's General Ledger system. In that meeting, RRB management directed RMA to the agency's standard operating procedures for how eliminating entries should be calculated but could not provide supporting documentation for the individual transactions being tested. For the $654 million journal vouchers, the only support provided or contained within RRB's General Ledger system was the GTAS edit check showing that the trial balance had a fatal flaw prior to adjustment.

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There was no analysis documented to identify the root cause of why such entries were required.

Recommendations:

12. RMA recommends RRB BFO improve its internal controls so that supporting documentation for journal entries is available for external review.
13. Additionally, RMA recommends RRB BFO establish internal controls to support transactions classified within the correct budget fiscal years when initially recorded so that material adjustments as part of the GTAS edit process are not required.

E. Financial Statement Analysis

RRB's current process related to its financial statement fluctuation analysis does not provide detailed level information to adequately explain why or how the differences occurred. RRB's inability to appropriately explain the cause of a fluctuation in its financial statements may lead to unreasonable balances and may indicate the existence of a risk of material misstatement due to control, fraud, or inherent risk. More specifically, RRB's financial statement fluctuation analysis did not:

1. Document financial account balance fluctuation expectations based on its operating environment and compare those expectations to the identified significant balance fluctuations for reasonableness; and
2. Specify the transactions, changes in operations, and trends that would provide insight into the root cause of the balance fluctuations.

GAO Standards for Internal Control in the Federal Government, Section 4 – Additional Considerations, Documentation Requirements, states "*documentation is a necessary part of an effective internal control system. Documentation is required for the effective design, implementation, and operating effectiveness of an entity's internal control system.*" Principle 10 – *Design Control Activities, Design of Appropriate Types of Control Activities Attribute*, states "*for the Reviews by management at the functional or activity level, management compares actual performance to planned or expected results throughout the organization and analyzes significant differences; and for the Appropriate documentation of transactions and internal control, management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination*."

RRB Management did not concur with our finding, stating that responses were provided to both auditors and OMB. The explanations provided to the auditors and OMB did not always address the underlying event that caused the fluctuations but summarized the activity by Treasury Fund Symbol or in broad statements.

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Recommendations:

RMA recommends RRB BFO:

14. Complete a detailed balance fluctuation analysis that is adequate to allow management to evaluate the reasonableness of balances and detect the risk of material misstatement.
15. Implement internal controls to ensure financial statements are carefully reviewed, approved, and validated by appropriate RRB staff and account balances are accurate as of and through the reporting period.

IV. Compliance with Laws and Regulations

A. Controls Over Railroad Service and Compensation

The RRB Audit and Compliance Section (ACS) has not completed any Class 1 railroad audits during FY 2022. ACS conducts audits of railroad employers to determine whether creditable compensation and financial reporting requirements of the Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA) are being met. ACS determines whether compensation has been accurately reported to the RRB and they reconcile creditable compensation reported for RRA purposes with taxable compensation reported to the Internal Revenue Service for Railroad Retirement Tax Act purposes.

The Division of Audit and Compliance Board Approval Memo, April 30, 1993, Functional Statement, states that the Division of Audit and Compliance is responsible for conducting external audits of railroad employers to determine and ensure compliance with the financial reporting requirements of the RRA and RUIA; determines whether employers are properly reporting creditable compensation and all reports are filed in an accurate and timely manner; and reviews the activities of employers/employees to gather, verify, and analyze relevant information to enable the Board to make coverage determinations under the RRA and RUIA.

ACS does not have enough staff to complete its audits of the railroad employers. The Audit Affairs and Compliance Division (AACD) submitted a proposal to hire more staff. ACS has posted a vacancy announcement for two GS-13 Supervisory Auditor positions. ACS is working with HR on posting vacancy announcements for three auditor positions targeted at the GS-12 level.

Failure to monitor employer compensation effectively through railroad audits may lead to the inaccurate reporting of creditable service and taxable compensation.

RRB Management did not concur with our finding, stating that they have begun to hire more staff but have utilized them to comply with the requirements of OMB Circular A-123. In addition, RRB management states that they have mitigating controls in place to identify potential discrepancies. We agree with these statements, however, the condition

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still exists that no audits of Class 1 railroads have been completed and we consider the recommendation, which management concurred with when originally written, still open.

Recommendation:

In OIG Report No. 20-02, Recommendation 4, RRB OIG recommended BFO acquire additional staff and funding to increase the Audit and Compliance Section's coverage of railroad employer compensation reporting to ensure that a sufficient quantity of railroad audits, including Class 1 railroads, are conducted to establish and maintain a level of control effectiveness.

Because RRB BFO has not taken corrective action for this recommendation and the same recommendation is applicable to this finding, no new recommendation was made.

UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 NORTH RUSH STREET
CHICAGO, ILLINOIS 60611-1275

OFFICE OF THE CHIEF FINANCIAL OFFICER

November 10, 2022

Debra Thomas, Partner
RMA Associates, LLC
1005 N. Glebe Road, Suite 610
Arlington, VA 22201

SUBJECT : Management Response: to Draft Report on the Audit of the RRB's Fiscal Year 2022 Consolidated Financial Statements and Internal Control over Financial Reporting

Thank you for the opportunity to comment on the referenced draft audit report that we received on November 7, 2022, and a revised copy on November 9, 2022. The discussion below includes management's response to the Basis for Disclaimer of Opinions, material weaknesses that reportedly exist and related recommendations per the referenced draft report.

BASIS OF DISCLAIMER OF OPINIONS

It is our understanding that the RMA's Basis for Disclaimer of Opinion on RRB's fiscal year 2022 financial statements as of and for the year ended September 30, 2022, is due to lack of access to National Railroad Retirement Investment Trust (NRRIT) or NRRIT's auditors pursuant to American Institute of Certified Public Accountants (AICPA) AU-C Section 600, Part B *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).* Additionally, RMA's basis for the Disclaimer of Opinion on Internal Control over Financial Reporting (ICOFR) is due, in part to, the same matter.

As stated in the draft report, the Railroad Retirement and Survivors' Improvement Act of 2001 (the Act) states that NRRIT is not a department, agency, or instrumentality of the Federal Government, and is not subject to Title 31 of the U.S. Code. The Act further states that the NRRIT shall annually engage an independent qualified public accountant to audit the financial statements of the NRRIT, and shall transmit the audited financial statements, together with an Annual Management Report, to Congress and the Executive branch. There is no other legal basis or requirement for NRRIT to provide financial information to another party outside of that which is specified in the Act.

The Agency will continue to cooperate with the RMA and provide all NRRIT related information within its possession which the RMA requests. The RRB does not have the authority to compel the NRRIT auditors to provide their work papers to, or speak with, the RMA. We have provided the RMA access to NRRIT related information in accordance with the 2002 Memorandum of Understanding between the RRB, NRRIT, Department of the Treasury and the Office of Management and Budget and all other information related to NRRIT in our possession and control that the RMA requested in support of its audit.

MANAGEMENT RESPONSES TO EXHIBIT I – MATERIAL WEAKNESSES:

I.A. Lack of Access to NRRIT Audit Results

To reiterate there is no other legal basis or requirements for the NRRIT to provide financial information to another party outside of that which is specified in the Railroad Retirement and Survivors' Improvement Act of 2001 (the Act). As such, we non-concur with the OIG Audit Report No. 15-01, Recommendation 8, as the actions of an "independent committee" established by the RRB Board cannot supersede or negate the Act.

Pursuant to implementation of the Statement of Federal Financial Accounting Standards 47 (SFFAS 47), effective in fiscal year 2018, the Office of Management and Budget (OMB), the Department of the Treasury (Treasury), and the United States Government Accountability Office (GAO) determined that the NRRIT will be classified as a consolidation entity, for the purposes of the governmentwide financial statements. Based upon this determination, NRRIT's Net Asset Value must be included within RRB's Balance Sheet, even though the NRRIT is independent from the RRB and is a non-governmental entity. In accordance with the SFFAS 47 determination, the NRRIT and GAO signed a Memorandum of Understanding (MOU) in October 2018 that provided the GAO access to information necessary to support inclusion of the NRRIT's financial information in the governmentwide financial statements starting in fiscal year 2018. The RRB was not a party to this agreement.

Again, the RRB does not have authority to compel the NRRIT auditors to provide their work papers or speak with RRB's auditors. Until additional guidance is issued this reported material weakness will exist due to an inability for the auditors to perform the audit procedures required by AICPA AU-C Section 600B *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).*

I.B. Timeliness of Evidential Matter

RRB Management non-concurs with RMA's assertion that RRB was not able to provide the required and necessary evidential matter in a timely manner during the audit engagement. RMA has mischaracterized the underlying cause related to the issue of timeliness, which may be potentially deceiving to the reader as to the true nature of the problem. It is important to note that since 1993 the RRB's Office of Inspector General (OIG) performed the audit of RRB's consolidated financial statements. For fiscal year 2022 the OIG contracted RMA Associates, LLC to perform the audit, where the base period for the OIG's contract with the RMA began on May 23, 2022 and the RRB received notice of this contracted audit on May 24, 2022. Further, the RMA held the entrance conference on May 26, 2022, but was unable to issue the Prepared by Client (PBC) (later changed to Prepared by Auditee (PBA)) listing until July 15, 2022. For comparison, in fiscal year 2021, the OIG conducted the entrance conference on May 5, 2021, subsequently met with RRB to discuss audit deliverables and then provided RRB the initial fiscal year 2021 audit deliverables list on May 20, 2021.

The timeline of events highlights the compressed nature of this audit, where the Bureau of Fiscal Operations (BFO) staff balanced monthly, quarterly, and year-end financial reporting requirements with satisfying audit deliverables and requests. Even so, the RRB provided substantially all requested PBC/PBA deliverables by RMA's due dates. RMA's due dates may not have provided RMA with enough time to adequately perform their audit procedures prior to submitting their draft audit report to OIG for approval on October 27, 2022; however, that matter is between the RMA and the OIG. RRB management has no control over the terms of OIG's contract with RMA but did provide substantially all PBC/PBA deliverables per RMA's requested due dates.

With respect to the specific deliverables RMA notes in their draft audit report:

1. Federal Managers' Financial Integrity Act (FMFIA) Statement of Assurance

   RMA requested the draft FMFIA report, PBC/PBA-83, with a due date of November 1, 2022. The draft FMFIA report was uploaded to RMA's Client Portal on November 1, 2022. RMA established the PBC/PBA due date for the draft fiscal year 2022 FMFIA Report in their initial release of PBC/PBA listings. RMA maintained the same due date throughout the audit.

2. Benefits Due and Payable

   RMA requested PBC/PBA-137 with a due date of Friday, October 15, 2022. The Office of Programs provided summary figures on Thursday, October 14, 2022, with additional supporting schedules uploaded to RMA's Client Portal the following Wednesday, October 19, 2022, when the fiscal year 2022 actual benefit claims data became available.

3. Trial Balance

   Trial Balance is erroneously identified as a late RRB submission. RMA requested 1st Quarter and 3rd Quarter Trial Balances in PBC/PBA-177 and PBC/PBA-178 with a due date of August 15, 2022. These PBCs/PBAs were submitted in the RMA Client Portal on August 15, 2022. The Q4 Trial Balance was requested in PBC/PBA-234 with a due date of October 27, 2022. The RRB submitted the Q4 Trial Balance in the Client Portal on October 27, 2022 as requested.

4. Financial Statements

   Again, RMA has mischaracterized the underlying cause related to the issue of timeliness, which may be potentially deceiving to the reader as to the true nature of the problem. RMA requested the interim and year-end financial statements with due dates of August 15, 2022 and October 27, 2022, respectively. RRB uploaded the interim and year-end financial statements to the RMA Client Portal on August 15, 2022 and October 27, 2022, respectively. RRB provided the information in accordance with the deliverable due dates set forth by RMA. RMA's due date of October 27, 2022 may not have provided RMA with enough time to audit the year-end financial statements prior to submitting their draft audit report to the OIG for review and approval; however, that matter is between RMA and the OIG. RRB management has no control over the terms of OIG's contract with RMA but did provide the requested financial statements per RMA's requested due dates.

5. Performance and Accountability Report (PAR)

   RMA requested the full PAR with an October 27, 2022 due date, which corresponded to when their draft report was due to the OIG for review and approval and was before the November 4, 2022 GTAS revision window closed. RRB Management acknowledges that we provided the completed consolidated PAR document to RMA the morning of October 28, 2022, however, RRB had already provided the financial statements, accompanying notes, and other significant sections of the PAR prior to October 27, 2022 in response to various PBC/PBA deliverables. We note that RMA's October 27, 2022 deadline to submit their draft audit report to the OIG for review and approval was still within the U. S. Department of the Treasury Trial Balance revision window for federal agencies to record adjusting entries pursuant to fiscal year 2022 TFM Bulletin No. 2022-14, *2022 Year-end Closing.*

I.C. Statement of Assurance Reporting

RRB Management non-concurs with the RMA recommendation to report a statement of no assurance, instead the RRB provides a modified statement or reasonable assurance that the internal controls within our authority were operating effectively over operations, reporting, external reporting, and compliance as of September 30, 2022.

To reiterate, pursuant to implementation of the Statement of Federal Financial Accounting Standards 47 (SFFAS 47), effective in fiscal year 2018, the Office of Management and Budget (OMB), the Department of the Treasury (Treasury), and the United States Government Accountability Office (GAO) determined that the NRRIT will be classified as a consolidation entity, for the purposes of the governmentwide financial statements. Based upon this determination, NRRIT's Net Asset Value must be included within RRB's Balance Sheet, even though the NRRIT is independent from the RRB and is a non-governmental entity. In accordance with the SFFAS 47 determination, the NRRIT and GAO signed a Memorandum of Understanding (MOU) in October 2018 that provided the GAO access to information necessary to support inclusion of the NRRIT's financial information in the governmentwide financial statements starting in fiscal year 2018. The RRB was not a party to this agreement.

The RRB does not have authority to compel the NRRIT auditors to provide their work papers or speak with RRB's auditors. Regarding the NRRIT, the RRB provides reasonable assurance that the internal controls within our authority were operating effectively over operations, reporting, external reporting, and compliance and in accordance with the MOU between the RRB, NRRIT, Treasury and OMB entered into in 2002.

Until additional guidance is issued this reported material weakness will exist due to an inability for the auditors to perform the audit procedures required by AICPA AU-C Section 600B *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors),* to assess the internal controls over financial reporting related to the National Railroad Retirement Investment Trust (NRRIT) Investment Net Asset Value as reported in RRB's Balance Sheet.

II.A. Ineffective IT Control Over Financial Reporting

As previously communicated to the OIG and now RMA, the Agency accomplishes its major financial reporting objectives through its financial management system, which is a comprehensive proprietary software application from CGI Federal – Momentum Enterprise Solution – that resides on a cloud hosting service. The Agency's system is referred to as the Financial Management Integrated System (FMIS). CGI Federal has been FedRAMP authorized since January 2013. CGI Federal offers its FedRAMP Authorized financial management system as a shared service to the federal government and is currently servicing nine other federal agencies. FMIS is separate and distinct from the Agency's internally managed Agency Enterprise General Information Systems (AEGIS), Benefit Payment Operations (BPO) and Financial Interchange (FI) system.

The RRB non-concurs with this audit's assertion of ineffective IT controls over financial reporting as it refers to the Agency's fiscal year 2022 FISMA results. If this audit sought to inspect and review the financial reporting related internal controls of the FMIS, then the auditors should have properly requested that the RRB coordinate with the shared service provider to obtain the appropriate System and Organization Control application-level report that addressed the GAO Federal Information System Controls Audit Manual elements and not expected to review the financial reporting internal controls via the general support system of the Agency. This audit failed to properly notify the RRB of such a need for this information in sufficient time and detail for the RRB to coordinate the provision of requested information.

III.A. Preparing and Reviewing Financial Reports

RRB Management non-concurs with the RMA's assertion that RRB management did not establish and maintain internal controls to achieve, among other objectives, reliable financial reporting. Furthermore, it is RRB management's opinion that RMA failed to substantiate their claim that RRB financial statements were not prepared in accordance with U.S. GAAP and with the OMB Circular A-136, *Financial Reporting Requirements*. RMA requested a copy of the draft PAR as of October 27, 2022, with the knowledge that RRB management would be subjecting the document to ongoing review and revision up through the November 15, 2022, OMB PAR reporting deadline. RMA formulated their opinion based upon their review of a PAR document that was still a work in process. Furthermore, RMA based their evaluation of RRB's compliance with OMB Circular A-136 on a review of the templates contained therein, without consideration to other language in the Circular allowing RRB's financial statement presentation. Of note, RMA suggested that the NRRIT Net Asset Value (NAV) currently presented separately in the Balance Sheet should be presented within Other Assets. RRB Management disagrees with RMA on this presentation and is reporting the NRRIT NAV as a distinct line in the Balance Sheet because the NRRIT NAV is the single most significant figure in the Balance Sheet. We note that OMB Circular A-136 allows for the disaggregating of lines in the Balance Sheet and separately reporting the NRRIT NAV from Other Assets as it provides for greater transparency to the users of RRB's financial statements. In addition, our presentation of the NRRIT NAV in the Balance Sheet is in accordance with RRB's annual notification to Department of Treasury, where a copy is provided to the RRB's OIG. It is RRB Management's position that RMA was not able to adequately obtain an understanding of RRB financial reporting internal control processes and procedures due to the compressed audit schedule.

