OIG Report #24-01
November 15, 2023

The Office of Inspector General's Report on the Railroad Retirement Board's Financial Statements begins on page 113 of the RRB's FY 2023 Performance and Accountability Report

RAILROAD RETIREMENT BOARD

PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR 2023

PAGE INTENTIONALLY LEFT BLANK

Railroad Retirement Board
Performance and Accountability Report
Fiscal Year 2023

TABLE OF CONTENTS

TABLE OF CONTENTS

RRB’s fiscal year 2023 Performance and Accountability Report is available online at: www.RRB.gov

MESSAGE FROM THE BOARD MEMBERS

PAGE INTENTIONALLY LEFT BLANK

Message from the Board Members

This fiscal year 2023 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 Retirement 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 was temporarily lifted under the Continued Assistance to Rail Workers Act of 2020 for days beginning January 3, 2021, through May 9, 2023. The sequestration reduction of 5.7 percent was reinstated on May 10, 2023 and will continue through 2031, or until the law is amended again.

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, 2023

PAGE INTENTIONALLY LEFT BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

PAGE INTENTIONALLY LEFT BLANK

***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 2023, the RRB trust funds realized a net of $5.1 billion, representing 37 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 BOARD
Chairman, Erhard R. Chorlé
Labor Member, John Bragg
Management Member, Tom Jayne

OFFICE OF INSPECTOR GENERAL – Martin J. Dickman

OFFICE OF EQUAL OPPORTUNITY – Shiri Ndang

EXECUTIVE COMMITTEE

- **CHAIR OF THE EXECUTIVE COMMITTEE** – Shawna R. Weekley
- **MEMBER** – Ana M. Kocur
- **MEMBER** – Daniel J. Fadden
- **MEMBER** – Arturo Cardenas
- **MEMBER** – Mark E. Blythe
- **MEMBER** – Terryne F. Murphy
- **MEMBER** – Keith T. Sartain

CHIEF FINANCIAL OFFICER
- **BUREAU OF FISCAL OPERATIONS** – Shawna R. Weekley

OFFICE OF GENERAL COUNSEL – Ana M. Kocur
- **Office of Legislative Affairs** – Beverly Britton Fraser
- **Bureau of Hearings and Appeals** – Spiridoula Mavrothalasitis
- **Secretary to the Board** – Stephanie Hillyard

OFFICE OF ADMINISTRATION – Daniel J. Fadden
- **Acquisition Management** – Stephen M. Schenk
- **Building and Support Operations** – Scott Rush
- **Bureau of Human Resources** – Nancy L. Bitzer
- **Public Affairs** – Michael P. Freeman

OFFICE OF PROGRAMS – Arturo Cardenas
- **Policy and Systems** – Randolph Hayden
- **Program Evaluation and Management Services** – Janet M. Hallman
- **Retirement/Survivor Benefits** – Letitia Carthans
- **Disability Benefits** – Sherita Boots
- **Unemployment and Programs Support** – Micheal T. Pawlak

BUREAU OF FIELD SERVICE – Mark E. Blythe

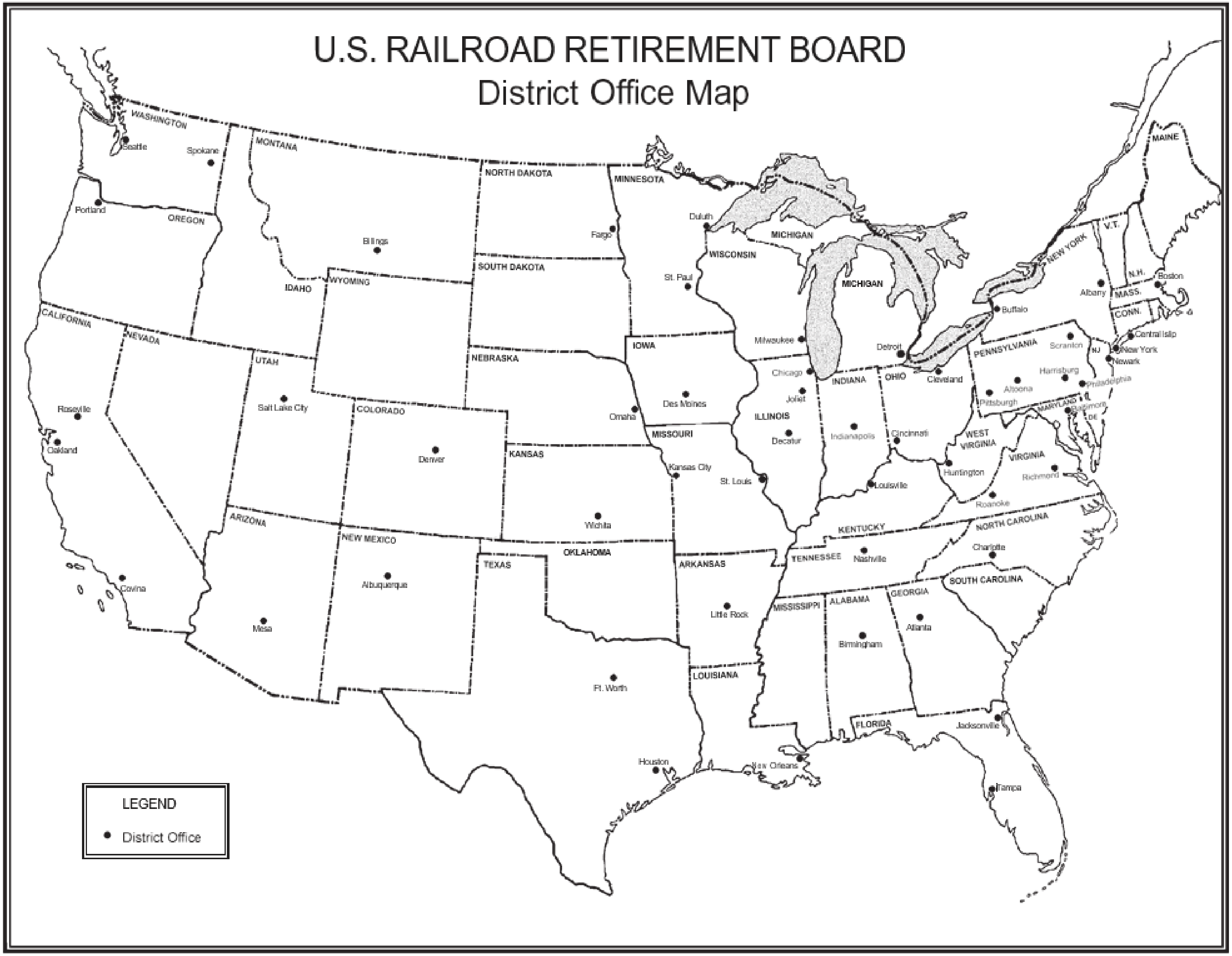
CHIEF INFORMATION OFFICER
- **BUREAU OF INFORMATION SERVICES** – Terryne F. Murphy
- **Deputy CIO Innovation Strategy Architecture** – Rich Kramer
- **Business Operations** – Robert LaBerry
- **Data Integrity and Governance** – VACANT
- **Enterprise Applications** – Faheem Naushad
- **Infrastructure Services** – Tony Nguyen
- **Policy and Compliance** – Tim Grant
- **Risk Management** – Jerry Gilbert