III.B. Lack of Corrective Action Plans

RRB Management non-concurs with the RMA's assertion that RRB does not have a process to maintain corrective action plans. The RRB's corrective action plan (CAP) process is detailed in RRB's Management Control Review (MCR) guide, Part 5: *Material Weakness and Corrective Action*. If a material weakness was identified internally through RRB's MCR/Enterprise Risk Management reporting process the appropriate responsible official would develop a CAP in accordance with the MCR guide. The same process would apply, in the event that a material weakness was identified through an external audit, where management concurs or agrees with the reported material weakness. RRB management non-concurred with the fiscal year 2021 financial statement audit material weaknesses that reportedly existed.

III.C. Open Obligations Not Timely Reviewed

RRB Management non-concurs with the RMA's assertion that Open Obligations are not timely reviewed. In the audit report, RMA fails to acknowledge that RRB performs Open Obligations reviews on a quarterly basis. The third quarter review provides opportunity for BFO to identify and pursue resolution of material open obligations in sufficient time to record upward or downward adjustments to the obligations prior to year-end close.

III.D. Unsupported Journal Entries

RRB Management non-concurs with the RMA's assertion that the RRB does not have adequate processes in place to ensure its journal entries are properly supported. Furthermore, RRB Management refutes the auditors claim that RRB did not provide sufficient documentation for eliminating entries posted for the third quarter of fiscal year 2022. Finally, RRB Management also non-concurs with the RMA's assertion that the RRB does not maintain the budget fiscal year identity of its disbursements and budget authority, was not able to support a total of $654 million in journal vouchers (JVs) relating to disbursements and budget authority and may not be able to adequately support an additional $30 million, and does not perform adequate analysis of transactions that are reclassified due to GTAS edit checks.

The auditor requested on October 4, 2022, by email, unspecified supporting documentation for eliminating entries in the financial statements. This was RMA's first and only request for information on eliminating entries throughout the course of the fiscal year 2022 audit. RRB provided RMA supporting documentation on October 5, 2022, consisting of instructions and criteria used for identifying transactions subject to elimination within the Trial Balance and Detail USSGL Transaction file, both of which were provided to RMA on August 15, 2022. RRB also provided the RMA auditors with RRB laptops and direct access to the RRB Financial Management Integrated System (FMIS) for the purpose of obtaining and reviewing transactional information and documentation. RMA requested no additional information or discussion on the topic of eliminating entries following the RRB's response on October 5, 2022. Furthermore, as a routine procedure, RRB BFO accountants analyze the SF 133*, Report on Budget Execution and Budgetary Resources*, in sufficient detail to clear GTAS validation and edit codes.

It is RRB Management's position that RMA was not able to adequately obtain an understanding of RRB eliminating entries and of RRB's 51 Treasury Account Fund Symbols in use at the end of fiscal year 2022 due to the compressed audit schedule.

III.E. Financial Statement Analysis

RRB Management non-concurs with the RMA's assertion that the RRB's current process related to its financial statement fluctuation analysis does not provide detailed level information to adequately explain why or how the differences occurred.

RRB performs 3rd and 4th quarter financial statement (BS, SNC, SCNP and SBR) analysis for fluctuations between current year and prior year balances, investigates the reasons for those variances, and discusses at all levels within the RRB BFO. RMA requested, and was provided, a summary of variances greater than $1 billion for the 3rd quarter interim financial statements; the same variance analysis reported to OMB in the OMB MAX system as required by OMB Circular A-136. A similar analysis was provided to RMA for the 4th quarter year-end financial statements. Both the interim and year-end variance analysis files were marked by RMA in their Client Portal as "Received", and at no point during the audit did RMA request additional discussion or information regarding financial statement variance analysis.

It is RRB Management's position that RMA was not able to adequately obtain an understanding of RRB's financial analysis processes and procedures due to the compressed fiscal year 2022 audit schedule.

IV.A. Controls Over Railroad Service and Compensation

RRB Management concurred with Audit Report 20-02, Recommendation No. 4 but non-concurred with Audit Report 22-05, Recommendation No 1. RRB management non-concurs with RMA's Controls Over Railroad Service and Compensation assertion as included within the subject draft audit report.

As previously communicated to the OIG and the RMA, and to increase audit coverage, we were able to increase staffing levels which allowed for one report to be finalized in fiscal year 2021 and the initiation of a Class 1 employer compliance audit in fiscal year 2022. However, it is important to note that while Section 7 of the Railroad Retirement Act (RRA) and Section 12 of the Railroad Unemployment Insurance Act (RUIA) provide authority for the RRB to conduct compliance audits, the statutes <u>do not</u> expressly instruct the RRB to conduct such audits. The employer compliance audits support RRB's strategic goal to serve as responsible stewards for our customer's trust funds.

Whereas, implementing requirements associated with Federal Managers' Financial Integrity Act of 1982 (FMFIA) as implemented by OMB Circular A-123, is federally mandated. As the RMA mentions in the referenced audit report, the BFO's Audit and Compliance Section (ACS) does not have enough staff to complete its audits of the railroad employers. While we increased staffing levels slightly, we needed to redirect our limited resources to satisfy the mandated requirements of the FMFIA. These actions allowed the RRB to establish an agency-wide Enterprise Risk Management (ERM) program that integrates risk management with internal control activities in accordance with federal directives and pursuant to OIG audit recommendations 1 and 4 of OIG Audit Report No. 18-07. Thus, operating under budgetary constraints BFO allocated the resources available to simultaneously perform mandated FMFIA responsibilities, provide training to new auditors, and conduct external audits of railroad employers.

In furtherance of our stewardship responsibilities on behalf of our customers, the RRB has mitigating internal controls to identify potential discrepancies in reported creditable service and compensation. Employers are required to provide creditable service and compensation data to the RRB for all covered employees pursuant to 20 CFR § 209.8, *Employers' Annual Reports of Creditable Service and Compensation*. Employers provide this information via RRB Forms BA-3, *Annual Report of Creditable Compensation* and BA-4, *Report of Creditable Compensation Adjustments*. Using the reported compensation, each year BFO conducts two reconciliations, both of which serve as mitigating controls to identify potential discrepancies within each employer's reported creditable compensation. The first reconciliation is of reported compensation amounts on RRB Forms BA-3 and BA-4 to the taxable compensation reported to the Internal Revenue Service (IRS) on the Form CT-1, Employer's Annual Railroad Retirement Tax Return per the Railroad Retirement Tax Act (RRTA). The purpose of the reconciliation is to identify discrepancies between reported compensation that may affect the employer's tax liability. Collection of RRTA taxes is the responsibility of the IRS. Therefore, BFO submits discrepancy reports that identify variances between reported compensation on the BA-3/BA-4 and reported compensation on the CT-1 to the IRS for resolution. The second reconciles the reported compensation amounts on RRB Forms BA-3 and BA-4 to the cumulative compensation reported on the RRB Form DC-1, *Employer's Quarterly Report of Contributions Under the Railroad Unemployment Insurance Act (RUIA)* as required by 20 CFR § 345.111, *Contribution Reports*. This reconciliation identifies variances between the reported compensation on the BA-3/BA-4 and the cumulative DC-1 (i.e., covering all four quarters of the same calendar year) that may impact the employer's contribution amount. As needed, BFO issues notices to employers for resolution.

Sincerely,

SHAWNA WEEKLEY

Digitally signed by SHAWNA WEEKLEY
Date: 2022.11.10 15:57:24 -06'00'

Shawna R. Weekley
Chief Financial Officer and
Chair of the Executive Committee

cc: The Board
The Executive Committee
Shanon Holman, Deputy Assistant Inspector General for Audit
Daniel Eckert, IT and Financial Audit Manager
Mario Moreno Jr., Deputy Chief Financial Officer
John Walter, Chief of Accounting and Budget
Joshua Sandvig, Accounting Officer
Timothy Hogueisson, Director of Audit Affairs and Compliance
Chiquita Lowery, Associate Director of Audit Affairs and Compliance

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UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

Management and Performance Challenges Facing the Railroad Retirement Board

Introduction

The Reports Consolidation Act of 2000 and Office of Management and Budget (OMB) Circular A-136 require the Inspectors General to identify what they consider the most serious management challenges facing their respective agency and briefly assess the agency's progress in addressing these challenges.

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal Government. The RRB's primary function is to administer comprehensive retirement-survivor and unemployment-sickness benefit programs for the nation's railroad workers and their families, under the Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA). As part of the retirement program, the RRB has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage. In fiscal year 2021, the RRB paid retirement-survivor benefits of nearly $13.3 billion to about 519,000 beneficiaries and paid unemployment-sickness insurance benefits of approximately $157 million to about 41,700 claimants. The RRB also paid Coronavirus Aid, Relief, and Economic Security Act (CARES Act) benefits totaling $112.7 million.

This year's management challenges are:

- Improve Agency Disability Program Integrity
- Improve Information Technology Security and Complete System Modernization
- Improve Management of Railroad Medicare
- Improve Payment Accuracy and Transparency
- Financial Management and Reporting Issues
- Compliance Concerns Identified

The challenges this year include items relating to prior Office of Inspector General (OIG) concerns or those identified in prior audits, OIG investigations, the President's Management Agenda, and areas related to the RRB's core mission. Many of this year's challenges have been repeatedly included in prior statements. Some have been included in one form or another for at least eight years. Because the RRB has either dismissed our concerns or has not taken sufficient actions to address them, we continue to highlight these repeated critical challenges.

Challenge 1 - Improve Agency Disability Program Integrity

Why is this a serious management challenge? The potential for fraud, abuse, and mismanagement in the RRB's disability program remain high. We have reported this challenge repeatedly for a number of years and even issued a seven-day letter to Congress.[1] Over the years, we have issued numerous recommendations in the form of audits, alerts, and memoranda directed toward increasing program integrity within the RRB's disability program. Investigative work in this area continues as well. As a result of my seven-day letter, Congress convened a hearing in 2015 to examine the RRB's actions towards its disability program. RRB, however, has failed to enact substantial change and disability program integrity remains one of my top concerns.[2]

The Long Island Rail Road (LIRR) investigation and successful fraud prosecution acts as a historical reminder of what occurs when internal controls are insufficient and fraud risk is not taken seriously. In fact, the fraud was so rampant that the United States Court of Appeals for the Second Circuit pointed out that "[f]raud at the LIRR was epidemic" and that it was "remarkable…that these percentages raised no red flags for the members of the RRB." They further stated that "[i]f the RRB members were stupefied, then they were defrauded; if they were complicit (or co-conspirators), that would have been a ground for prosecution, not a defense."[3] The RRB's continued culture focused on approving benefits is destined to repeat history if the Board and RRB's management do not make meaningful and impactful program integrity improvements.

The potential for the RRB's exposure to fraud and abuse is compounded by the lack of timely corrective actions and the RRB's rejection of issues identified not only in the past but in more recent audits. For example, five recommendations from two prior audits remain open, with one being over nine years old. Auditors obtained RRB agreement with these five recommendations. There were another 12 previous recommendations that RRB management did not concur even though corrective actions are still required.

In response to our previous management challenges, the RRB acknowledged that some recommendations are still open because management's intentions are to complete a detailed analysis of the recommendations and have a commitment to implement those program integrity improvement changes that are considered cost effective. However, fraud risk increases as time passes without the RRB taking timely corrective actions.

This area also remains a challenge because the RRB previously reported that additional staff are needed to meet its timeliness goals and to ensure payment accuracy. This is discussed in further detail later in this challenge.

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[1] Railroad Retirement Board (RRB) Office of Inspector General (OIG), *Seven-Day Letter to Congress* (Chicago, IL: February 10, 2014).

[2] U.S. House of Representatives Committee on Oversight and Government Reform's Subcommittee on Government Operations Hearing, *Is the Railroad Retirement Board Doing Enough to Protect Against Fraud?* (Washington D.C.: May, 1, 2015).

[3] U.S. v. Rutigliano, 790 F.3d 389, 402 (2nd Cir. 2015).

Adding support to our concerns, a prior audit report, issued by the Government Accountability Office (GAO), conducted of the RRB's occupational disability program reported that "…a nearly 100-percent approval rate in a federal disability program is troubling, and could indicate lax internal controls in RRB's decision-making process, weaknesses in program design, or both."[4] The GAO report also stated that they identified these and other areas in the occupational disability program that require further evaluation. Because we continue to identify weaknesses in RRB's disability program, the statement in GAO's report remains valid and reflects the further evaluation that is needed in the occupational disability program.

In the RRB's fiscal year 2021 Performance and Accountability Report (PAR), RRB management explained that the approval rate has remained steady over the years and that it reflects the statutory requirements for approval more than a measure of program integrity. They stated because of these statutory requirements, the many recommendations made by the OIG will not address the disability approval rate. In addition, RRB management explained that the GAO report cited by the OIG was over a decade old and asserts that the report did not actually make the conclusion that the approval rate was indicative of lax internal controls in RRB's decision-making process, weaknesses in program design, or both. RRB management previously mentioned they addressed the concerns in the 2009 GAO report and subsequent OIG reports by developing the Disability Tracking of Physicians and Patterns (DTOPP) system to identify the issue that occurred in the Long Island Rail Road cases where three physicians provided a majority of the medical evidence, and that they are tracking patterns of disability or sickness claims reported out of a single railroad.[5]

In the fiscal year 2021 PAR, RRB management stated that to reduce the number of pending cases and to improve timeliness, the Disability Benefits Division (DBD) hired additional initial claims examiners. The initial training phase took approximately 8 months and the new hires began production in fiscal year 2020. They explained that as the examiners continue to increase production, the Division's overall performance will improve. In the Fiscal Year 2023 Budget Justification, RRB management indicated that the Office of Programs (Programs), of which DBD is a part, has been operating at reduced capacity for six years. As of February 1, 2022, 27 percent of staff within Programs can retire within the next year and 34 percent can retire within the next three years. The sustained low staffing levels have led to backlogs in cases that require post award adjustments. As of March 28, 2022, the DBD had backlogs of approximately 1,780 initial disability decisions and 2,700 early Medicare cases pending decisions.

Although RRB management has taken some actions to address the disability program and its performance, many more improvements are needed as recommended by GAO, RRB OIG auditors, and independent public accounting firms. The RRB must not ignore

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[4] Government Accountability Office (GAO), *Railroad Retirement Board: Review of Commuter Railroad Occupational Disability Claims Reveals Potential Program Vulnerabilities*, GAO-09-821R, (Washington, D.C.: September 9, 2009). This review of occupational disability claims was limited to the Long Island Rail Road and seven other commuter railroads covered by the Railroad Retirement Act.

[5] GAO-09-821R.

Congressional concerns from the past nor comments made by a federal judge. RRB should advocate for legislative changes on behalf of the railroad community to overcome perceived statutory constraints, work expeditiously on closing recommendations, and ensure millions of unwarranted expenses are not paid to ineligible beneficiaries. If nothing changes, the RRB's disability program continues to be at high risk for fraud and abuse, unnecessarily draining the railroad community's social insurance funds. For fiscal year 2021, approximately $515 million in benefits were paid to 10,753 occupationally disabled annuitants. Additionally, the culture and stress of paying benefits at such a high approval rate could potentially impact the RRB's disability division and its employees. Perhaps a federal disability program that, according to the administering agency, is set up for a near 100 percent approval rate needs to be reassessed by Congress.[6]

Refer to Appendix A for a list of relevant reports for this challenge.

Challenge 2 – Improve Information Technology Security and Complete System Modernization

Why is this a serious management challenge? Improving cybersecurity and modernizing the RRB's systems continues to be a challenge for the agency. Secure and modern information technology (IT) systems are vital to support the ability to meet the RRB's core mission and transform its core business processes and services while safeguarding information. Managing cybersecurity risks is critical to the security posture of federal networks and infrastructure. The President's Management Agenda requires a priority of delivering excellent, equitable, and secure Federal services and customer experience. In the RRB's Fiscal Year 2023 Budget Justification, the RRB acknowledged that they continued to have $65 million available for IT projects. Approximately
$39 million of the $65 million, was marked for IT modernization. The remaining
$26 million was additional funding related to the 2019 coronavirus pandemic,
specifically Congress provided the RRB $5 million under P.L. 116-136 (CARES Act) and
$21 million under P.L. 117-2 (American Rescue Plan Act of 2021). Using this additional funding, RRB will focus on its fully funded IT initiatives and planned projects.

In fiscal year 2023, the RRB's following priority areas are:

Priority 1 – Mainframe and Legacy Application Optimization in Cloud Environments, Priority 2 – Implement and Optimize M365,
Priority 3 – Enterprise Telecommunications and Network Infrastructure, Priority 4 –
Establish IT Modernization Program Management Office, Priority 5 –
Cybersecurity,
Priority 6 – Data Model Implementation,
Priority 7 – Adjudication Application/Customer Views,
Priority 8 – Citizen-Centric Services/Online Forms and Portals,

[6] The approval rate for occupational disability claims in fiscal year 2021 was 97.47 percent.

Priority 9 – Paperless Processing and Secure Document Management, and Priority 10 – Payment Application.

In the annual Federal Information System Modernization Act (FISMA) audits for fiscal years 2018, 2019, 2020, and 2021, the RRB did not comply with FISMA legislation or OMB guidance. The sampled security controls selected from National Institute of Science and Technology Special Publication 800-53, Rev 4 demonstrated ineffectiveness, and thus, the RRB's information security program did not provide reasonable assurance of adequate security. FISMA requires the RRB to report the status of its information security program to OMB and to the Department of Homeland Security, including an assessment of the cybersecurity of RRB networks and critical infrastructure. In the last published FISMA audit, RRB's policies and procedures were not consistently implemented for several systems and controls, and lessons learned were not used for several domains across the agency.[7] Additionally, the RRB's information security program was not operating effectively because the program's overall maturity did not reach Level 4: Managed and Measurable. A total of 10 detailed audit recommendations were made to address these identified weaknesses. RRB management concurred with all of the recommendations. RRB noted the necessary improvements needed to mature RRB's program and defined the Chief Information Officer and the Chief Information Security Officer as planned actions to address the findings and recommendations presented in the audit report. We have not received any requests to close these recommendations, consequently all 10 remain open. For the prior year FISMA reports, the RRB has implemented 18 recommendations and 44 remain open.

Additional audits outside of FISMA have been completed. In a fiscal year 2022 report, auditors determined the RRB did not have detailed project plans to expend most of the Consolidated Appropriations Act, 2021 and American Rescue Plan Act of 2021 (ARPA) funds marked for the IT modernization initiatives.[8] Auditors could not evaluate the project progress, timelines, or outcomes for four of the five IT initiatives and determined that $28,575,000 from four initiatives, or 94.7 percent of the funds, were questioned costs. In the report, auditors explained that in the absence of detailed project plans, the RRB faced an increased risk of inefficient spending, project delays, and overall project failure which hinders the RRB's ability to meet mission needs, address security risks, and reduce operating costs. During the audit, RRB began drafting an Information Resource Management Strategic Plan in accordance with Office of Management and Budget (OMB) Circular A-130 to address the issues. The report included one recommendation for improvement. RRB management partially concurred with the recommendation and it remains open.

In another fiscal year 2022 report, auditors determined the RRB did not implement sufficient internal controls in the mobile phones deployed as a result of the pandemic,

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[7] RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2021*, Report No. 22-04 (Chicago, IL: January 4, 2022).
[8] RRB OIG, *The Railroad Retirement Board Did Not Have Detailed Project Plans to Expend Information Technology Modernization Funds*, Report No. 22-10 (Chicago, IL: June 29, 2022).

did not have a records management and retention system over electronic records, or update policies in place for the mobile phones.[9] In addition, RRB's telecommuting policies were outdated and personal usage policies were inconsistent. As a result, auditors explained that a portion of the funding associated with the mobile phone deployment totaling $310,359 could have been put to better use. The report included eleven recommendations for improvement. RRB management concurred with six recommendations, partially concurred with two recommendations, and did not concur with three recommendations. All the recommendations remain open.

Through the RRB's Performance Plan as included in its Fiscal Year 2023 Budget Justification, the RRB established ten performance indicators for RRB's strategic objective of Legacy Systems Modernization. The primary focus of this strategic objective is to complete the transformation to the new platform and simplify core business processes to improve the effectiveness and efficiency of mission-critical applications and services. This strategic objective supports Strategic Goal I, Modernize Information Technology Operations to Sustain Mission Essential Services. In addition, the RRB expanded its Strategic Goal III, Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources, by increasing its focus on Cybersecurity.

RRB management stated that their information security program was established and is maintained to reasonably protect systems data and resources against internal failures, human errors, attacks, and natural catastrophes that might cause improper disclosure, modification, destruction, or denial of services. In fiscal year 2021, and continuing into 2022, RRB management explained that they have implemented and will expand their information security continuous monitoring strategy. RRB has also partnered with the Department of Homeland Security and believe the partnership will further improve their continuous monitoring compliance towards vulnerability assessment, hardware and software management, configuration management, and privileged account management. RRB management also stated that they continue to manage the risk of the critical aspects of the enterprise infrastructure, specifically in the areas of asset management (hardware and software), remote access, identity management, and network protection.

In response to our narrative for this challenge as presented in the fiscal year 2021 PAR, RRB management acknowledged the IT challenge and explained that they reorganized their efforts to accomplish IT modernization, took a new strategic direction, transitioned the RRB's computer mainframe operations to the cloud, and continued to focus on further stabilizing and securing their legacy infrastructures by implementing additional cloud services. The RRB planned to procure services to begin the modernization of their mainframe beginning with the benefits processing system. RRB management's comments also acknowledged the OIG's concern to establish and maintain a secure and reliable IT environment for its data, applications, and systems. They stated that they

[9] RRB OIG, *Railroad Retirement Board Did Not Implement Sufficient Internal Controls in the Mobile Phones Deployed as a Result of the Pandemic*, Report No. 22-07 (Chicago, IL: March 17, 2022).

take very seriously the FISMA mandate which requires adequate security protections for federal information systems and information.

Refer to Appendix A for a list of relevant reports for this challenge.

Challenge 3 – Improve Management of Railroad Medicare

Why is this a serious management challenge? Transparency and the management of Railroad Medicare continues to be a challenge for the RRB. The Railroad Medicare topic fits the President's Management Agenda priority of delivering excellent and equitable federal services. Additionally, Congress and the American public have required access to what the federal government spends every year and how it spends the money, including appropriations to federal agencies and down to local communities and businesses. Prior RRB OIG audit findings with 79 open recommendations over the years regarding Railroad Medicare have continued to raise issues of concern. RRB management concurred with 2 of these open recommendations and did not concur with 77 recommendations. For the reasons explained later in this challenge, we continue to see the need for corrective action on all open recommendations.

According to the Social Security Act (42 U.S.C. § 1842(g)), the RRB has the authority to administer certain aspects of the Medicare program for qualified railroad beneficiaries. Some of these provisions include eligibility determination, enrollment or disenrollment, premium collection, processing state buy-ins, and selection of a contractor to process Medicare Part B claims. The RRB administers the Railroad Medicare program for railroad workers and, since 2000, has contracted with Palmetto GBA, LLC (Palmetto), to process Medicare Part B claims on behalf of railroad beneficiaries.[10] At the time of this challenge, Palmetto was in the process of recompeting for a new Medicare claims processing contract with the RRB. Initially, the RRB awarded the contract once again to Palmetto, but had to cancel it due to a bid protest submitted by Noridian Healthcare Solutions, LLC (Noridian). A bid protest is a challenge to the terms of a solicitation or the award of a federal contract. This new special contract would potentially cover the next 10 years and cost taxpayers an estimated $250 million or more.[11] On September 27, 2022, the protest was dismissed by a GAO attorney for unpublished reasons. As of October 7, 2022, the RRB has yet to award a new contract to Palmetto, Noridian, or another vendor. Within the RRB, the Office of Programs is responsible for day to day contract oversight of the Railroad Medicare contract, while RRB's Acquisition Management Division is responsible for successfully awarding the contract. As

[10] Palmetto GBA has been the Railroad Specialty Medicare Administrative Contractor (RRB SMAC) that processes Medicare Part B claims for Railroad Retirement beneficiaries nationwide. As the SMAC, Palmetto had administrative responsibility for processing Railroad Retirement beneficiary claims only.

[11] According to USAspending.govand the Federal Procurement Data System, the RRB initially awarded Palmetto GBA contract number 60RRBH22C0080 on August 13, 2022 in response to solicitation number 60RRBH21R0011. According to GAO's bid protest website, a protest was filed under number B-421010.1. The prior contract awarded in 2012 was number RRB12C011.

discussed here and in the subsequent paragraphs, the RRB is fully responsible for the Railroad Medicare contract.

At the end of fiscal year 2021, approximately 459,300 qualified railroad retirement beneficiaries were enrolled in Medicare Part A, and over 441,600 were also enrolled in Medicare Part B. During fiscal year 2021 and on behalf of the RRB, Palmetto processed more than 7.9 million Railroad Medicare claims and paid approximately $920 million in benefit payments to providers for Part B services. The Centers for Medicare and Medicaid Services (CMS) transferred/reimbursed RRB for total expenses of
$34.9 million in Railroad Medicare program costs during fiscal year 2021. Of that amount, approximately $19.7 million was transferred to fund the RRB's Palmetto contract, and $15.2 million was sent to the RRB for reimbursable expenses incurred for administering the program. CMS paid the RRB for these administrative services through an existing and ongoing cost reimbursement agreement, interagency agreement, and memorandum of understanding. This total expense covered both direct and indirect costs for the RRB, the RRB OIG, and the cost of its Palmetto contract.

During the course of fiscal year 2022 audit fieldwork, we obtained cost per claim information directly from CMS and Palmetto and determined that the RRB pays a far greater claims processing fee than the fee paid by CMS. As it stands, the RRB is approving that Palmetto be paid approximately three times the amount, to process one Railroad Medicare Part B claim, as compared to the average processing fee that CMS pays its contractors. This is a significant difference considering the almost eight million claims processed by Palmetto. We provided this information to RRB management on June 16, 2022.

Over the years, we have disagreed with RRB regarding the Railroad Medicare related responsibilities that belonged to the RRB, Palmetto, or CMS. In response to our recent audits, agency management continued to state that CMS is responsible for the Medicare program as a whole, that the RRB's Medicare responsibilities were limited overall, and that if RRB publishes Railroad Medicare payment integrity information, it would result in duplicative reporting.

For four years, OIG auditors reported that the RRB did not publish payment integrity information or improper payment data for Railroad Medicare and determined that Railroad Medicare improper payment data was not transparent in the Department of Health and Human Services' (HHS) fiscal year Agency Financial Report. Twenty-nine of our previously reported Railroad Medicare recommendations related to improper payment reporting remain open, spanning fiscal years 2019 through 2022. RRB management's position was that "[t]he [RRB] has consistently acknowledged its responsibilities under the Social Security Act to administer certain provisions of the Medicare program for the railroad [industry], including the administration of the [SMAC] contract with [Palmetto]. RRB does not issue Medicare payments to beneficiaries or providers directly. Notwithstanding the Agency's specified Medicare responsibilities for railroad annuitants, the [CMS], a component of the [HHS], administers the Medicare program as a whole." We disagreed and stated that under the RRB's November 2012

SMAC contract and April 2013 Memorandum of Understanding (MOU), the RRB was responsible for SMAC contract administration, oversight, and payment integrity reporting for the Railroad Medicare program.

For over three years, my office has been requesting that the RRB and CMS obtain a new MOU outlining the claimed responsibilities. On August 31, 2022, a new MOU was finally signed by CMS and the RRB outlining each agency's responsibilities for Railroad Medicare. According to the new MOU, CMS is responsible for calculating and reporting the improper payment rate and improper payment reporting for the RRB's SMAC, Palmetto. Therefore, RRB is no longer responsible for reporting Railroad Medicare improper payment information effective August 31, 2022. Our outstanding recommendations related to Railroad Medicare improper payment reporting may be slightly impacted by this change or not at all.

As outlined in our last payment integrity report and previous payment integrity reports, there has been no public transparency regarding the improper payment rate of the Railroad Medicare program.[12] The public and Congress have not been allowed access to Palmetto's performance over the years, including Palmetto's fiscal year 2021 performance in processing over 7.9 million claims to pay various providers $920 million. Four years of improper payment information is unknown to the public and Congress.
The new MOU does not outline who is responsible for taking corrective action on past recommendations made by my office and does not mitigate prior issues identified by OIG auditors and investigators.

In the fiscal year 2021 PAR, RRB management provided actions taken to address the management of Railroad Medicare, such as 1) prepare an annual risk assessment to determine SMAC vulnerabilities, 2) use the Comprehensive Error Rate Testing (CERT) improper payment information to prepare annual medical review strategies, 3) require the SMAC to submit an Improper Payment Activities Report after the final improper payment data is received, and 4) ensure that the SMAC submits regular updates to the RRB if the improper payment rate is above the accepted tolerance levels. RRB's actions are noted, however, we are emphasizing that past payment integrity reporting recommendations should be implemented as required by laws and regulations. For example, in one of our past payment integrity reports, we had a finding regarding the inadequacy of the CERT's sampling approach for Railroad Medicare.[13] Auditors determined the sample size used to calculate the improper payment rate was too small to provide an accurate rate that the RRB could rely on to determine SMAC vulnerabilities, prepare medical review strategies, and use as a driver to reduce improper payments. Our review of nonpublic internal reports substantiated this

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[12] RRB OIG, *The Railroad Retirement Board was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2021,* Report No. 22-08 (Chicago, IL: June 16, 2022).
[13] RRB OIG, *Audit of Railroad Retirement Board's Compliance with Improper Payments Elimination and Recovery Act in Fiscal Year 2018 Performance and Accountability Report,* Report No. 19-09 (Chicago, IL: May 30, 2019)

determination by revealing an unreliable and ever fluctuating Railroad Medicare improper payment rate (i.e., rates from 2 percent up to 13.7 percent).[14]

We continue to disagree with RRB management that the RRB is not responsible for the oversight of this $30 million per year program. We stand by the recommendations made in our recent audit reports, many of which remain open. It is the RRB OIG's position that until CMS absorbs the complete administration of the Railroad Medicare program, including contract oversight of Palmetto, the RRB should implement Railroad Medicare related audit recommendations. If not, the Railroad Medicare program will continue to lack transparency and in this weakened state of control, payment integrity will remain vulnerable, as no one would be held accountable for maintaining effective oversight of the SMAC Palmetto GBA contract.

Due to the RRB's indifference to oversight of the Railroad Medicare program and the waste of maintaining it as a separate program, there is no practical reason for its existence, thus total Railroad Medicare program elimination should be strongly considered as a necessary means for strengthening federal financial integrity and curbing wasteful government spending. During a nine-year period of fiscal years 2013 through 2021, CMS paid the RRB approximately $126 million in Railroad Medicare administrative costs plus funded an additional $160 million for the Palmetto GBA contract. The more than $30 million in Railroad Medicare costs unnecessarily expended each year could be put to much better use if remedial budgetary oversight action is taken.

See Appendix A for a list of relevant reports for this challenge.

Challenge 4 - Improve Payment Accuracy and Transparency

Why is this a serious management challenge? Recent audits and reviews have identified many instances where there is a need to improve payment accuracy and transparency at the RRB. Delivering excellent and equitable Federal services is a priority in the President's Management Agenda. Data, accountability, and transparency are important factors in delivering an excellent and equitable Federal service to the public. This includes providing high quality and timely information for decision-making, determining effectiveness of government programs, and providing accurate and timely spending information.

Payment Accuracy

A series of laws in 2020 and 2021 provided economic relief to the rail community and the RRB during the pandemic. These laws were CARES Act, the Continued Assistance

[14] The Comprehensive Error Rate Testing (CERT) report, dated November 2017, contained a Railroad Medicare improper payment rate of 10.5 percent, while the subsequent annual November reports contained a rate of 12.5 percent, 9.3 percent, 13.7 percent, and 2.0 percent. Each CERT report warned readers to proceed with caution when interpreting data because of small sample sizes.

to Rail Workers Act (CARWA), and the ARPA. Each act provided for the payment of enhanced and extended benefits under the Railroad Unemployment Insurance Act to railroad beneficiaries.

Through the CARES Act, Congress provided $425 million in funding to the RRB. The funding was intended to pay for an increase in unemployment benefits, with an additional $50 million provided to cover the cost of eliminating a waiting period for unemployment or sickness benefits. CARES Act funding also included $5 million to prevent, prepare for, and respond to coronavirus. ARPA provided the most recent pandemic funding and extended those benefit provisions allowed under the CARES Act. Through ARPA, Congress appropriated an additional $2 million to fund additional extended unemployment insurance benefits and approximately $28 million to remain available until expended, to prevent, prepare for, and respond to the pandemic. From May 2020 through August 2021, the RRB made pandemic relief benefit payments of more than $251 million.

Our oversight of CARES Act funds is ongoing. In our prior reports, we determined that benefit payments continued to be issued without any concurrent checks against state wages and unemployment benefits for the same periods. This action is needed to identify potentially fraudulent payments.[15] Auditors determined that RRB management has not addressed their responsibilities to increase efforts to identify potential fraud for CARES Act benefit payments and the need to send fraud referrals to the OIG in a timely manner. We also determined the RRB was not set up to collect recoveries involving CARES Act benefit payments.[16] In total, we have made five recommendations to address CARES Act findings, four of which remain open two years later. Even though the RRB did not concur with some of the recommendations, we believe that all of these recommendations should still be implemented as reported. Details regarding these prior reports can be found in our previously reported challenges.

Our most recent pandemic funding review, Report No. 22-06, identified inconsistencies regarding $5 million of CARES Act outlays and obligations reported to OMB.[17] Additionally, auditors questioned the hiring process and documentation supporting hiring decisions that were funded by ARPA. To address the weaknesses identified in this review, we made three recommendations. We recommended that 1) RRB reconcile obligations reported to determine the correct total for obligations charged to a $5 million technology appropriation, 2) RRB establish a group tasked with hiring decisions and that the group use documented and reliable procedures for hiring using ARPA appropriations, and 3) RRB reconsider and revise its plans for hiring based on ARPA appropriations. RRB management did not concur with the three recommendations. We continue to see the need for two of these recommendations.