CHIEF ACTUARY
- **BUREAU OF THE ACTUARY AND RESEARCH** – Keith T. Sartain
- **Financial Interchange** – Carl May
- **Benefits & Employment Analysis** – Sheryl Enders

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

September 2023

U.S. RAILROAD RETIREMENT BOARD
District Office Map



Performance Goals, Objectives, and Results

During fiscal year 2023 (ended September 30, 2023), benefit payments totaled $14.0 billion, net of recoveries and offsetting collections. Of this amount, benefit payments for the railroad retirement and survivor benefits program totaled $13.9 billion, for the railroad unemployment and sickness insurance benefits program totaled $54.7 million, for the CARES Act programs totaled ($0.4) million, and vested dual benefits program totaled $7.7 million, net of recoveries and offsetting collections. During fiscal year 2023, the RRB also paid benefits on behalf of SSA (for which the RRB is reimbursed) amounting to $2.4 billion to about 127,000 beneficiaries.

In fiscal year 2023, 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 2023 included:

- Providing payments to about 493,000 retirement and survivor beneficiaries.
- Providing payments to about 3,000 unemployment insurance beneficiaries.
- Providing payments to about 12,000 sickness insurance beneficiaries.
- Providing payments to about 4,000 vested dual benefit beneficiaries.
- Processing 12,509 retirement, survivor, and disability applications for benefits (through April 30, 2023).
- Processing 53,072 applications and claims for unemployment and sickness insurance benefits (through April 30, 2023).
- Issuing 207,094 certificates of employee railroad service and compensation (mailed on June 14, 2023).

During fiscal year 2023, the RRB used 35 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 $128,000,000. (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 2023 were not available at the time this report was published. For those objectives, we reported part-year performance information for fiscal year 2023, if available. We also reported actual results from prior years, as applicable.

Summary of Achievement by Strategic Goal for Fiscal Year 2023

Strategic Goal I: Modernize Information Technology (IT) Operations to sustain mission essential services. During fiscal year 2023, 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 2023, 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 2023**,** 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 2023, 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 2023 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 2023 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 2023 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.

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

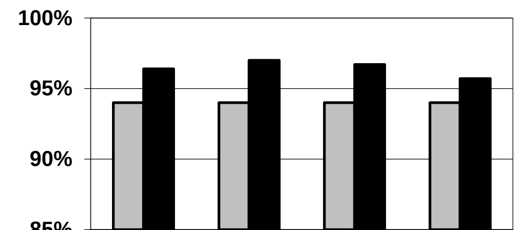
FY 2023 goal: 94.0%
Our FY 2023 performance: 95.7% through the 2nd quarter

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

FY 2022 goal: 94.0%
Our FY 2022 performance: 96.7%

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

The 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.
(FY 23 actual is through 3-31-23)



	FY20	FY21	FY22	FY23
Goal	94.0%	94.0%	94.0%	94.0%
Actual	96.4%	97.0%	96.7%	95.7%

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

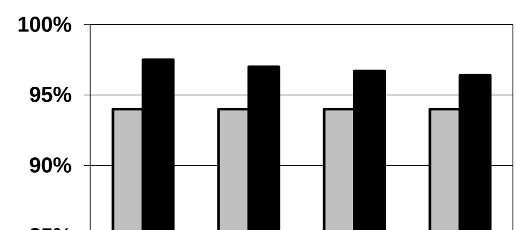
FY 2023 goal: 94.0%
Our FY 2023 performance: 96.4% through the 2nd quarter