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[15] RRB OIG, *Interim Report Regarding CARES Act Expenditures and Controls*, Report No. 20-08 (Chicago, IL: September 28, 2020).
[16] RRB OIG, *Interim Review of Railroad Retirement Board CARES Act Benefit Payments During the Pandemic*, Report No. 21-04 (Chicago, IL: March 26, 2021).
[17] RRB OIG, *Railroad Retirement Board's Actions in Response to Pandemic Funding*, Report No. 22-06 (Chicago, IL: March 16, 2022).

In a prior year audit of the RRB's designated change process, we determined that RRB did not always ensure changes to an individual's name, home address, direct deposit, or representative payee were accurate.[18] The RRB's projected error rate was 27 percent, putting approximately $1.3 million in benefit payments at risk for fiscal year 2019. This was discussed in detail in last year's challenge. At the time of this challenge and over a year later, the RRB attempted to close only one of the 23 recommendations. We continue to see the need for these recommendations.

Another recent OIG audit determined that the RRB's Audit Compliance Section (ACS) did not accomplish its mission of verifying creditable service and compensation determinations to determine and verify compliance with the financial reporting requirements of the RRA and RUIA because they did not provide adequate audit coverage over Class I railroads or non-Class I railroads during fiscal years 2017 through 2020.[19] As a result, $143.5 billion in reported creditable compensation was at risk for inaccuracies. To address this weakness, four recommendations were made. RRB management concurred with three recommendations and did not concur with one recommendation.

In the Digital Accountability and Transparency Act of 2014 report, auditors determined that the RRB generally submitted complete, accurate, and excellent quality financial and award data for its first quarter of fiscal year 2021 publication on USASpending.gov.[20] However, the report identified exceptions with the timeliness and accuracy of procurement awards where improvements could be made. Auditors did not make a recommendation because this was already a finding in RRB OIG Report No. 20-01 and, at the time of this challenge, the RRB had not taken corrective action to address this recommendation, over 2 years later.

In another recent audit report, we determined that the RRB did not always have sufficient or effective controls to ensure that all RUIA debts were actually recovered.[21] Auditors found that approximately $183,858 in RUIA debts that had been identified for recovery during fiscal year 2019 had not been properly monitored or recovered. The unrecovered RUIA debts occurred because of insufficient controls over the recovery process, multiple disjointed systems, a lack of cross-organizational communication, and ineffective monitoring. The RUIA unrecovered amount for fiscal year 2019 was considered questioned (unsupported) costs and improper payments. Lastly, there is an increased risk that other similar RUIA debts not recovered, might remain unrecovered. We made eight recommendations for improvement and management concurred with these recommendations.

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[18] RRB OIG, *Improvements Needed for the Designated Change Process at the Railroad Retirement Board*, Report No. 21-11 (Chicago, IL: September 29, 2021).
[19] RRB OIG, *Railroad Retirement Board Audit Compliance Section Did Not Provide Adequate Audit Coverage of Railroad Employers*, Report No. 22-05 (Chicago, IL: February 15, 2022).
[20] RRB OIG, *Audit of the RRB's DATA Act Submission for the First Quarter of Fiscal Year 2021*, Report No. 22-01 (Chicago, IL: November 5, 2021).
[21] RRB OIG, *Controls Over Recoverable Unemployment and Sickness Overpayments Need Improvement*, Report No. 22-09 (Chicago, IL: June 24, 2022).

Transparency

The transparency issues discussed below represent our most recent concerns for this area. We have previously reported challenges for these same audit topics over the years. Our previously reported concerns continue to exist and are compounded by newer audit findings.

Agencies are required to report improper payment data for the programs it administers in the payment integrity portion of the agency's PAR. As discussed in Challenge 3, our most recent payment integrity information report determined that the RRB did not publish payment integrity information or improper payment data for Railroad Medicare in its fiscal year 2021 PAR even though RRB's contractor, Palmetto, processed
$920 million in Railroad Medicare Part B claims. We also determined that Railroad Medicare improper payment data and rate continue not to be transparent in HHS' annual Agency Financial Report. This is in direct opposition of the Office of Management and Budget's intent for transparency and the concept of extended enterprise (i.e. a smaller program being overshadowed by a larger program). My office is deeply concerned with the lack of transparency of a program that is reaching 1 billion in payments per year. This challenge will continue each year as long as the RRB is responsible for the Palmetto contract, the RRB attests that HHS reports the information
as required, and Railroad Medicare improper payment data and rate are concealed from Congress and the public. In our latest payment integrity report, we made nine recommendations related to payment integrity compliance and annual data call completeness.[22] RRB management did not concur with the eight recommendations. We continue to disagree with the RRB's position and maintain that until CMS absorbs the complete administration of the Railroad Medicare program including oversight of Palmetto, the RRB should implement Railroad Medicare related recommendations.
These eight recommendations and other prior recommendations remain open.

As discussed in Challenge 2, the RRB did not have detailed project plans to expend most of the appropriated Consolidated Appropriations Act, 2021 and ARPA funds for the IT modernization initiatives.[23] OIG auditors could not evaluate the project progress, timelines, and outcomes for four of the five initiatives as part of the audit objectives.
Therefore, $28.6 million in questioned costs from four initiatives were identified by the auditors. The report included one recommendation that RRB management partially concurred. The recommendation remains open.

As discussed in Challenge 2, the RRB did not implement sufficient internal controls in the mobile phones deployed as a result of the pandemic.[24] RRB did not have a records management and retention system over electronic records or updated policies in place for the mobile phones. In addition, RRB telecommuting policies were outdated and personal usage policies were inconsistent. As a result, a portion of the funding associated with the mobile phone deployment totaling $310,359 could have been put to

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[22] RRB OIG, Report No. 22-08.
[23] RRB OIG, Report No. 22-10.
[24] RRB OIG, Report No. 22-07.

better use. The report included 11 recommendations, which remain open, of which management concurred with 6, partially concurred with 3 and did not concur with 2 recommendations respectively.

See Appendix A for a list of relevant reports for this challenge.

Challenge 5 – Financial Management and Reporting Issues

Why is this a serious management challenge? Financial management and reporting issues continue to be a challenge for RRB management, as is outlined in many of our prior audit reports. This challenge encompasses financial management and reporting issues stemming from our concerns regarding internal controls, effectiveness of organizational functions, and agency operations. We discuss issues surrounding communication with the National Railroad Retirement Investment Trust's (NRRIT) auditor, ineffective controls, and use of resources. Our audit opinion on the RRB's fiscal year 2021 financial statements included two material weaknesses that are discussed in this challenge.

Internal Controls Over Mobile Phones Need Improvement

Auditors determined that the RRB did not implement sufficient internal controls in the mobile phones deployed as a result of the pandemic, did not have an electronic records management and retention system, or update policies in place for the mobile phones. In addition, RRB telecommuting policies were outdated and personal usage policies were inconsistent. Eleven recommendations were made related to improving the RRB's internal controls over mobile phones. Of the 11 recommendations, RRB management concurred with 6, partially concurred with 2, and did not concur with 3. For the recommendations with which it did not concur, we continue to see the need for these recommendations.

Internal Controls Over Unemployment and Sickness Insurance Overpayments Need Improvement

We found that the RRB did not always have sufficient or effective controls to ensure that all RUIA debts, identified to be collected from RRA benefit payments, were actually recovered. We questioned approximately $183,858 in RUIA debts, identified for recovery during fiscal year 2019, that had not been properly monitored or recovered.
Because of the insufficient controls over the recovery process, there is an increased risk that other similar unrecovered RUIA debts might remain uncovered. We made eight recommendations related to improving the RRB's internal controls over unemployment and sickness insurance overpayments. RRB management concurred with all eight recommendations.

RRB Did Not Provide Adequate Audit Coverage of Railroad Employers

Auditors determined that the RRB's Audit Compliance Section (ACS) did not accomplish its mission of verifying creditable service and compensation determinations to determine and verify compliance with the financial reporting requirements of the RRA and RUIA because they did not provide adequate audit coverage over Class I railroads or non-Class I railroads during fiscal years 2017 through 2020. As a result, $143.5 billion in reported creditable compensation was at risk for inaccuracies. Auditors also determined that RRB ACS did not have an external peer review completed within the 2017 through 2020 review period or acquire adequate staff continuing professional education as required by Generally Accepted Government Auditing Standards (GAGAS). Of the four recommendations provided, RRB management concurred with three and did not concur with one.

Financial Reporting

At the time that this statement was prepared, these areas were being audited as part of our fiscal year 2022 financial statement audit. Therefore, our discussion in this section does not include any recent developments that might be discussed in the Independent Auditor's Report that will be rendered in November 2022.

Since fiscal year 2013, we have rendered a disclaimer audit opinion on the RRB's financial statements because OIG auditors have not been permitted to communicate with the RRB's component auditor (NRRIT's auditor), as required by financial statement audit guidance. As reported in the RRB's fiscal year 2021 financial statements, the NRRIT held approximately $28.5 billion of the RRB's $36.2 billion (79 percent) in assets.

This material weakness for financial reporting has been reported since fiscal year 2014. Within this weakness, we discussed our fiscal year 2021 financial reporting concerns regarding communication with the NRRIT's auditor.

- ### *Communication with the NRRIT's Auditor*

The inability to communicate with the NRRIT's auditor has continued into fiscal year 2022. NRRIT did not respond to our June 7, 2021 letter pertaining to its auditor. This lack of cooperation and communication with the NRRIT and its auditors prevents OIG auditors from obtaining sufficient appropriate audit evidence regarding the RRB's financial statements. Even though the NRRIT and the GAO entered into an MOU giving GAO access to their audit records for use in the governmentwide financial statements, the RRB continues to believe that we should not be included in this matter even though my office is tasked to conduct an audit of the RRB's financial statements. During fiscal year 2022, OIG's contracted auditor encountered the same denial by NRRIT disallowing the required cooperation and communication. Our concern with NRRIT investment decisions and NRRIT's auditor had expanded into other areas of concern and is ongoing as discussed in the following paragraphs.

In response to two Executive Orders regarding investments in Communist Chinese Military Companies (CCMC), RRB management determined that during fiscal year 2021 the NRRIT had liquidated its interests in the CCMCs.[25] We could not confirm the accuracy of the NRRIT's statements regarding its investments and remain skeptical because the integrity and competency of the NRRIT's auditor has been an ongoing concern for the RRB and the RRB's annuitants and beneficiaries over the years.
However, we determined that on December 10, 2020 the NRRIT's component auditor received a peer review rating of pass, which demonstrated improvement over their prior peer review rating of pass with deficiency. Even though the NRRIT component auditor obtained a pass, the RRB must remain watchful. The Public Company Accounting Oversight Board's (PCAOB) 2019 inspection report for the NRRIT component auditor, dated December 17, 2020, continued to report a significant number of deficiencies in the NRRIT component auditor's financial statement audit opinions and audits of internal controls over financial reporting. This information was brought to the attention of the RRB as part of our Independent Auditor's Report, dated November 15, 2021. We previously recommended that an independent committee be established to identify a functional solution that would enable communication between my office and the NRRIT's component auditor. RRB management continued to not concur with this recommendation or take corrective action, we will continue to cite this issue and the need for corrective action.

RRB has become an anomaly among its federal agency peers with its continuous annual acceptance of financial statement disclaimers of opinion issued under audit by accounting professionals. RRB management has reacted with disdain each year and has offered no solution and made no effort to come to the table and resolve the auditor communication and compliance requirement issues at hand. The NRRIT's investments in Communist Chinese Military Companies and prior year PCAOB reports have offered only a glimpse into the NRRIT's operations. RRB's oversight of the more than
$28 billion held by the NRRIT represents the vast majority of the railroad community's retirement assets. Past audit work has determined that RRB's oversight of the NRRIT is limited to occasional meetings and discussions. The law governing this matter was intended to guard the trust assets from investment interference; but, over the years it has served more to conceal potential wrongdoing.

Deficient Internal Controls at the Agency-Wide Level

In this section we discuss deficient internal controls at the agency-wide level, which is the second material weakness. This material weakness was originally reported in 2018 and relates to our audit concerns in several areas, including concerns regarding railroad service and compensation.

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[25] Executive Office of the President, Executive Order (EO) 13959 of November 12, 2020, *Addressing the Threat from Securities Investments That Finance Communist Chinese Military Companies*, (Washington, D.C.: November 17, 2020; Amended by: EO 13974, January 13, 2021, Superseded in
part by: EO 14032, June 3, 2021). Executive Office of the President, EO 14032 of June 3, 2021, *Addressing the Threat from Securities Investments That Finance Certain Companies of the People's Republic of China*, (Washington, D.C.: June 7, 2021; Supersedes in part: EO 13959, November 12, 2020 Revokes: EO 13974, January 13, 2021).

- ## *Ineffective Standards for Internal Control*

According to OMB guidance, an evaluation of internal controls must be performed for the agency as a whole. We determined that the overall system of internal control was not operating effectively and we reported an entity-level control material weakness. The five required components of internal control consist of: control environment, risk assessment, control activities, information and communication, and monitoring. This occurred because each of the required components of internal control were not designed, implemented, and operating effectively, consistent with GAO and OMB guidance. RRB management disagrees that our reporting of an entity-level control material weakness contributes to a material weakness affecting the preparation and fair presentation of the financial statements. RRB management stated that some corrective actions have been taken and others are in progress. However, RRB management's last successful recommendation closure action for this area of concern occurred in December 2019. This area remains an audit concern and nine recommendations remain open.

- ## *IT Security and Financial Reporting Controls*

Auditors assessed eight FISMA metric domains as not effective during the fiscal years 2018, 2019, and 2020 FISMA audits. In the fiscal year 2021 FISMA audit, it was determined that the RRB's information security program was not operating effectively because the program's overall maturity did not reach Level 4: Managed and Measurable. This shortfall in IT security controls resulted in a total of 72 recommendations, of which 54 remain open. As such, information system control risk was assessed as "high" in accordance with GAO's Financial Audit Manual guidance.
This agency-wide assessment of high risk directly impacts the RRB's controls supporting the agency's financial reporting system. RRB management disagreed with this audit finding. We continue to see the need for corrective actions.

- ## *Compliance with Indirect Laws, Regulations, Contracts, Treaties, and International Agreements*

We determined that the RRB had not established effective policies and procedures for 1) preventing agency noncompliance with indirect laws, regulations, and contracts; and 2) identifying treaties and international agreements impacting the RRB or the NRRIT. These policies and procedures are required by Financial Audit Manual guidance. As previously discussed, the RRB is noncompliant with FISMA legislation, this is one example of the RRB's noncompliance with an indirect law and regulation. RRB management did not concur with our recommendations for corrective action. Due to the significance of these audit concerns, we continue to see the need for corrective actions and prior audit recommendations remain open.

- ## *Compliance with RRA Benefit Payment Provisions*

After being noncompliant with the RRA in the past, the RRB completed its RRA quality assurance reviews and established RRA compliance for fiscal year 2020 and fiscal year 2021. RRB management previously cited significant staffing shortages as challenges to the completion of their quality assurance reviews. We previously recommended that the Office of Programs acquire additional staffing and resources for its quality assurance reviews to ensure timely completion of its compliance determinations during each fiscal year. RRB management concurred with our recommendation; however, the recommendation remains open.

- ## *Controls Over Railroad Service and Compensation*

We determined that RRB controls over creditable and taxable compensation were inadequate due to insufficient audit coverage. The RRB's ACS established a program of railroad employer audits to review the accuracy of railroad service and compensation.
However, this program has not been an effective control for ensuring the accuracy of compensation. Compensation was the basis for approximately $6.2 billion of payroll taxes received by the RRB during fiscal year 2019 and $5.1 billion of payroll taxes received during fiscal year 2020. From fiscal year 2017 through fiscal year 2020, ACS only completed two audits. Additionally, ACS has not completed an audit of the largest Class 1 railroads since 2016. According to the RRB, the lack of completed audits by ACS was due to insufficient staffing and funding. RRB noted that as of
September 30, 2021, staffing increased to 6.5 FTEs, 1 audit had been completed, and 3 audits were in progress, none of which were Class 1 railroads. Due to the materiality of payroll taxes collected and lack of ACS audits, we continue to see the need to report this deficiency in internal control.

The magnitude and severity of this railroad retirement program deficiency has been concealed for many years from the railroad workers who place their trust in the RRB to ensure the financial integrity of their hard earned wages. Without an effective audit and compliance mechanism, the future may hold dire consequences for the railroad industry and may lead to unforeseen reductions in railroad retirement benefits and program failure. Due to these audit concerns, the lack of corrective actions for most of these recommendations, and unimplemented corrective actions for prior reports with financial management and reporting concerns, agency action is needed to address this challenge.

Refer to Appendix A for a list of relevant reports for this challenge.

Challenge 6 – Compliance Concerns Identified

Why is this a serious management challenge? Recent OIG audits have determined that the RRB was noncompliant with various guidance. Noncompliance can have a far- reaching impact on the protection of federal trust funds, assets, information security, governmentwide improper payments, transparency, and the effectiveness of agency operations. Our recent audits found that the RRB was noncompliant in several areas, as discussed in this challenge.

Pandemic Relief Acts

As discussed in Challenge 4, we issued OIG Report No. 22-06 to present recommendations and updates on prior issues raised during our oversight of RRB's actions while implementing the CARES Act and the subsequent related laws.[26] In addition to the updates provided, we identified inconsistencies regarding $5 million of CARES Act outlays and obligations reported to OMB and questioned the hiring process and documentation supporting those hiring decisions funded under ARPA. Sections 15010 and 15011 of the CARES Act required Federal agencies to report on the use of these funds in coordination with OMB.[27] We recommended that RRB 1) reconcile obligations reported to determine the correct total for obligations charged to a $5 million technology appropriation, 2) establish a group tasked with hiring decisions and that the group use documented and reliable procedures for hiring using ARPA appropriations, and 3) reconsider and revise its plans for hiring based on ARPA appropriations. RRB management did not concur with the three recommendations. We continue to see the need for these recommendations.

As discussed in Challenge 4, our oversight of CARES Act funds is ongoing. In prior years, we issued OIG Report No. 20-08 which addressed concerns about the RRB's purchase and deployment of mobile phones, as well as CARES Act benefit payments being issued without any concurrent checks against state data for the same periods.[28] We also issued OIG Report No. 21-04 which discussed concerns about identifying potential fraud for CARES Act benefit payments and the resources committed to implement an automated debt recovery process for CARES Act benefit payments.[29] For both Report No. 21-04 and Report No. 20-08, we made a total of five recommendations, four of which remain open at the time of this challenge. The intent of our corrective actions is to assist RRB management in ensuring compliance, transparency, and fiscal accountability under the CARES Act. We continue to see the need for these recommendations to be implemented.

As discussed in Challenge 2, auditors determined that the RRB did not have detailed project plans to expend most of the appropriated Consolidated Appropriations Act, 2021 and ARPA funds for the IT modernization initiatives.[30] The audit determined that in the absence of detailed project plans, the RRB faces an increased risk of inefficient spending, project delays, and overall project failure hindering RRB's ability to meet mission needs, address security risks, and reduce operating costs. OMB Circular A-130 refers to developing and maintaining information resources by using an Information Resource Management Strategic Plan, which RRB began drafting during this audit.

[26] RRB OIG, Report No. 22-06.
[27] Pub. L. No. 116-136 (2020).
[28] RRB OIG, Report No. 20-08.
[29] RRB OIG, Report No. 21-04.
[30] RRB OIG, Report No. 22-10.

Auditors made one recommendation that the RRB partially concurred with. We continue to see the need for this recommendation.

As discussed in Challenge 2, our recent audit of the mobile phones deployed by the RRB as a result of the pandemic showed the RRB did not implement sufficient internal controls as required by GAO's Standards for Internal Control.[31] Our compliance concerns arose from the fact that the RRB did not have a records management and retention system over electronic records or updated policies in place for the mobile phones.[32] In addition, RRB telecommuting policies were outdated and personal usage policies were inconsistent. The report made 11 recommendations. RRB management concurred with six recommendations, partially concurred with two recommendations and did not concur with three recommendations. The recommendations remain open.

Improper Payment Reporting

During our mandated payment integrity audit, we determined that the RRB was noncompliant with the Payment Integrity Information Act of 2019 for the fourth consecutive year for its Railroad Medicare program.[33] We cited the RRB with noncompliance because the RRB did not disclose Railroad Medicare payment integrity information or the performance of the RRB's SMAC, Palmetto, to the public, the President, and Congress. During our most recent payment integrity audit, we determined that 1) the RRB had $122.8 million in projected Railroad Medicare improper payments, 2) the RRB did not have a Railroad Medicare corrective action plan to address root causes and reduce unreported improper payments, 3) the RRB did not publish a corrective action plan for fiscal year 2021, and 4) the RRB had an unpublished and unreported gross improper payment rate of 13.7 percent, above the 10 percent threshold. To date, the Railroad Medicare program is approaching $1 billion annually. In response to the prior audits, RRB management maintained that CMS was responsible for reporting all past Railroad Medicare data and if it reported the data it would duplicate the data reported by CMS.

As discussed in Challenge 3, the RRB has made some progress addressing these challenges. OIG auditors determined the RRB obtained a new MOU with CMS regarding Railroad Medicare responsibilities. This MOU was signed on August 31, 2022 and indicated that CMS is now responsible for calculating and reporting improper payment information for the performance of RRB's SMAC Palmetto. Conversely, the MOU did not speak to who was responsible for addressing recommendations prior to August 31, 2022. In each of our most recent payment integrity reports, OIG auditors determined that the public or Congress could not ascertain Railroad Medicare information in HHS's annual fiscal year Agency Financial Report. Only access to nonpublic internal reports would reveal the unreliable and ever fluctuating Railroad Medicare improper payment rate (i.e., rates from 2 percent up to 13.7 percent). At the

[31] RRB OIG, Report No. 22-07.
[32] National Archives and Records Administration (NARA), *Guidance on Managing Electronic Messages*, Bulletin 2015-02 (Washington, D.C.: July 29, 2015).
[33] RRB OIG, Report No. 22-08.

time of this challenge, RRB management had not taken the corrective actions required by legislation on any of the recommendations previous to the August 31, 2022 MOU. The OIG's outstanding recommendations related to Railroad Medicare improper payment reporting may be slightly impacted by the MOU.

As discussed in Challenge 3 and 4, there has been no public transparency regarding the improper payment rate of the Railroad Medicare program. Four years of improper payment information is unknown to the public and Congress. Unless RRB advocates for more transparent payment integrity reporting, Palmetto's and the RRB's work in preventing improper payments will continue to be hidden and continue to be noncompliant with OMB Circular A-123.

Information Technology Security

As discussed in Challenge 2, the RRB has been noncompliant with FISMA legislation and OMB guidance for four consecutive years.[34] Although agency management acknowledged the need for improvement, corrective actions have only been made for 18 of the 72 recommendations issued in the FISMA reports for fiscal years 2018 through 2021. Compliance with applicable authoritative guidance continues to be a challenge for RRB management as discussed in the audit reports referenced for this challenge, as well as other prior compliance audits conducted by our office or through
our contracted audits. Many compliance related recommendations from our prior reports remain open. We remain concerned about RRB's efforts to be compliant with authoritative guidance.

Refer to Appendix A for a list of relevant reports for this challenge.

Through audits, investigations, and other follow-up activities, we will continue our oversight of the challenges discussed in this letter. We encourage RRB to take meaningful action to address these challenges to prevent fraud, waste, and abuse in RRB programs and operations, and to adhere to applicable authoritative guidance.

Original Signed By:

Martin J. Dickman
Inspector General

October 14, 2022

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[34] RRB OIG, Report No. 22-04.

APPENDIX A: AUDIT REPORTS

Please visit https://www.rrb.gov/OurAgency/InspectorGeneral/Library for our audit reports.

Improve Agency Disability Program Integrity

- Railroad Retirement Board (RRB) Office of Inspector General (OIG), *Audit of Job Duty Verification Procedures for Long Island Rail Road Occupational Disability Applicants,* Report No. 13-02 (Chicago, IL: January 15, 2013).
- RRB OIG, *Control Weaknesses Diminish the Value of Medical Opinions in the Railroad Retirement Board Disability Determination Process,* Report No. 16-05 (Chicago, IL: March 9, 2016).
- RRB OIG, *The Implementation of the Disability Program Improvement Plan at the Railroad Retirement Board Did Not Result in a Fully Established Fraud Risk Assessment Process,* Report No. 19-15 (Chicago, IL: September 27, 2019).
- RRB OIG, *The Railroad Retirement Board Disability Programs Do Not Effectively Consider Fraud Risk Indicators in the Disability Decision Process,* Report No. 19-16 (Chicago, IL: September 27, 2019).
- RRB OIG, *The Use of Medical Experts During Disability Determinations at the Railroad Retirement Board Can Be Improved,* Report No. 19-17 (Chicago, IL: September 27, 2019).
- RRB OIG, *The Railroad Retirement Board's Disability Briefing Document Process Was Not Fully Effective*, Report No. 21-07 (Chicago, IL: August 16, 2021).

Improve Information Technology Security and Complete System Modernization

- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2018,* Report No. 19-03 (Chicago, IL: December 19, 2018).
- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2019,* Report No. 20-04 (Chicago, IL: December 18, 2019).
- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2020,* Report No. 21-03 (Chicago, IL: January 14, 2021).
- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2021,* Report No. 22-04 (Chicago, IL: January 4, 2022).
- RRB OIG*, Railroad Retirement Board Did Not Implement Sufficient Internal Controls in the Mobile Phones Deployed as a Result of the Pandemic,* Report No. 22-07 (Chicago, IL: March 17, 2022).
- RRB OIG, *The RRB Did Not Have Detailed Project Plans to Expend Information Technology Modernization Funds,* Report No. 22-10 (Chicago, IL: June 29, 2022).

Improve Management of Railroad Medicare

- RRB OIG, *Railroad Retirement Board Did Not Calculate Reimbursed Medicare Costs in Accordance with Federal Requirements,* Report No. 16-10 (Chicago, IL: August 22, 2016).
- RRB OIG, *Audit of Railroad Retirement Board's Compliance with Improper Payments Elimination and Recovery Act in Fiscal Year 2018 Performance and Accountability Report,* Report No. 19-09 (Chicago, IL: May 30, 2019).
- RRB OIG, *Railroad Medicare Controls Over Evaluation and Management Services Were Not Fully Adequate,* Report No. 19-10 (Chicago, IL: August 5, 2019).
- RRB OIG, *Audit of Railroad Retirement Board's Compliance with Improper Payments Reporting in the Fiscal Year 2019 Performance and Accountability Report,* Report No. 20-06 (Chicago, IL: May 12, 2020).
- RRB OIG, *The Railroad Retirement Board was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2020,* Report No. 21-05 (Chicago, IL: May 17, 2021).
- RRB OIG, *The Railroad Retirement Board was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2021,* Report No. 22-08 (Chicago, IL: June 16, 2022).

Improve Payment Accuracy and Transparency

- RRB OIG, *Management Information Report: Interim Report Regarding CARES Act Expenditures and Controls,* Report No. 20-08 (Chicago, IL: September 28, 2020).
- RRB OIG, *Management Information Report: Interim Review of Railroad Retirement Board CARES Act Benefit Payments During the Pandemic Report,* Report No. 21-04 (Chicago, IL: March 26, 2021).
- RRB OIG, *The Railroad Retirement Board was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2020,* Report No. 21-05 (Chicago, IL: May 17, 2021).
- RRB OIG, *The Railroad Retirement Board's Disability Briefing Document Process Was Not Fully Effective*, Report No. 21-07 (Chicago, IL: August 16, 2021).
- RRB OIG, *Improvements Needed for the Designated Change Process at the Railroad Retirement Board*, Report No. 21-11 (Chicago, IL: September 29, 2021).
- RRB OIG, *Audit of the RRB's DATA Act Submission for the First Quarter of Fiscal Year 2021*, Report No. 22-01 (Chicago, IL: November 5, 2021).
- RRB OIG, *Railroad Retirement Board Audit Compliance Section Did Not Provide Adequate Audit Coverage of Railroad Employers*, Report No. 22-05 (Chicago, IL: February 15, 2022).
- RRB OIG, *Management Information Report - Railroad Retirement Board's Actions in Response to Pandemic Funding*, Report No. 22-06 (Chicago, IL: March 16, 2022).
- RRB OIG, *RRB Did Not Implement Sufficient Internal Controls in the Mobile Phones Deployed as a Result of the Pandemic,* Report No. 22-07 (Chicago, IL: March 17, 2022).
- RRB OIG, *The Railroad Retirement Board was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2021,* Report No. 22-08 (Chicago, IL: June 16, 2022).

- RRB OIG, *Controls Over Recoverable Unemployment and Sickness Overpayments Need Improvement*, Report No. 22-09 (Chicago, IL: June 24, 2022).
- RRB OIG, *The RRB Did Not Have Detailed Project Plans to Expend Information Technology Modernization Funds,* Report No. 22-10 (Chicago, IL: June 29, 2022).

Financial Management and Reporting Issues

- RRB OIG, *Report on the Railroad Retirement Board's Financial Statements Fiscal Year 2021*, Report No. 22-02 (Chicago, IL: November 15, 2021).
- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 for FY 2021 - Abstract*, Report No. 22-04 (Chicago, IL: January 4, 2022).
- RRB OIG, *Railroad Retirement Board Audit Compliance Section Did Not Provide Adequate Audit Coverage of Railroad Employers*, Report No. 22-05 (Chicago, IL: February 15, 2022).
- RRB OIG, *RRB Did Not Implement Sufficient Internal Controls in the Mobile Phones Deployed as a Result of the Pandemic*, Report No. 22-07 (Chicago, IL: March 17, 2022).
- RRB OIG, *Controls Over Recoverable Unemployment and Sickness Overpayments Need Improvement*, Report No. 22-09 (Chicago, IL: June 24, 2022).

Compliance Concerns Identified

- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2018,* Report No. 19-03 (Chicago, IL: December 19, 2018).
- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2019,* Report No. 20-04 (Chicago, IL: December 18, 2019).
- RRB OIG, *Audit of Railroad Retirement Board's Compliance with Improper Payments Reporting in the Fiscal Year 2019 Performance and Accountability Report,* Report No. 20-06 (Chicago, IL: May 12, 2020).
- RRB OIG, *Management Information Report: Interim Report Regarding CARES Act Expenditures and Controls,* Report No. 20-08 (Chicago, IL: September 28, 2020).
- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2020,* Report No. 21-03 (Chicago, IL: January 14, 2021).
- RRB OIG, *Management Information Report: Interim Review of Railroad Retirement Board CARES Act Benefit Payments During the Pandemic Report,* Report No. 21-04 (Chicago, IL: March 26, 2021).
- RRB OIG, *The Railroad Retirement Board was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2020,* Report No. 21-05 (Chicago, IL: May 17, 2021).
- RRB OIG, *Audit of the Purchase Card Program at the Railroad Retirement Board,* Report No. 21-06 (Chicago, IL: May 27, 2021).
- RRB OIG, *Railroad Retirement Board Bureau of Fiscal Operations Sections' Functions Need Improvement,* Report No. 21-08 (Chicago, IL: September 1, 2021).

- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2020,* Report No. 22-04 (Chicago, IL: January 4, 2022).
- RRB OIG, *Management Information Report - Railroad Retirement Board's Actions in Response to Pandemic Funding*, Report No. 22-06 (Chicago, IL: March 16, 2022).
- RRB OIG*, RRB Did Not Implement Sufficient Internal Controls in the Mobile Phones Deployed as a Result of the Pandemic,* Report No. 22-07 (Chicago, IL: March 17, 2022).
- RRB OIG, *The Railroad Retirement Board was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2021,* Report No. 22-08 (Chicago, IL: June 16, 2022).
- RRB OIG, *The RRB Did Not Have Detailed Project Plans to Expend Information Technology Modernization Funds,* Report No. 22-10 (Chicago, IL: June 29, 2022)

MANAGEMENT'S COMMENTS

These are Management's Comments on the Management and Performance Challenges identified by the Railroad Retirement Board (RRB) Office of Inspector General (OIG).

CHALLENGE 1 – IMPROVE AGENCY DISABILITY PROGRAM INTEGRITY

The OIG asserts that Railroad Retirement Board (RRB) management has not enacted substantial change to address its recommendation to improve program integrity. RRB disagrees with this assessment and cites changes that have been made such as including a second review of all initial decisions and requiring additional forms and documentation for disability decisions. These forms include employer medical, and revised vocational forms. RRB performs investigative work post entitlement and notes it is often based on earnings. To be proactive, the agency obtains earnings queries in all cases prior to adjudication. Queries include information from both Social Security Administration records and a third-party vendor, The Work Number

RRB has been receptive and responsive to recommendations made by the OIG and its contractors, and has worked diligently to implement several recommendations to improve program integrity. A decision not to implement a recommendation as suggested after a detailed analysis of that recommendation, does not reflect a reticence to implement change. Rather, such action represents a fulfillment of RRB management's responsibility to implement those changes that are cost effective and will, if adopted, improve program integrity. The integrity of the programs administered by the RRB are of the utmost concern to RRB management and the Board.

The open recommendations referenced were partially concurred with and there are no open recommendations impacting the adjudication of the disability program under its current regulations and statutes. Any recommendations not concurred with were only done after analysis of regulations and statutes.

While the Long Island Railroad (LIRR) investigation prosecuted some individuals, it is not reflective of the entire Disability program, nor has such fraud repeated itself. RRB's culture is not focused on approving benefits but on fulfilling its mission to administer retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA). In carrying out this mission, the RRB does its absolute best to pay benefits to the right people, in the right amounts, in a timely manner, and to take appropriate action to safeguard our customers' trust funds.