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

FY 2022 goal: 94.0%
Our FY 2022 performance: 96.7%

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

The 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.
(FY 23 actual is through 3-31-23)



	FY20	FY21	FY22	FY23
Goal	94.0%	94.0%	94.0%	94.0%
Actual	97.5%	97.0%	96.7%	96.4%

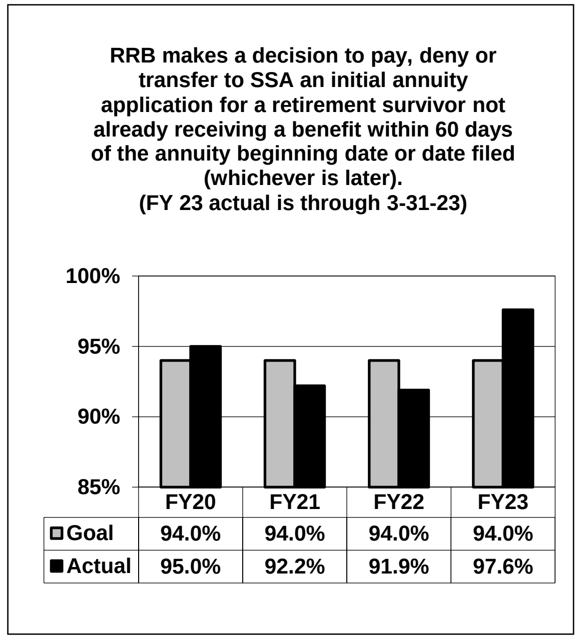
Key performance indicator 3: Timeliness of new survivor benefit payments (Objective II-A-3)

FY 2023 goal: 94.0%
Our FY 2023 performance: 97.6% through the 2nd quarter

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

FY 2022 goal: 94.0%
Our FY 2022 performance: 91.9%

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



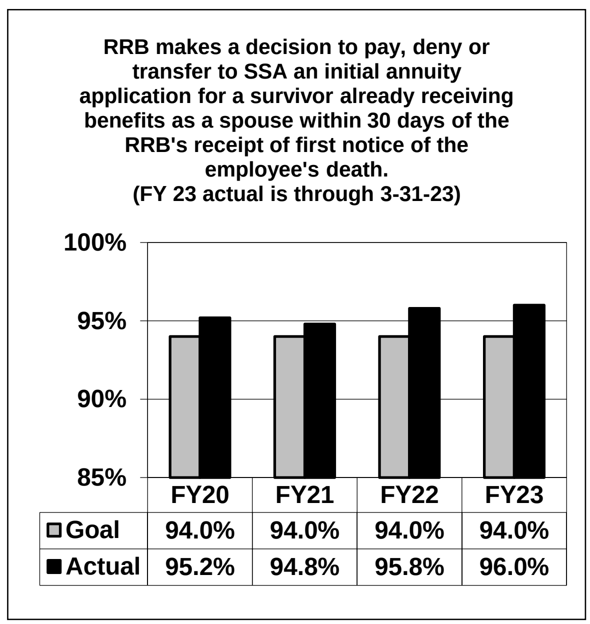
Key performance indicator 4: Timeliness of spouse to survivor benefit payment conversions (Objective II-A-4)

FY 2023 goal: 94.0%
Our FY 2023 performance: 96.0% through the 2nd quarter

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

FY 2022 goal: 94.0%
Our FY 2022 performance: 95.8%

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



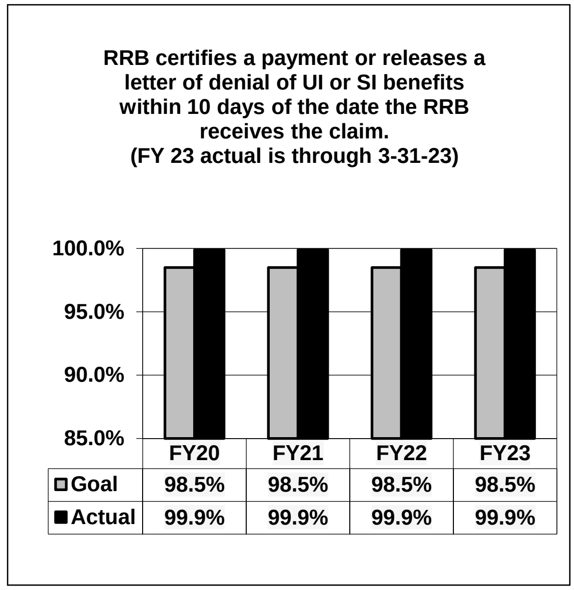
Key performance indicator 5: Timeliness of unemployment or sickness insurance payments (Objective II-A-6)

FY 2023 goal: 98.5%
Our FY 2023 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 2022 goal: 98.5%
Our FY 2022 performance: 99.9%

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

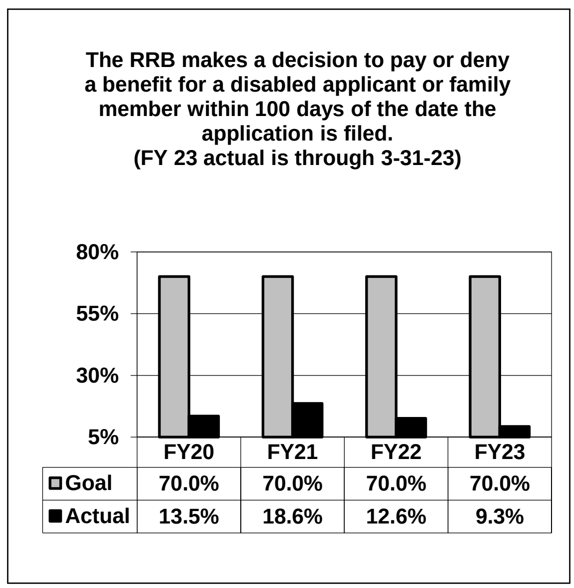


Key performance indicator 6: Timeliness of disability decisions (Objective II-A-7)

FY 2023 goal: 70.0%
Our FY 2023 performance: 9.3% through the 2nd quarter

We are not achieving our goal.