OIG's summation of benefits presumably draws attention to the amounts paid for occupational annuities. However, it does not account for the significant percentage of individuals also entitled to a disability benefit and early Medicare under the Social Security Act. It is not the role of RRB management to make judgments as to the benefit program amounts established by Congress.

The role of the OIG is not only to search for fraud, waste and abuse in our agency, it is also "to promote economy, efficiency, and effectiveness in the administration of Railroad Retirement Board programs.3" Although the OIG's discussion of the challenge facing the RRB recognizes the Agency's response, hiring plan, and reduced staffing, it again references a 2009 audit

[3] https://www.rrb.gov/OurAgency/InspectorGeneral

performed by the Government Accountability Office (GAO).[4] That report, now over a decade old, noted the high approval rate of disability applications and the possibility the rate could be indicative of “lax internal controls in RRB’s decision-making process, weakness in program design, or both.” However, the GAO did not conclude that the approval rate did, indeed, reflect a weakness in the program or in the RRB’s internal processes or its decision making, and subsequent reports have not cited a lack of program integrity.

The absence of specific findings or recommendations by the OIG directed to the administration of the disability program, suggests that the approval rate is a function of the statutory criteria, and not RRB administration. Because of the statutory provisions defining RRB’s disability program, the many recommendations made by the OIG as to record keeping, documentation, and other procedural steps may not address the disability approval rate.

Finally, OIG states that “RRB must not ignore Congressional concerns from the past nor comments made by a federal judge.” RRB not only advocates for the railroad community as suggested but adheres to the regulations and statues that apply to both the Railroad Retirement Act and Social Security Act. The railroad community is crucial to the fulfilment of the Agency’s mission. For this reason, RRB does work expeditiously to close recommendations with which the Agency has concurred and works to ensure decisions are made for the right people, in the right amounts in a timely manner. The timeliness concerns raise by OIG reflect the average adjudication time, however more than 60% of the cases adjudicated were adjudicated in less time than the average adjudication; yet the minority of delayed cases exponentially impact the average overall.

CHALLENGE 2 – IMPROVE INFORMATION TECHNOLOGY SECURITY AND SYSTEM MODERNIZATION

The RRB has consistently recognized its responsibilities under the statutes and regulations and acknowledges the OIG’s concern with the RRB’s ability to establish and maintain a secure and reliable information technology environment for its data, applications, and systems. We understand and take very seriously the mandate of the Federal Information Security Management Act of 2002 (FISMA), as amended by the Federal Information Security Modernization Act of 2014, to ensure adequate security protections for Federal information systems and information. As we migrate to the IBM z-Cloud, Office M365 suite, and Microsoft Azure, the RRB understands implementing information security into those systems is paramount. Our Chief Information Security Officer and his team are leading the way for cyber security by implementing the guidelines set forth in the NIST Cybersecurity Framework, managing supply chain threats as required by the Presidential Executive Order for Cybersecurity, developing a Zero Trust strategy, and implementing an Identity, Credential, and Access Management (ICAM) strategy that will support not only the RRB, but the Railroad community.

[4] Government Accountability Office (GAO), *Railroad Retirement Board: Review of Commuter Railroad Occupational Disability Claims Reveals Potential Program Vulnerabilities*, GAO-09-821R, Page 7 (Washington, D.C.: Sept. 9, 2009).

During fiscal year (FY) 2022, the RRB continued to build upon its successes in improving the security posture of the agency. All selected cloud environments, namely IBM zCloud, and Microsoft's (MS) Azure and MS M365 clouds received full Authorities to Operate (ATOs). Additionally, the RRB completed its implementation of shared cybersecurity services for Continuous Diagnostic and Mitigation (CDM), and its modernization of its intrusion detection system. Implementation of the federally directed zero trust architecture strategy continued in FY 2022, with the RRB implementing many controls using tools and services available in MS Azure and M365 cloud environments. These actions directly and strongly impacted our ability to improve the overall risk management posture for the agency. Through these efforts, we addressed and closed 21 POAMs and 23 OIG findings during FY 2022. As the RRB continues to develop and implement its IT modernization initiatives, we will proactively address the remaining findings and recommendations in order to improve the Agency's security posture and to sustain at acceptable levels.

Preliminary audit results for the FY 2022 FISMA audit indicate that Kearney & Company will assess our overall maturity at Level 2 – Defined, maintaining the rating from 2021. It is important to note the FY 2022 FISMA Audit was significantly modified in scope. Much of the success the RRB realized in the implementation of new services and achievement of full authorities was not part of the measured scope of the FY 2022 FISMA audit. The RRB successfully conducted two full disaster recovery tests during the fiscal year, but that significant achievement bore minimal impact on the FY 2022 FISMA scores. The RRB will continue to work to maximize its performance against the measured controls as it continues to modernize its enterprise. The RRB will continue to make incremental steps to reach the overall maturity goal of Level 4 – Managed and Measurable.

The RRB would like to highlight the successful relocation of its mainframe to a cloud environment during FY 2021. As previously reported in FY 2020, the RRB has performed a thorough analysis, based on industry standards and best practices, of our options for stabilizing the mainframe. The outcome of our analysis and subsequent research helped us identify a partner with the skillset and expertise to accomplish our goal of stabilizing our mainframe operations. As a result of this research and in conjunction with our partner, the RRB completed the mainframe migration to the cloud without any delay or unanticipated expenditure.

The RRB would also like to acknowledge that in FY 2022, multi-year efforts to stabilize infrastructure and modernize our operations will end by the close of FY 2023. Our consistent progress towards operating in secure cloud environments illustrates the RRB's commitment to stabilizing and modernizing our systems to better support the citizens we serve.

CHALLENGE 3 – IMPROVE MANAGEMENT OF RAILROAD MEDICARE

The RRB acknowledges its responsibilities under the Social Security Act to administer certain provisions of the Medicare program for railroad employees including the administration of the Specialty Medicare Administrative Contract (SMAC) with Palmetto GBA, LLC. The RRB does not directly issue Medicare payments to beneficiaries or providers. Notwithstanding the Agency's specified Medicare responsibilities for railroad annuitants, the Centers for Medicare & Medicaid Services (CMS), a component of the Department of Health and Human Services (HHS), administers the Medicare program as a whole.

The Office of Inspector General (OIG) states that over the years, RRB management and the OIG have disagreed on which Medicare responsibilities belonged to the RRB, Palmetto, and/or CMS. The RRB asserts that all Medicare responsibilities are clearly defined. The Memorandum of

Understanding (MOU) between the HHS, CMS and the RRB (MOU 13-61) define the scope of the relationship for both CMS and RRB and defines roles and responsibilities under the SMAC contract. MOU 13-61 addresses the responsibilities of CMS and the RRB relating to Medicare Part B claims processing and payment services, in support of the Medicare fee-for-service (FFS) program for a nationwide jurisdiction. MOU 13-61 dictates that while the RRB will assess the SMAC performance, CMS provides overall program guidance. To continue to clearly define the roles of both the RRB and the CMS, both agencies worked together to update the MOU. On August 31, 2022, a finalized MOU was executed and signed by both agencies.[5] This updated MOU addresses the changes that have occurred and the roles and responsibilities of each agency.

The RRB is responsible for making benefit payments to eligible Railroad beneficiaries under the Railroad Retirement Act, the Railroad Unemployment Insurance Act, as well as extended, enhanced, or other unemployment benefits payments authorized under supplemental appropriations, and therefore, its financial statements reflect the financial results for accounts financing these benefit payments and related operations. To ensure proper preparation of the government-wide consolidated financial statements, RRB and CMS record intra-governmental transactions to reflect business activities conducted between our agencies to include reimbursement to the RRB for its specified Medicare administrative responsibilities, funding transferred for obligation on the contract with Palmetto GBA, LLC as well as results of the annual financial interchange.

While the RRB has certain financial transactions with CMS and specified Medicare administrative responsibilities for railroad annuitants, said transactions and responsibilities do not include financing the Medicare Part B medical services benefit payments issued by Palmetto GBA, LLC. Instead, Palmetto GBA, LLC in accordance with CMS policy has an established Tripartite agreement with CMS and a CMS appointed bank, whereby funding is provided from the Medicare trust funds for Part B medical services benefit payments. The RRB is not a party to the financial transactions to pay the Medicare Part B medical services benefits financed by CMS and issued by Palmetto, GBA LLC. Accordingly, the RRB does not and should not report and/or disclose these financial transactions in its financial statements. In prior audits related to improper payments, CMS confirmed that Palmetto GBA, LLC had claims sampled and reviewed in the calculation of the Medicare Fee-for-Service (FFS) improper payment rate, where said improper payment rate was reported in CMS' financial report. Please note that CMS categorizes Palmetto GBA, LLC as a Medicare Administrative Contractor (MAC) rather than a SMAC[1]. Since CMS is responsible for reporting the Medicare FFS program improper payment rate and is a component of HHS, HHS consolidates CMS' financial results and related Medicare improper payment information into its annual Agency Financial Report (AFR). The HHS AFR reports the estimated proper and improper payments and related information for the Medicare FFS program as a whole, to include the results of all MACs including the SMAC. The Medicare FFS improper payment rate is discussed within CMS' financial report as well as in the Payment Integrity Report that HHS publishes in its AFR to accompany its consolidated Principal Financial Statements.

Despite this information, the Office of the Inspector General continues to assert that the RRB is responsible for reporting improper payments related to the Railroad Medicare program and that HHS reporting does not identify improper payments for the Railroad Medicare program. The Payment Integrity Information Act of 2019 (PIIA) states, "An executive agency shall publish improper payments information with the annual financial statements of the executive agency for the most recent fiscal year and post on the website of the agency that statement, and any

[5] *Memorandum of Understanding, MOU22-191,* entered into by the Department of Health and Human Services, Centers for Medicare & Medicaid Services and the Railroad Retirement Board, August 31, 2022 (on file at RRB).

accompanying materials required under the guidance of the Office of Management and Budget [31 USC 3351(2)(A)]." As such, it continues to be RRB's position that improper payments information related to the Medicare Part B medical services benefits payments issued by Palmetto GBA, LLC should not accompany RRB's financial statements in its annual Performance and Accountability Report. Also maintaining this posture, RRB and CMS continue to provide interested parties with the programmatic cost of the Medicare program in its entirety for comparison to the improper payment information covering the Medicare program.

As mentioned by the OIG, the RRB is currently in the process of recompeting the SMAC. The process began in calendar year 2022 and because of a protest, the process of evaluating and awarding a new SMAC had to be restarted. The RRB anticipates that the evaluation and award process for a new SMAC will be completed by the end of fiscal year 2023.

The RRB remains committed to working with CMS to manage the Railroad Medicare program and take any necessary action in accordance with the updated MOU to protect and properly administer any funding associated with Railroad Medicare.

The actions taken by the RRB to accomplish this include but are not limited to:

- Continue working with CMS to ensure that the MOU is current and accurately reflects each agency's responsibilities,
- Continue performing annual risk assessments utilizing the risk factors prescribed in Appendix C of OMB Circular A-123, to determine susceptibility to potential payment risks,
- Continue using CERT improper payment information to prepare annual medical review strategies,
- Continue working with the SMAC to submit an Improper Payment Activities Report (IPAR) after receiving the CERT improper payment data information is received from CMS,
- Continue ensuring that the SMAC submits regular updates to the RRB if improper payment rate is below the accepted tolerance levels, and
- Continue providing performance data and other data to CMS, when requested, in order to assist CMS with reporting requirements.

The RRB is aware and understands its responsibilities with respect to managing the Railroad Medicare program and is committed to working with CMS to ensure that the obligations and responsibilities associated with this responsibility are met. The new MOU between CMS and RRB was fully executed, signed, and finalized on August 31, 2022.

CHALLENGE 4 – IMPROVE PAYMENT ACCURACY AND TRANSPARENCY

The RRB fully supports delivering excellent, equitable, and secure Federal services and customer experience priority as outlined in the President's Management Agenda. The RRB takes very seriously its responsibility for payment accuracy and transparency to ensure delivery of high-quality data for internal and external customers. The RRB disagrees that the elements discussed, individually or collectively, rise to the level of a serious management concern or challenge.

1. **Payment Accuracy:**

    a. **CARES Act**: In regard to the OIG's most recent pandemic funding review, Audit

Report No. 22-06, RRB non-concurred with each of the three recommendations as briefly discussed below:

i. **Recommendation No. 1**: Based upon discussion with OMB as to their continued COVID reporting needs for Fiscal Year 2022 RRB generated and provided the OMB with information concerning the $5M CARES Act funds on a monthly basis via the OMB Outlay Report. Given the OMB's shift transition from weekly to monthly CARES Act reporting, BFO reconciled the monthly OMB Outlay Report to the DATA Act and Governmentwide Treasury Account Symbol Adjusted Trial-Balance System (GTAS) submissions for the period ending December 2021. We provided the December 2021 information to the OIG, which demonstrated that the $5M CARES Act obligations and outlays reconcile, as appropriate, to the monthly OMB Outlay report, the DATA Act information via USAspending.gov, and the monthly GTAS reporting. However, the OIG stated via email that "[s]ince the information indicates changes made subsequent to the reporting period, we will not be making a change to the report." Given OMB's transition to monthly reporting and the reconciliation provided to the OIG during the course of the audit, we respectfully non-concurred and considered this matter closed.

ii. **Recommendation No. 2:** As previously communicated to the OIG, the Executive Committee (EC) is the group, at the RRB, tasked with determining hiring priorities and the appropriate use of funds, whether from RRB's annual appropriation, the American Rescue Plan Act (ARPA), or any other source of annual or emergency funding. The EC is comprised of the top management officials from each of the RRB's seven major operational divisions. Any other cross-divisional committee, with the insight, authority, and data access to make the hiring decisions contemplated in this finding would be an inefficient redundancy to the EC. Currently, the EC makes hiring decisions and staffing plans based upon Basic Board Order 2, Section 2, entitled "Human Capital Management and Approvals." Pursuant to that section, the RRB has developed a comprehensive Human Capital Plan (HCP) that is based upon an in-depth workforce analysis, conducted by the RRB annually and culminating in the release of an updated HCP each May. The HCP demonstrates the documentation and planning that the EC utilized to determine the staffing and hiring decisions that are the subject of this audit recommendation. Finally, the EC points out that ARPA funding did not create additional hiring but allowed the RRB the flexibility to accelerate hiring already in the multi-year plan to support the increased workloads realized pursuant to the COVID-19 pandemic.

iii. **Recommendation No. 3**: RRB Management pointed out that in the details of this recommendation, the OIG questioned the reasoning and support behind the hiring of claims examiners in the Office of Programs and claims representatives in the Bureau of Field Service. Regarding the claims examiners hired by the RRB into the Office of Programs, the RRB previously provided the briefing document used to support RRB's request for funding to the Committee on Oversight and Reform staff on March 8, 2021, and an additional table which demonstrated that six months after the presentation, Sickness and Unemployment workloads remain extraordinarily high. The 39 staff members reported in the Sickness and Unemployment Benefits Division (SUBS) in the second chart reflected the 15 claims examiners hired under ARPA. RRB management pointed to additional justification for these hires was also found in RRB's HCP. Through supporting documentation provided to the OIG, the RRB reiterated that the ARPA funding simply allowed the RRB to accelerate the hiring of these 10 examiners, with 5 additional hires to immediately begin training and working on the increased SUBS workload due to COVID-19 pandemic claims.

b. **RRB's Designated Change Process:** The RRB takes waste, fraud and abuse very seriously and agreed with and/or partially agreed with 13 recommendations made by the OIG. The recommendations made were multifaceted and required significant data analysis in order to fulfill the intent of the recommendation. We continue to work on these recommendations with continued analysis, and coordination between units. In the past year the RRB has implemented a quarterly quality review for this fiscal year to track and monitor the use of proper identity verification procedures to support the Designated Change Receipts Assessable Unit Chart of Controls control technique. Results have been reported to the Office of Programs and Field Service management on a quarterly basis.

c. **Audits of Railroad Employers:** As communicated in our response to Audit Report No. 22-05, we adamantly disagree with the auditor's determination that due to lack of adequate audit coverage "…$143.5 billion in reported creditable compensation was at risk for inaccuracies." As written, the numerous references of $143.5 billion (the auditor's projection of unaudited credible compensation for FY 2017 through FY 2020) are misleading. Using the $143.5 billion figure implies that the Railroad Retirement Board (RRB) has a statutory or federal mandate to conduct compliance audits for the full universe of railroad employers in a given fiscal year to verify creditable service and compensation. This premise is false.

While Section 7 of the Railroad Retirement Act (RRA) and Section 12 of the Railroad Unemployment Insurance Act (RUIA) provide authority for the RRB to conduct compliance audits, the statutes do not expressly instruct the RRB to conduct such audits. The employer compliance audits support RRB's strategic goal to serve as responsible stewards for our customer's trust funds. In accordance with RRB operating procedure, Class I railroads are to be audited once every seven years, non-Class I employers would be audited based on auditing priorities and available resources, and smaller non-Class I employers would be audited on a random basis. As such, during a given fiscal year the Bureau of Fiscal Operations (BFO) would audit a small population of railroad employers and verify creditable service and compensation for those employers selected for audit. Therefore, as presented the references to $143.5 billion misrepresents and overstates the audit coverage necessary to support the strategic goal of serving as responsible stewards for our customers' trust funds. Holding the RRB accountable for auditing and verifying creditable service and compensation for the entire population of railroad employers in each fiscal year is entirely unreasonable.

In furtherance of our stewardship responsibilities on behalf of our customers, the RRB has mitigating internal controls to identify potential discrepancies in reported creditable service and compensation. Employers are required to provide creditable service and compensation data to the RRB for all covered employees pursuant to 20 CFR § 209.8, *Employers' Annual Reports of Creditable Service and Compensation*. Employers provide this information via RRB Forms BA-3, *Annual Report of Creditable Compensation* and BA-4, *Report of Creditable Compensation Adjustments.* Using the reported compensation, each year BFO conducts two reconciliations, both of which serve as mitigating controls to identify potential discrepancies within each employer's reported creditable compensation. The first reconciliation is of reported compensation amounts on RRB Forms BA-3 and BA-4 to the taxable compensation reported to the Internal Revenue Service (IRS) on the Form CT-1, *Employer's Annual Railroad Retirement Tax Return* per the Railroad Retirement Tax Act (RRTA). The purpose of the reconciliation is to identify discrepancies between reported compensation that may affect the employer's tax liability. Collection of RRTA taxes is the responsibility of the IRS. Therefore, BFO submits discrepancy reports that identify variances between reported compensation on the BA-3/BA-4 and reported compensation on the CT-1 to the IRS for resolution. The second reconciles the reported compensation amounts on RRB Forms BA-3 and BA-4 to the cumulative compensation reported on the RRB Form DC-1, *Employer's Quarterly Report of Contributions Under the Railroad Unemployment Insurance Act (RUIA)* as required by 20 CFR § 345.111, *Contribution Reports*. This reconciliation identifies variances between the reported compensation on the BA-3/BA-4 and the cumulative DC-1 (i.e. covering all four quarters of the same calendar year) that may impact the employer's contribution amount. As needed, BFO issues notices to employers for resolution.

d. **<u>DATA Act:</u>** Corrective action has not been completed, to develop a plan to obtain an automated interface between the RRB's benefit paying systems and the RRB's financial system that would ensure RRB's compliance with OMB Management Procedures Memorandum (MPM) 2016-03 and OMB M-17-04. However, as agreed to by the Audit Manager for OIG Report No. 20-01, RRB met the intent of this recommendation by discussing the matter further with the Office of Management and Budget (OMB) in December 2019. On December 5, 2019, OMB granted an extension for this requirement, where OMB and RRB would further discuss the timeline to achieve this recommendation based upon a revised IT modernization plan. BFO will coordinate with the Chief Information Officer and OMB to identify a target timeline to achieve this recommendation pursuant to RRB's current IT modernization plan. Although RRB has not completed corrective action for this recommendation, the auditors in Audit Report No. 22-01 stated that "[b]ased on the results of our statistical and non-statistical testing for RRB's DATA Act audit for fiscal year 2021 quarter 1, RRB scored 98.5225 points, which is a quality rating of ***Excellent."*** [Emphasis Added].

e. **<u>RUIA debts recoverable from RRA</u>:** We would like to reiterate our appreciation to the OIG for audit work in this area, which did not identify material unrecoverable RUIA code 41 amounts from the RRA. We note that the OIG audited 100 percent (totaling $12,578,310) of RUIA code 41 adjustments and only found $183,858 (less than 1.5 percent) of these amounts were unrecovered from the RRA. We reiterate that code 41 adjustments are transfer of fund transactions between the RUIA and RRA accounts due to overlapping effective time period for issued sickness and disability benefit payments.

In our opinion, the audit results do not support the auditor's statement that

"…insufficient controls over the recovery process, multiple disjointed systems, lack of cross-organizational communication, and ineffective monitoring increased the risk that remaining RUIA debts (improper payments) could remain unrecovered." Nevertheless, we will update our written policies, procedures and flowcharts as well as maintain consistent communication across all applicable organizational units involved with the RUIA code 41 transfer of fund adjustments.

2. Transparency:

a. Medicare: The OIG states that the RRB should report Medicare payment information associated with the SMAC's results under CMS' CERT program. CMS informed RRB that if the RRB reported the SMAC's CERT results, that reporting would be duplicative of reporting already being done by CMS in the HHS annual AFR and would result in an overstatement of the Medicare improper payment reporting by the Federal Government as a whole. Specifically, CMS reports a combined overall error rate that includes all Medicare Administrative Contractors (MACs) and the RRB SMAC. CMS and the RRB agreed that the RRB would no longer separately report CERT information. RRB shares this information with OMB. Therefore, the RRB's reporting is not an attempt to mask any significant improper payment rates, but rather an effort to ensure correct improper payment reporting consistent with CMS' administration of its Medicare program. Adopting the OIG's suggestion would lead to incorrect and misleading government reporting.

b. IT Modernization Initiatives

In response to the lack of transparency regarding detailed project plans, RRB management holds firm to its response shared at the conclusion of the audit referenced:

First, since the Railroad Retirement Board (RRB) began receiving incremental funding for its IT modernization in 2018, the RRB has consistently and transparently laid out its plans for expenditure of this funding to the Congress and the Office of Management and Budget (OMB). Those plans have been present in the RRB's official budget publications and our performance against related goals and objectives are published within the Agency's annual Performance and Accountability report. Additionally, since 2018 the RRB has provided a status update to the Congress on a quarterly basis regarding our IT modernization progress, being careful to include successes and challenges, lessons learned and any necessary related programmatic adjustments. The RRB's IT modernization efforts have not been without challenges, but the RRB has never expended IT Modernization funding without a plan and the appropriate approval from Agency leadership.

Second, the RRB is modernizing its enterprise using tailored project management processes in accordance with standards issued by the Project Management Institute (PMI). The PMI, issues standards that provide a foundation for project management knowledge and represent the four areas of the profession: project, program, portfolio and the organizational approach to project management. We routinely share project progress with the Executive Committee and the Board. The RRB has established and tailored from the Project Management Body of

Knowledge (PMBOK Guide) is PMI's flagship publication to ensure project accomplishment and tangible modernization progress.

Third, we reiterate that the RRB does have a consistent process to track and monitor the use of appropriated funds during modernization project execution. The RRB consistently requires the Bureau of Information Services (BIS) to justify spending requests and seek approval from the RRB's Board; therefore, we strongly disagree with the auditor's observation that the RRB is at increased risk for inefficient spending.

Based on this clarification and considering OMB Circular A-130 requirements that we centralize modernization plans into a strategic document, the RRB partially concurs that we should consolidate our modernization plans into one document. As we stated during the audit, we are drafting an Information Resources Management (IRM) Strategic Plan for Modernization and anticipate its completion during the fourth quarter of this fiscal year. Nevertheless, we strongly disagree with the auditors' assessment that the Agency "…did not have plans to expend most of the appropriated CAA2021 and ARPA2021 for the IT Modernization initiatives." It is less than fair and inaccurate to categorically and repeatedly state in the draft audit referenced above that the Agency has no plans.

Finally, the RRB does not agree with the mischaracterizations concerning the four items listed below. As such, we provide a few clarifications on each topic below.

IBM Mainframe. The RRB did not provide a Mainframe Application Re-platform Phase IV project plan, because such a project plan was not necessary as Phase IV represents, as RMA recognizes in the draft audit report, the steady-state hosting of RRB's mainframe in the IBM zCloud production environment. Further, the multi-phased project was successful, resulting in the decommissioning of the on-premises mainframe and the migration of it and all related legacy applications to the zCloud environment. Furthermore, we successfully executed a full disaster recovery test at the end of the project solidifying the elimination of numerous single points of failure at the heart of the agency's technical environment.

Microsoft 365. For clarity, the RRB developed a project plan to implement each Microsoft 365 capability (i.e., cloud email, SharePoint, etc.).

Enterprise Infrastructure Solutions (EIS). It is true that at the time of the initial audit request, the RRB was in the process of working with the General Services Administration (GSA) to award task orders and confirm related project plans. RRB awarded the last EIS task order in October 2021, and by that time, GSA confirmed and accepted the related project plans GSA.

Records Management. We anticipate that the modernized records management solution will be some iteration of a new document management system. Planning for such a new system will build upon advancements made to optimize newly established cloud infrastructure, which the RRB anticipates beginning in fiscal year 2023.

RRB Management adds the award of the Program Administrative Services contract will assist the RRB to further refine its detailed planning and execution plans for IT Modernization projects.

In response to the lack of transparency regarding the assertions that RRB did not: 1) Implement sufficient internal controls in the mobile phones deployed as a result of the pandemic, 2) Have a records management and retention system over electronic records or updated policies in place for the mobile phones, or 3) Have consistent personal usage policies, the RRB holds firm to its management response.

RRB will update polices related to mobile phones based upon information supplied by NARA for retention requirements related to mobile devices. RRB will work with mobile service provider to determine what retention options are available and will seek solutions based upon technology limitations.

All emails sent using mobile phones are already captured in the email system. RRB mobile devices are used to extend the capability for RRB employees to conduct aspects of official business (*such as internal coordination and scheduling*); however, all official business conducted is still required to be captured in already approved RRB systems of records.

The RRB will 1) continue efforts to update Telecommuting and Mobile Security Computing Policy with current laws and regulations and 2) develop a periodic monitoring control to assess personal usage and address it according to agency guidance.

The RRB intends to comply with NARA requirements to establish and maintain a records management and retention system as it relates to electronic records and specifically as they relate to mobile devices. Additionally, the RRB will update policies related to mobile phones based upon information supplied by NARA for retention requirements related to mobile devices. RRB will work with mobile service provider to determine what retention options are available and will seek solutions based upon technology limitations.

c. **<u>Mobile Phones:</u>** As referenced in Management's response to the recommendations contained in Audit Report 22-07, RRB management did not initially identify the mobile phones as an assessable unit (AU) at the onset of the pandemic. Since the phones were not designated as AUs within the agency, an internal control assessment was not performed. However, while the RRB has controls in place to monitor IOS and system updates on the mobile phones and if the device is not updated within a 30-day period, the device's MDM capabilities will be suspended. In addition, the RRB had agreed to review and update the policy using Intune as the technical control and have since agreed to incorporate mobile devices into the Networking Services assessable unit.

CHALLENGE 5 – FINANCIAL MANAGEMENT AND REPORTING ISSUES

Through this management challenge, the OIG discusses financial management and reporting issues stemming from their concerns regarding internal controls over Mobile Phones, Unemployment and Sickness Insurance Overpayments, Audit Coverage of Railroad Employers. Additionally, the OIG asserts the need for improvements related to two material weaknesses identified in the financial statement audit particularly related to 1) financial reporting and 2) deficient internal controls at the agency-wide level. We continue to design and implement cost effective internal controls striving toward optimal operational efficiency. Though more improvements will come, we disagree with the OIG's characterization and consolidation of these matters into a serious management challenge. Specific comments are included below:

1. **Internal Controls Over Mobile Phones Need Improvement:** As referenced in Challenge 4, Management's response to the recommendations contained in Audit Report 22-07, RRB management did not initially identify the mobile phones as an assessable unit (AU) at the onset of the pandemic. Since the phones were not designated as AUs within the agency, an internal control assessment was not performed. However, the RRB has controls in place to monitor IOS and system updates on the mobile phones. In addition, if the device is not updated within a 30-day period, the device's MDM capabilities are suspended. RRB is currently reviewing and updating the policy using Intune as the technical control and have since agreed to incorporate mobile devices into the Networking Services assessable unit.

2. **Internal Controls Over Unemployment and Sickness Insurance Overpayments Need Improvement**: Again, we disagree that this matter rises to the level of a serious management challenge, when the OIG's audit work in this area, did not identify material unrecoverable RUIA code 41 amounts from the RRA. We note that the OIG audited 100 percent (totaling $12,578,310) of RUIA code 41 adjustments and only found $183,858 (less than 1.5 percent) of these amounts were unrecovered from the RRA. We reiterate that code 41 adjustments are transfer of fund transactions between the RUIA and RRA accounts due to overlapping effective time period for issued sickness and disability benefit payments.

   In our opinion, the audit results do not support the auditor's statement in Audit Report No. 22-07 that "…insufficient controls over the recovery process, multiple disjointed systems, lack of cross-organizational communication, and ineffective monitoring increased the risk that remaining RUIA debts (improper payments) could remain unrecovered." Nevertheless, we committed to updating our written policies, procedures and flowcharts as well as maintaining consistent communication across all applicable organizational units involved with the RUIA code 41 transfer of fund adjustments.

3. **RRB Did Not Provide Adequate Audit Coverage of Railroad Employers:** As referenced in Challenge 4, Paragraph 1.c., in our response to Audit Report No. 22-05, we adamantly disagree with the auditor's determination that due to lack of adequate audit coverage "…$143.5 billion in reported creditable compensation was at risk for inaccuracies." As written, the numerous references of $143.5 billion (the auditor's projection of unaudited credible compensation for FY 2017 through FY 2020) are misleading. Using the $143.5 billion figure implies that the Railroad Retirement Board (RRB) has a statutory or federal mandate to conduct compliance audits for the full universe of railroad employers in a given fiscal year to verify creditable service and compensation. This premise is false. Please also see our response to this matter above to Challenge 4 (Paragraph 1.c.).

4. **Material Weaknesses:**

   a. **Financial reporting**: The OIG bases this discussion upon fiscal year 2021 financial statement audit results and includes communication with the NRRIT's auditor.

      The Agency will continue to cooperate with the OIG and provide all NRRIT related information within its possession which the OIG requests. We have provided the OIG access to NRRIT related information in accordance with the 2002 Memorandum of Understanding between the RRB, NRRIT, Department of the Treasury and the Office of Management and Budget[6] and all other information related to NRRIT in our possession and control that the OIG requested in support of its audit. Without addressing the various mischaracterizations discussed under this management challenge, the OIG has long been dissatisfied with its lack of authority and consequent inability to audit the activities of the NRRIT. It is unfortunate that they have chosen to evidence dissatisfaction by criticizing RRB's management for failing to exercise authority which, quite simply and clearly, Congress chose not to grant to the RRB.

      It is important to note that pursuant to implementation of the Statement of Federal Financial Accounting Standards 47 (SFFAS 47), effective in fiscal year 2018, the Office of Management and Budget (OMB), the Department of the Treasury (Treasury), and the United States Government Accountability Office (GAO) determined that the NRRIT will be classified as a consolidation entity, for the purposes of the governmentwide financial statements. Based upon this determination, NRRIT's Net Asset Value must be included within RRB's Balance Sheet, even though the NRRIT is independent from the RRB and is a non-governmental entity. In accordance with the SFFAS 47 determination, the NRRIT and GAO signed a Memorandum of Understanding (MOU) in October 2018 that provided the GAO access to information necessary to support inclusion of the NRRIT's financial information in the governmentwide financial statements starting in fiscal year 2018.[7] The RRB was not a party to this agreement.

      Until additional guidance is issued, this reported material weakness and basis for a disclaimer of opinion on RRB's consolidated financial statements will continue to exist due to an inability for the auditors to perform the audit procedures required by AICPA AU-C Section 600B *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).*

   b. **Deficient internal controls at the agency-wide level:** Again, the OIG bases this discussion upon fiscal year 2021 financial statement audit results and included five components: 1) implementation of GAO and OMB standards for internal of control; 2) information technology security and financial reporting controls; 3) compliance with indirect laws, regulations, contracts, treaties, and international agreements; 4) compliance with Railroad Retirement Act benefit payments provisions; and 5) controls over railroad service compensation.

      i. _Ineffective Standards for Internal Control:_ We acknowledge the OIG's concern

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[6] MOU for the *Budgetary, Accounting, and Financial Reporting Responsibilities Respecting Assets Held by the National Retirement Investment Trust* entered into by the RRB, NRRIT, Department of the Treasury (Treasury), Office of Management and Budget (OMB), October 2002 (on file at RRB).
[7] MOU for the *NRRIT Inclusion in Government-Wide financial Statements and GAO Access to Information,* entered into by the National Railroad Retirement Investment Trust (NRRIT) and the U.S. Government Accountability Office (GAO), dated October 31, 2018 (on file at RRB).

and have continued making strides in implementing Enterprise Risk Management (ERM) at the RRB by leveraging the Management Control Review (MCR) infrastructure already in place. In fiscal year 2020, we incorporated an ERM based reporting structure into the MCR guide aimed at enhancing our ability to identify potential events that may affect the agency and manage the related risks within our risk appetite. In fiscal year 2021, we fully implemented ERM into the MCR reporting process with risk assessments based on likelihood, impact, and control effectiveness along with training of responsible officials on the new process. In fiscal year 2022, we completed our second full year cycle as recognized by the OIG who agreed to close Recommendation No. 1, Audit Report 18-07, which suggested that the RRB "[e]stablish an internal control evaluation based on the requirements provided in the revised Office of Management and Budget Circular A-123." Going forward, the RRB will continue to refine ERM reporting and utilize the information reported to assist the decision-making process at the RRB. We continue to be committed to strong internal controls and will move forward with the next phase of ERM implementation

ii. *Information Technology Security and Financial Reporting Controls*: We continue to disagree with the OIG's assertion that the RRB's FISMA maturity level directly impacts the financial reporting system. Specifically, the Agency accomplishes its major financial reporting objectives through its financial management system, which is a comprehensive proprietary software application from CGI Federal – Momentum Enterprise Solution – that resides on a cloud hosting service. The Agency's system is referred to as the Financial Management Integrated System (FMIS). CGI Federal has been FedRAMP authorized since January 2013. CGI Federal offers its FedRAMP Authorized financial management system as a shared service to the federal government and is currently servicing 9 other federal agencies. FMIS is separate and distinct from the Agency's internally managed Agency Enterprise General Information Systems (AEGIS), Benefit Payment Operations (BPO) and Financial Interchange (FI) system.