FY 2022 goal: 70.0%
Our FY 2022 performance: 12.6%



Initial disability decision timeliness performance was below the goal of 70% within 100 days. The division's pending is increasing as a result of staffing shortages. In addition, the continued effort in the Disability Benefits Division (DBD) to finalize decisions with older filing dates impacts the timeliness performance, specifically the elimination of cases with filing dates greater than 2 fiscal years. At the start of Fiscal Year 2023, cases with filing dates 2021 and earlier was 31.8% of the total workload balance. At the end of the third quarter, this balance was significantly reduced to 9.5% of the pending work, a 65.7% reduction.

DBD's loss of initial claims examiners to promotions and other agencies increased the total pending; however, the DBD examiner team made progress such that all pending cases are now within two years of the current fiscal year. By onboarding additional examiners, DBD is hopeful to continue reducing cases with older filing dates. In FY 2023, the DBD plans to increase the team and improve the Division's overall performance by further eliminating cases with filing dates greater than a year.

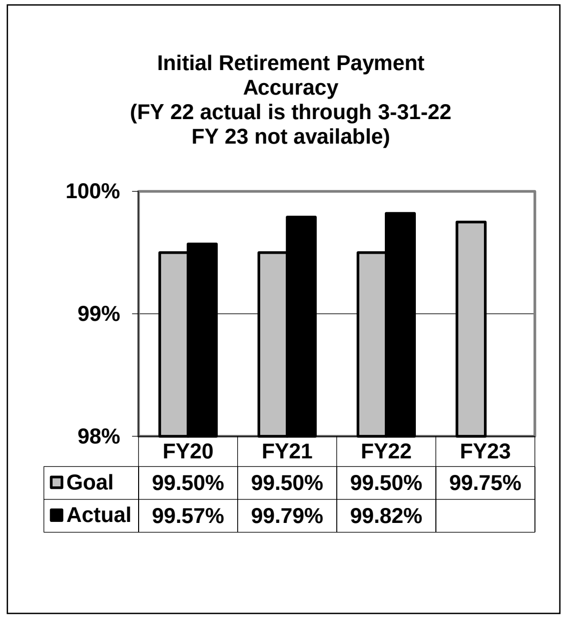
Data Definition: This goal is included in the RRB Customer Service Plan.

<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 2023 goal: 99.75%
Our FY 2023 performance: Not Available

FY 2022 goal: 99.50%
Our FY 2022 performance: 99.82%
through 2nd quarter FY 22



We are achieving 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.

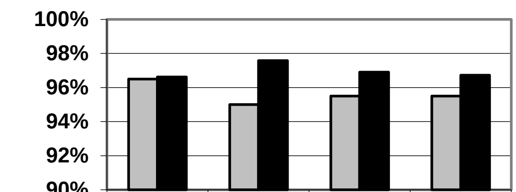
Key performance indicator 8: Unemployment insurance payment accuracy (Objective III-B-2a)

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

FY 2023 goal: 95.50%
Our FY 2023 performance: 96.72% through the 2nd quarter

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

FY 2022 goal: 95.50%
Our FY 2022 performance: 96.90%



	FY20	FY21	FY22	FY23
Goal	96.50%	95.00%	95.50%	95.50%
Actual	96.62%	97.58%	96.90%	96.72%

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.

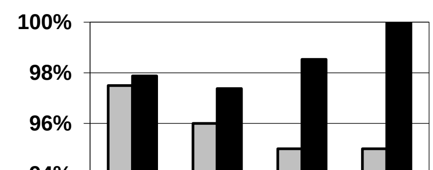
Key performance indicator 9: Sickness insurance payment accuracy (Objective III-B-2b)

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

FY 2023 goal: 95.00%
Our FY 2023 performance: 100% through the 2nd quarter

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

FY 2022 goal: 95.00%
Our FY 2022 performance: 98.53%



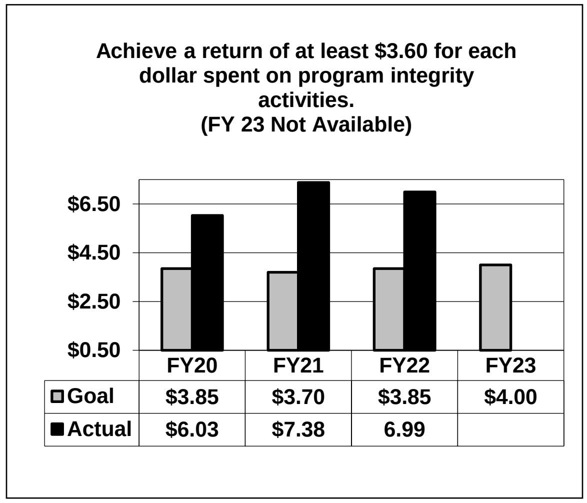
	FY20	FY21	FY22	FY23
Goal	97.50%	96.00%	95.00%	95.00%
Actual	97.88%	97.38%	98.53%	100.00%

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.