Additionally, after review of the open recommendations associated with the FY 2018, FY 2019, FY 2020, FY2021 FISMA audits as well as consideration of the preliminary FY 2022 FISMA audit results, we could not find any impactful risk to the FMIS. Finally, and as discussed in our response to Challenge 2, the significant improvements to the security posture of the Agency's systems and applications, while not readily reflected in preliminary FY 2022 audit results, further demonstrate progress in improving our information security program and practices across the Agency as required by FISMA, OMB policy and guidelines, and National Institute of Science and Technology standards and guidelines.

iii. *Compliance with Indirect Laws, Regulations, Contracts, Treaties, and International Agreements:* The OIG states that "the RRB had not established effective policies and procedures for 1) preventing agency noncompliance with indirect laws, regulations and contracts." We disagree with this statement and have previously communicated to the OIG that compliance with laws and regulations is intertwined throughout various agency policy and procedure documents, such as our administrative circulars, as well as throughout the extensive documentation compiled to comply with the Federal Manager's Financial Integrity Act of 1982 (FMFIA). The Agency's Management Control Review (MCR) program directly fulfills the requirements of FMFIA and is an example of a well-established policy and procedure to help ensure compliance with indirect laws, regulations, and contracts.

Additionally, in its findings, the OIG states that "the RRB had not established effective policies and procedures … 2) for identifying treaties and international agreements impacting the RRB or the NRRIT." We again note the OIG has not cited any specific instance of our failure to identify a treaty or international agreement impacting the RRB or NRRIT. Both treaties and international agreements are either entered into with the advice and consent of the Senate or reported to Congress by the State Department. Accordingly, any policies and procedures that provide for regular monitoring and reporting of actions in Congress would necessarily result in the identification of either type of agreement. As noted in the FY 2019 - FY 2022 Financial Statement Audit, Laws and Regulations, Cycle Synopsis documents that were provided to the OIG, the RRB monitors for changes in laws through the Office of Legislative Affairs, which "monitors legislation and notifies RRB officials of new developments." Such monitoring specifically serves to notify the General Counsel of any treaties and/or international agreements involving and/or affecting the RRB or NRRIT. It is then within the General Counsel's regular duties to review, analyze, interpret, and provide relevant guidance relating to any law, regulation, or policy, to include treaties and international agreements, which impacts the RRB or NRRIT. The RRB, therefore, believes that its current policies and procedures are effective and further notes that it is unnecessary to establish, as previously noted by the OIG, a "policy or procedure to obtain Department of State assurance" regarding the impact of any treaty or international agreement on the RRB or NRRIT as the OIG did not provide any explanation as to why such assurance would be necessary in light of the above.

iv. *Compliance with RRA Benefit Payment Provisions:* The First Six Month Initial and Post Accuracy Rate report was not accomplished on time (09/30/19) due to significant staffing shortages in the unit. The report was completed and provided to the OIG on October 31, 2019. For FY 2020, the First Six Month Initial Accuracy Rate report was submitted timely to the OIG on September 25, 2020. The RRB has worked to address the staffing shortages that were caused by retirements and unexpected departures. In April 2021, the quality assurance unit hired four GS-11 Quality Assurance Specialists and the FY 2021 and FY 2022 First Six Month Initial and Post Accuracy Rate reports were provided timely to the OIG on September 28, 2021 and September 28, 2022, respectively.

v. *Controls Over Railroad Service and Compensation:* As previously communicated to the OIG, and in an effort to increase audit coverage, we were able to increase staffing levels which allowed for one report to be finalized in FY 2021 and the initiation of a Class 1 employer compliance audit in FY 2022. However, it is important to note that while Section 7 of the RRA and Section 12 of the RUIA provide authority for the RRB to conduct compliance audits, the statutes do not mandate that RRB conduct such audits. Whereas, implementing requirements associated with Federal Managers' Financial Integrity Act of 1982 (FMFIA) as implemented by OMB Circular A-123, is federally mandated. As the OIG, mentions lack of completed audits by ACS was due to insufficient staffing and funding, and while we increased staffing level slightly, we needed to redirect our limited resources to satisfy the mandated requirements of the FMFIA. These actions allowed the RRB to establish an agency-wide Enterprise Risk Management (ERM) program that integrates risk management with internal control activities in accordance with federal directives and pursuant to OIG audit recommendations.[8] See OIG Audit Report No. 18-07, Recommendations 1 and 4. Thus, operating under budgetary constraints BFO allocated the resources available to simultaneously perform mandated FMFIA responsibilities, provide training to new auditors, and conduct external audits of railroad employers.

CHALLENGE 6 – COMPLIANCE CONCERNS IDENTIFIED

The OIG has identified a management challenge that asserts that the RRB has been noncompliant with various guidance, which could influence the protection of federal trust funds, assets, government wide improper payments, and effectiveness of Agency operations. We disagree with the OIG's characterization and consolidation of the following topics into a serious management challenge. The RRB is committed to serving as responsible stewards for its customer's trust funds and agency resources.

1. **Pandemic Relief Acts:** As discussed in its response to Challenge 4, the RRB disagrees with the assertion that the RRB's ability to recover fraudulent benefit payment is diminished because of the timing of the State Wage Match program. The RRB is able to determine eligibility for benefits based on our own internal records, whereby the RRB is able to identify railroad employees who attempt to claim benefits while still working at a railroad and potentially expose instances of identity theft. Further, the RRB disagrees with the OIG's assertion that the RRB needs to allocate additional resources to implement an automated debt recovery process for CARES Act benefit payments. To reiterate, the RRB communicated to the OIG prior to issuance of Report No. 21-04 that the RRB had already implemented the programming changes within its *existing* automated debt recovery system necessary to establish and recover overpayments of CARES Act benefits.

2. **Improper Payment Reporting:** As discussed in the response to Challenge 3, CMS reports a combined overall error rate that includes all Medicare Administrative Contractors (MACs) and the RRB SMAC. CMS and the RRB agreed that the RRB would no longer separately report CERT information. RRB shares this information with OMB. Therefore, it is the RRB's assertion that its reporting is not an attempt to mask any significant improper payment rates, but rather an effort to ensure correct improper payment reporting consistent with CMS' administration of its Medicare program. Adopting the OIG's suggestion would lead to incorrect and misleading government reporting.

3. **Information Technology Security:** As discussed above in its response to Challenges 2 and 5, preliminary audit results for the FY 2022 FISMA audit indicate that Kearney & Company will assess the RRB's overall maturity at Level 2 – Defined, maintaining the rating from 2021. Significant improvements to secure cloud environments, implement continuous diagnostic monitoring, fully and successfully test the disaster recovery plan for the mission-critical systems multiple times during the fiscal year, implement modernized intrusion detection and intrusion prevention systems contribute to strengthen the security posture of the RRB enterprise. It is important to note the fiscal year 2022 FISMA Audit

[8] Office of the Inspector General Audit Report 18-07*, Enterprise Risk Management Process At The Railroad Retirement Board Was Not Fully Effective,* Report Date July 9, 2018. Recommendation No. 1 stated: "[w]e recommend that the Management Control Review Committee establish an internal control evaluation based on the requirements provided in the revised Office of Management and Budget Circular A-123." Recommendation No. 4 stated: "[w]e recommend the Executive Committee assign an individual as the Chief Risk Officer, or equivalent, who manages enterprise risk activities as the RRB."

was significantly modified in scope due to changes pursuant to the Core Inspector General (IG) Metrics for fiscal year 2022 as determined pursuant to OMB Memorandum, M-22-05, *Fiscal Year 2021-2022 Guidance on Federal Information Security and Privacy Management Requirements.* The reduced scope of the FY 2022 FISMA audit did not fully measure progress achieved by the RRB. Still, the preliminary FY 2022 audit results do demonstrate progress in improving our information security program and practices across the Agency as required by FISMA, OMB policy and guidelines, and National Institute of Science and Technology standards and guidelines.

Payment Integrity Information Act Reporting

The Improper Payments Information Act of 2002 (IPIA) (Pub. L. 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) (Pub. L. 111-204), and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) (Pub. L. 112-248) required agencies to annually report information on improper payments to the President and Congress through their annual Performance and Accountability Reports.

In 2019, the Payment Integrity Information Act (PIIA) became law. PIIA revoked, reorganized, and revised several existing improper payments statutes including IPIA, IPERA, IPERIA, and the 2015 Fraud Reduction and Data Analytics Act (FRDAA) into a single subchapter in the U.S. Code. On March 5, 2021, a revised version OMB Circular No. A-123 Appendix C (M-21-19) was released to implement the PIIA requirements. This updated guidance transformed the payment integrity compliance framework and created a more comprehensive and meaningful set of requirements to allow agencies to spend less time complying with low-value activities and more time researching the underlying causes of improper payments, balancing payment integrity risks and controls, and building the capacity to help prevent future improper payments. In addition, the latest version of OMB Circular A-136 features clarified and streamlined reporting requirements. As a result, Payment Integrity information is now collected separately by OMB through their Annual Data Call. The RRB now follows OMB's Annual Data Call guidance to determine which Payment Integrity information is required to be reported, and the results of this can now be found on OMB's website: www.paymentaccuracy.gov.

The RRB has benefit paying and non-benefit paying programs. The benefit paying programs consist of railroad retirement and survivor benefit (RRA) payments and railroad unemployment and sickness insurance benefit (RUIA) payments. Non-benefit paying programs include vendor payments and employee payments (payroll, travel, and other reimbursable expenses). In fiscal year 2017, the RRB's estimated improper payment rates for the RRA and RUIA programs were below the statutory threshold for the sixth consecutive year. The RRB requested reporting relief for these two programs following the guidance in Circular A-123, Appendix C, Part II.A.3 (M-18-20). The OMB granted us reporting relief for these two programs in July 2018. Per OMB guidance, the RRB conducted Risk Assessments for the RRA and RUIA programs and included them in the FY 2020 Performance and Accountability Report. Additionally, due to program changes implemented as a result of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a risk assessment was conducted for the RUIA program in FY 2021. All of these Risk Assessments concluded that both programs remain below the statutory thresholds and are operating under Phase 1 according to OMB Circular A-123, Appendix C (M-21-19).

The next RRA Risk Assessment will be conducted in FY 2023. Another RUIA Risk Assessment is being conducted this fiscal year due to the passages of the Continued Assistance to Railway Workers Act of 2020 and the American Rescue Plan Act of 2021, and the results will be posted on www.paymentaccuracy.gov

Risk Assessments for non-benefit paying programs (vendor and employee payments) were also included in the FY 2020 Performance and Accountability Report. We have determined that the RRB's non-benefit paying programs did not experience significant change in legislation and/or a significant increase in its funding level, which would have required a reassessment of the non-benefit paying programs risk susceptibility during FY 2022. The RRB plans to conduct the appropriate risk assessments again in FY 2023.

All interested parties may visit www.paymentaccuracy.gov to access more comprehensive Payment Integrity information pertaining to the RRB's benefit and non-benefit paying programs.

Summaries of Financial Statement Audit and Management Assurances

SUMMARY OF FINANCIAL STATEMENT AUDIT					
Audit Opinion	Disclaimer				
Restatement	No				
Material/Weaknesses[1]	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Timeliness of Evidential Matter		1			1
Ineffective IT Control Over Financial Reporting		1			1
Preparing and Reviewing Financial Reports		1			1
Lack of Corrective Action Plans		1			1
Open Obligations Not Timely Reviewed		1			1
Unsupported Journal Entries		1			1
Financial Statement Analysis		1			1
Financial Reporting (Lack of Access to NRRIT Audit Results)	1				1
Deficient Internal Controls at the Agency Wide Level (Statement of Assurance Reporting)	1				1
Total Material Weaknesses	**2**	**7**			**9**

SUMMARY OF MANAGEMENT ASSURANCES						
Effectiveness of Internal Control over Operations (FMFIA §2)						
Statement of Assurance	Modified					
Material/Weaknesses[1]	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Timeliness of Evidential Matter		1				1
Ineffective IT Control Over Financial Reporting		1				1
Preparing and Reviewing Financial Reports		1				1
Lack of Corrective Action Plans		1				1
Open Obligations Not Timely Reviewed		1				1
Unsupported Journal Entries		1				1
Financial Statement Analysis		1				1
Financial Reporting (Lack of Access to NRRIT Audit Results)	1					1
Deficient Internal Controls at the Agency Wide Level (Statement of Assurance Reporting)	1					1
Total Material Weaknesses	**2**	**7**				**9**
Conformance with Financial Management System Requirements (FMFIA §4)						
Statement of Assurance	Systems conform					

[1] As asserted by the Office of Inspector General (OIG); the RRB disagrees with both the material

weaknesses and the disclaimer audit opinion. See the Analysis of Systems, Controls and Legal Compliance subsection within the Management's Discussion and Analysis Section.

Civil Monetary Penalty Adjustment for Inflation

The RRB published its 2022 civil monetary penalty inflation adjustment on January 13, 2022 (87 Fed. Reg. 2187). The maximum civil penalty under the Program Fraud Civil Remedies Act was increased to $12,537, and the penalty range under the False Claims Act was increased to a minimum penalty of $12,537 and a maximum penalty of $25,076.

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APPENDICES

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Appendices

Glossary of Acronyms and Abbreviations

A	
APG	Accounting Procedures Guide
B	
BCA	Budget Control Act of 2011
BFO	Bureau of Fiscal Operations
C	
CARES	Coronavirus Aid, Relief, and Economic Security
CDM	Continuous Diagnostics and Mitigation
CERT	Comprehensive Error Rate Testing
CMS	Centers for Medicare & Medicaid Services
COLA	Cost-of-Living Adjustment
COR	Contracting Officer's Representative
D	
DBD	Disability Benefits Division (RRB)
DHS	Department of Homeland Security
DNP	Do Not Pay
E	
EDMA	Employment Data Maintenance
EFT	Electronic Fund Transfer
ERS	Employer Reporting System
F	
FAR	Federal Acquisition Regulations
FBWT	Fund Balance With Treasury
FECA	Federal Employees' Compensation Act
FFS	Fee-for-Service (Medicare)
FMFIA	Federal Managers' Financial Integrity Act
FI	Financial Interchange
FMIS	Financial Management Integrated System
FSIO	Financial Systems Integration Office
FTR	Federal Travel Regulations
FY	Fiscal Year
G	
GAO	Government Accountability Office

GSA	General Services Administration
HCME	Human Capital Management Evaluation

I

IT	Information Technology
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act
IRS	Internal Revenue Service

L

LIRR	Long Island Rail Road
LMS	Learning Management System

M

MCOS	Medicare Contract Operations Specialist
MCR	Management Control Review
MCRC	Management Control Review Committee
MIRTEL	Medicare Information Recorded, Transmitted, Edited and Logged

N

NRRIT	National Railroad Retirement Investment Trust

O

OGC	Office of General Counsel (RRB)
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management

R

RBD	Retirement Benefits Division (RRB)
RESCUE	Recalculate for Service and Compensation Updated to EDM
ROC	Retirement On-Line Calculations
RR	Railroad Retirement
RRA	Railroad Retirement Act
RR Account	Railroad Retirement Account
RRB	Railroad Retirement Board
RRSIA	Railroad Retirement and Survivors' Improvement Act of 2001
RUI	Railroad Unemployment Insurance
RUIA	Railroad Unemployment Insurance Act
RUI Account	Railroad Unemployment Insurance Account

S

SFFAS	Statement of Federal Financial Accounting Standards
SI	Sickness Insurance
SMAC	Specialty Medicare Administrative Contractor
SOSI	Statement of Social Insurance
SPEED	System Processing Excess Earnings Data
SPS	Secure Payment System
SSA	Social Security Administration
SSEB	Social Security Equivalent Benefit
SSN	Social Security Number

T

Treasury	Department of the Treasury

U

UI	Unemployment Insurance
USC	United States Code

Railroad Retirement Board
Board Members, Inspector General, and Executive Committee

Board Members

Chairman	Erhard R. Chorlé
Labor Member	John Bragg
Management Member	Thomas Jayne

Office of Inspector General

Inspector General	Martin J. Dickman

Executive Committee

Chief Financial Officer/ Chair of the Executive Committee	Shawna R. Weekley
Director of Administration	Daniel J. Fadden
Chief Actuary	Keith T. Sartain
Chief Information Officer	Terryne F. Murphy
Director of Field Service	Mark E. Blythe
Director of Programs	Arturo Cardenas
General Counsel	Ana M. Kocur

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