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

FY 2023 goal: $ 4.00: $1
Our FY 2023 performance: Not Available

FY 2022 goal: $3.85: $1
Our FY 2022 performance: $6.99: $1



We achieved our goal.
Our fiscal year 2022 goal was to achieve a return of $3.85 for each dollar spent on program integrity activities. We achieved a rate of return of $6.99 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 recoverables and savings, to the labor dollars spent.

<u>Analysis of Financial Statements and Stewardship Information</u>

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)

	2023	2022
NET POSITION AT SEPTEMBER 30		
Social Security Equivalent Benefit Account	605.0	$544.8
Railroad Retirement Account 1/	24,809.0	23,267.9
Railroad Retirement Administrative Fund	71.9	62.5
Railroad Unemployment Insurance Trust Fund -		
Benefit Payments	347.3	95.2
Administrative Expenses	9.1	6.5
Limitation on the Office of Inspector General	10.9	9.1
Dual Benefits Payments Account	7.9	8.2
Federal Payments to the Railroad Retirement Accounts	0.8	0.9
American Recovery and Reinvestment Act of 2009		
Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act (no year dollars)	0.3	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/	4.1	87.0
Railroad Unemployment Insurance Enhanced Benefit Payments (no year dollars)	225.8	224.1
Railroad Unemployment Insurance Waiver of 7 Day Period	37.3	37.2
Payment to Limitation on Administration	0.9	0.9
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	0.2
Administrative Expenses	8.6	17.6
Total	**$26,139.1**	**$24,371.8**
FINANCING SOURCES FOR FISCAL YEAR		
Social Security Equivalent Benefit Account	8,516.2	$8,027.7
Railroad Retirement Account 2/	7,305.6	(73.4)
Railroad Retirement Administrative Trust Fund	161.4	156.6
Railroad Unemployment Insurance Trust Fund -		
Benefit Payments	314.1	258.1
Administrative Expenses	2.6	(0.4)
Limitation on the Office of Inspector General	13.5	11.8
Dual Benefits Payments Account	7.7	9.6
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)	0.2	-
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/	(0.7)	(2.3)
Railroad Unemployment Insurance Enhanced Benefit Payments (no year dollars)	(1.7)	(1.4)
Railroad Unemployment Insurance Waiver of 7 Day Period	(0.2)	(0.4)
Payment to Limitation on Administration	0.1	0.9
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	6.9	8.2
Total	16,325.7	$8,395.3
BENEFIT PAYMENTS FOR FISCAL YEAR 4/		
Social Security Equivalent Benefit Account	$8,456.0	$7,908.9
Railroad Retirement Account	5,465.4	5,642.9
Railroad Unemployment Insurance Trust Fund -		
Unemployment Insurance	15.1	27.8

Sickness Insurance	39.6	62.6
Dual Benefits Payments Account	7.7	9.5
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)
Railroad Unemployment Insurance Enhanced Benefit Payments (no year dollars)	(0.2)	(0.7)
Railroad Unemployment Insurance Waiver of 7 Day Period	(0.2)	(0.4)
Payment to Limitation on Administration	-	-
Administrative Expenses	-	-
Total	$13,983.40	$13,648.6

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.

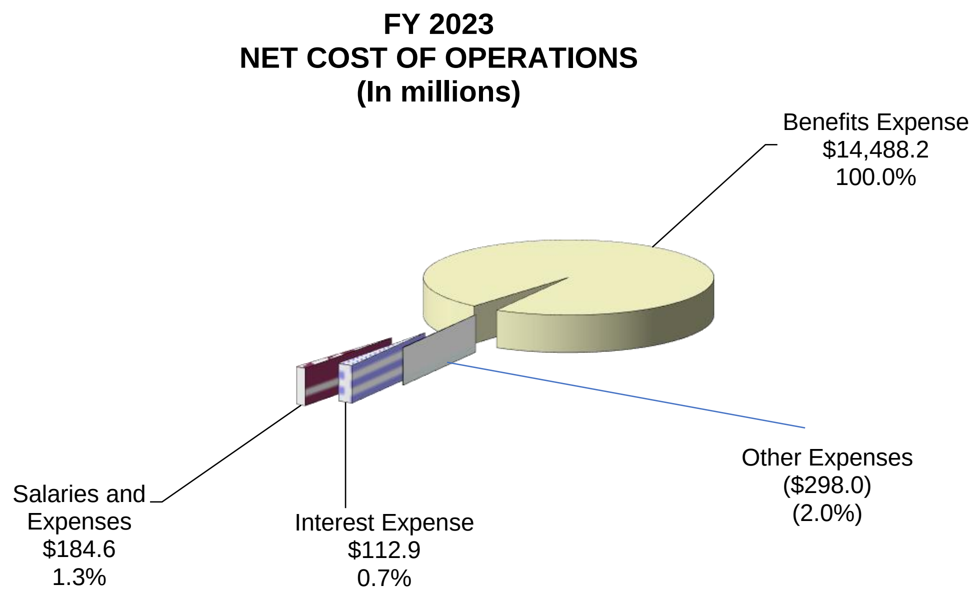
The RRB's financial statements are comprised of Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Net Position, Consolidated Statement of Budgetary Resources, Statement of Social Insurance, and the accompanying notes which are an integral part of the statements. 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

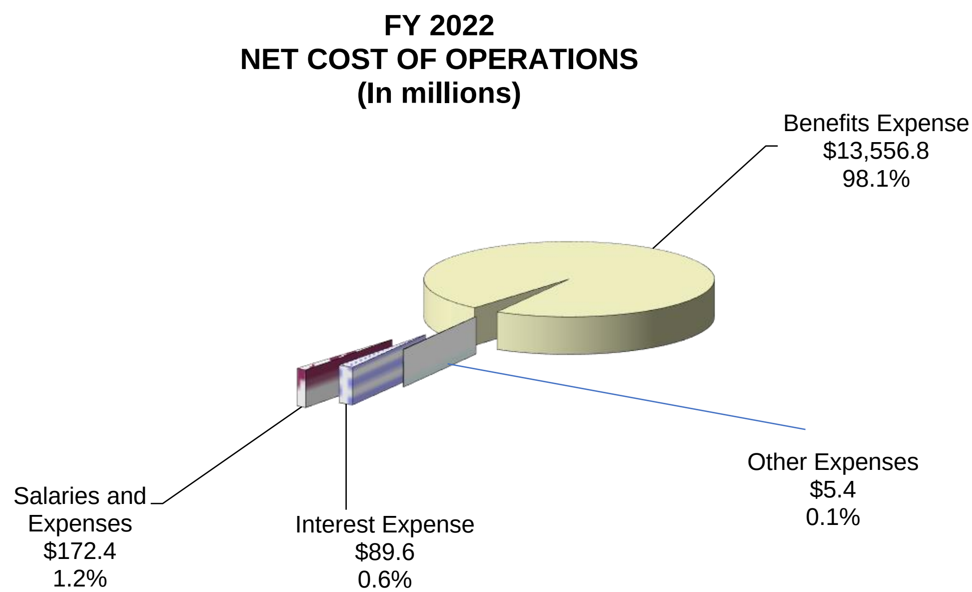
The net cost of operations for fiscal years 2023 and 2022 was $14,456.3 million and $13,796.0 million, respectively. The details of the net cost of operations by type, amount, increase or decrease, and percentage change from fiscal year 2022 to fiscal year 2023 are shown below. Additional information regarding the net cost of operations and financing sources for fiscal years 2023 and 2022 is shown on the following pages.

NET COST OF OPERATIONS (Unaudited)
(In millions)

	FY 2023	FY 2022	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Interest expense – Treasury borrowing	$112.9	$89.6	$23.30	26.0%
Salaries and expenses	184.6	172.4	12.20	7.1%
Benefits expense	14,488.2	13,556.8	931.4	6.9%
Other expenses	(298.0)	5.4	(303.40)	(5,618.5%)
Subtotal	**$14,487.7**	**$13,824.2**	**$663.50**	**4.8%**
Less: Earned revenues	(31.4)	(28.2)	(3.2)	11.3%
Net cost of operations	**$14,456.3**	**$13,796.0**	**$660.30**	**4.8%**



Totals $14,487.7 million, excluding reimbursements, and earned revenues of $(31.4) million.



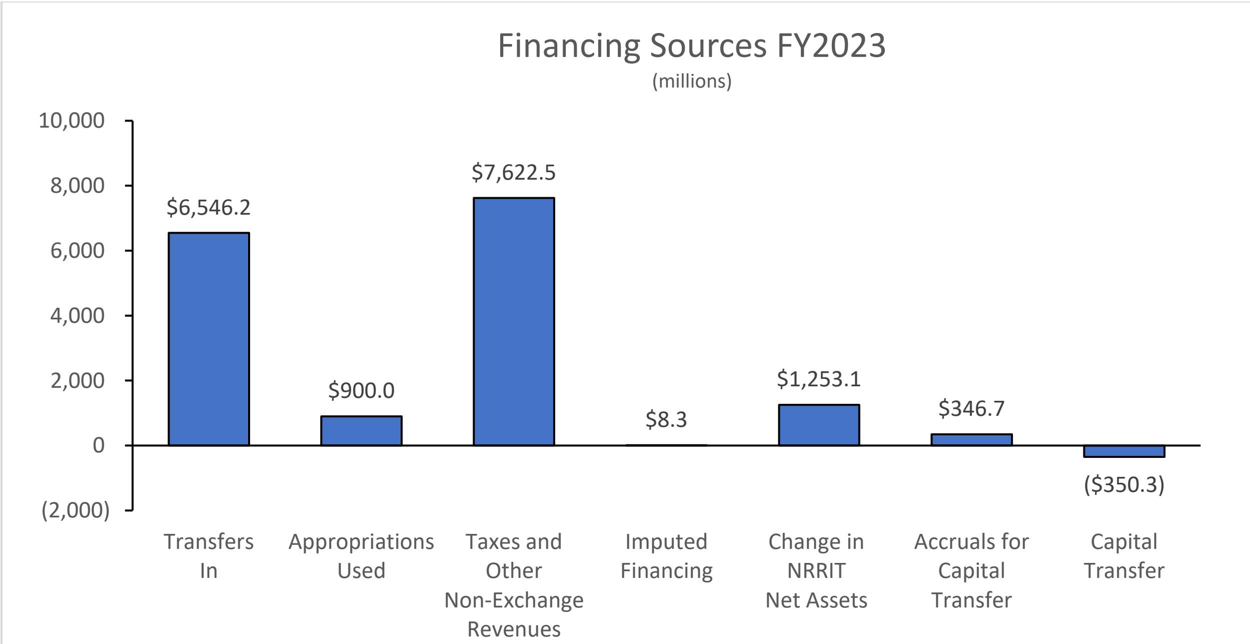
Totals $13,824.2 million, excluding reimbursements, and earned revenues of ($28.2) million.

The following table shows financing sources (excluding changes in unexpended appropriations) by type, amount, increase or decrease, and percentage change from fiscal year 2022 to fiscal year 2023.

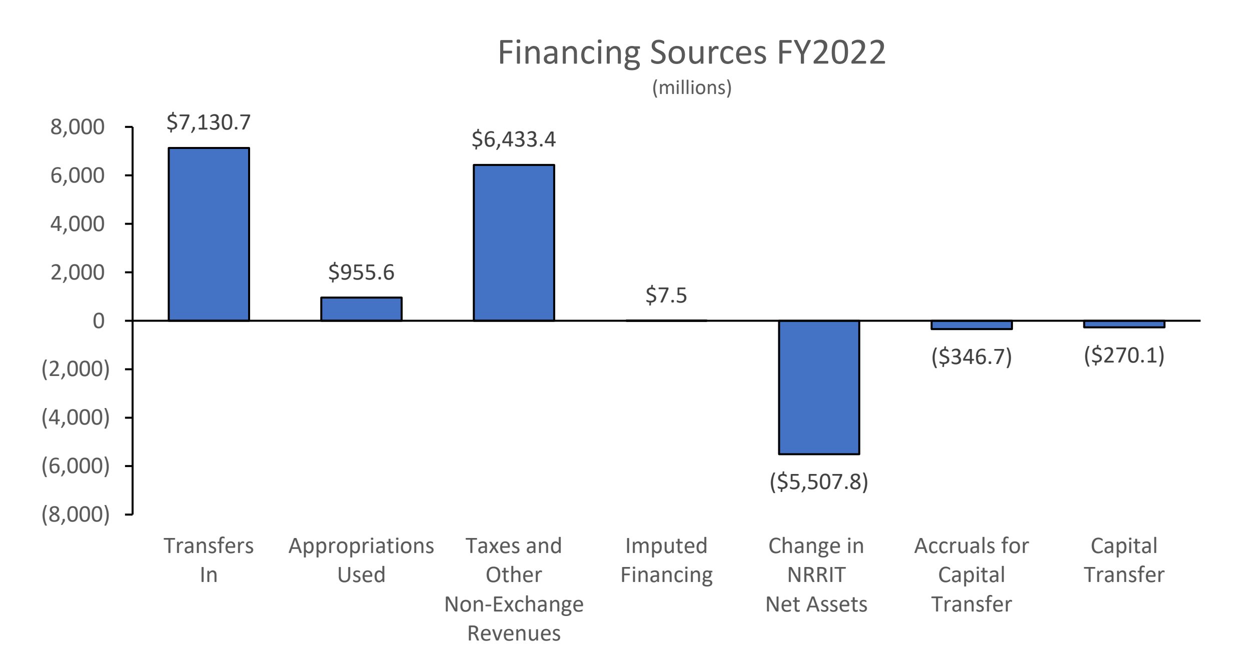
FINANCING SOURCES (Unaudited)
(in millions)

	FY 2023	FY 2022	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Budgetary Financing Sources:				
Appropriations used	$900.0	$955.6	$(55.6)	(5.8%)
Taxes and other non-exchange revenues:				
Payroll taxes	7,218.2	6,148.3	1,069.9	17.4%
Interest revenue and other income	75.6	41.7	33.9	81.3%
Carriers refunds – principal	(7.9)	(35.4)	27.5	(77.8%)
Railroad Unemployment Insurance (RUI) Revenue	336.6	278.8	57.8	20.7%
Subtotal	**$8,522.4**	**$7,389.0**	**$1,133.4**	**15.3%**
Transfers in:				
Financial Interchange, net	5,131.2	5,166.7	(35.5)	(0.7%)
NRRIT	1,415.0	1,964.0	(549.0)	(28.0%)
Subtotal	**$6,546.2**	**$7,130.7**	**$(584.5)**	**(8.2%)**
TOTAL BUDGETARY FINANCING SOURCES	**$15,068.6**	**$14,519.7**	**$548.9**	**3.8%**
Other Financing Sources:				
Imputed financing	8.3	7.5	0.8	10.5%
Change in NRRIT net assets	1,253.1	(5,507.8)	6,760.9	(122.8%)
Gain/(Loss) in Contingency	(0.7)	(9.3)	8.6	(92.0%)
Accruals for Capital Transfers	346.7	(346.7)	693.4	200.0%
Capital Transfer	(350.3)	(270.1)	(80.2)	29.7%
TOTAL OTHER FINANCING SOURCES	**$1,257.1**	**($6,126.4)**	**$7,383.5**	**(120.5%)**
TOTAL FINANCING SOURCES	**$16,325.7**	**$8,393.3**	**$7,932.4**	**94.5%**

The most significant difference between the RRB's financial statements for fiscal year 2022 and fiscal year 2023 was the change in NRRIT net assets and Increase in Payroll Taxes. The NRRIT net assets increased by approximately $1,253.1 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 fiscal year 2022 and fiscal year 2023 are shown in the RRB's Financial Section of this publication.



Total Financing Sources $16,326.5 million, excluding ($0.7) million loss on contingency.



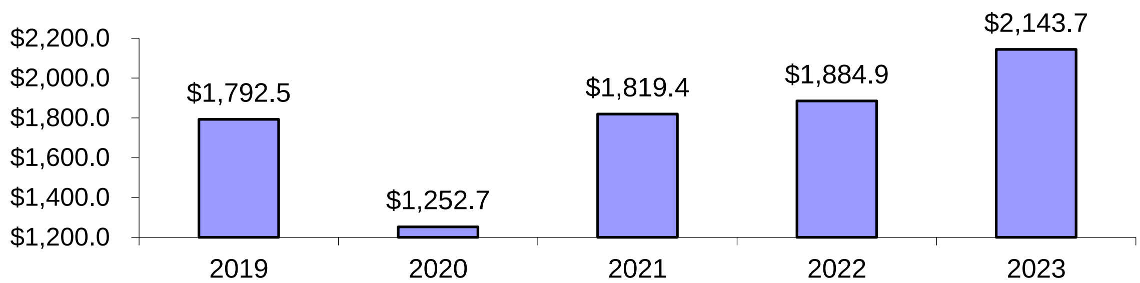
Total Financing Sources $8,402.6 million, excluding ($9.3) million loss on contingency.

Railroad Retirement Investments at Treasury

The book value of all railroad retirement investments, including accrued interest, increased to $2,143.7 million as of September 30, 2023, from $1,884.9 million on September 30, 2022 (excludes NRRIT net assets). The graph below reflects the book value of the railroad retirement investments from September 30, 2019, through September 30, 2023.

INVESTMENT BALANCES HELD AT TREASURY (AT BOOK VALUE)
AT SEPTEMBER 30, 2019 - 2023

(In millions, excluding NRRIT net assets)

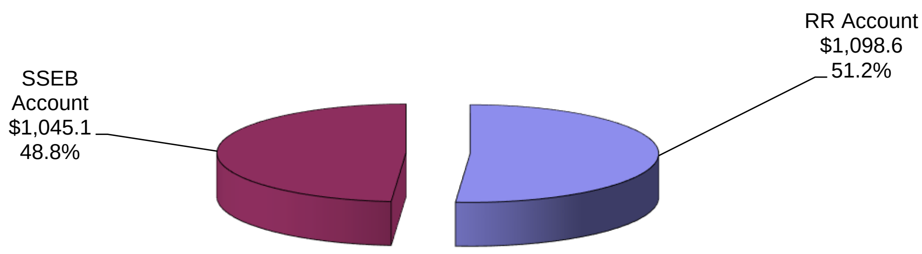


The following chart shows the portfolio of the railroad retirement investments as of September 30, 2023

RAILROAD RETIREMENT INVESTMENTS HELD AT TREASURY
AS OF SEPTEMBER 30, 2023

AT BOOK VALUE
Total $2,143.7

(in millions, excluding NRRIT net assets)



Railroad Retirement Account

On September 30, 2023 and 2022, the book values of the RR Account investments, excluding NRRIT assets, including accrued interest, totaled $1,098.6 million and $773.1 million, respectively. The balance on September 30, 2023, consisted of $1,097.0 million in 4.250 percent par value specials (with market value equal to face value) maturing on October 2, 2023, and $1.6 million in accrued interest. The balance on September 30, 2022, consisted of $772.3 million in 3.375 percent par value specials (with market value equal to face value) maturing on October 3, 2022, and $0.7 million 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, 2023 and 2022, the book values of the SSEB Account investments, including accrued interest, totaled $1,045.1 million and $1,111.8 million, respectively. The balance on September 30, 2023, consisted of $1,042.7 million in 4.250 percent par value specials maturing on October 2, 2023, and $2.4 million in accrued interest. The balance on September 30, 2022, consisted of $1,109.8 million in 3.375 percent par value specials maturing on October 3, 2022, and $2.0 million 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 2023 are $32.9 billion, a 5.9 percent increase over last year. Of the total assets, $24.2 billion relates to funds held by the NRRIT. The net asset value of funds held by the NRRIT increased from fiscal year 2022 by 5.5 percent. Our investments totaled $2.1 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 2023 are $6.7 billion. Liabilities increased by $73.3 million or 1.1 percent in fiscal year 2023. Also, benefits due increased by $86.8 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 2023, our net cost of operations was $14.5 billion, an increase over last year of $660.3 million, or 4.8 percent. A table for the net cost of operations for fiscal years 2023 and 2022 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 2023 is $ 26.1 billion. The statement shows an increase in the net position of the agency of $ 1.8 billion attributable to the change in cumulative results of operations. Total financing sources for 2023 are $ 16.3 billion. A table for financing sources for fiscal years 2023 and 2022 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 $29.1 billion as of September 30, 2021, to $23.5 billion as of September 30, 2022, a net change in the open group measure of $(5.6) 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 2022-2096 to fiscal years 2023-2097) resulted in a change of $0.3 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 $0.1 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 13. Social Insurance. A change in the open group measure of $(6.0) 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 2023**	**As reported in FY 2022**	**Increase / $**	**(Decrease) %**
COSTS				
Total Financing Sources	$16,325.7	$8,393.3	$7,932.4	94.5%
Less: Net Cost	14,456.3	13,796.0	660.3	4.8%
Net Change of Cumulative Results of Operations	**$1,869.4**	**($5,402.7)**	**7,272.1**	**134.6%**
NET POSITION				
Assets	$32,886.2	$31,045.6	$1,840.6	5.9%
Liabilities	6,747.1	6,673.8	73.3	1.1%
Net Position (Assets minus Liabilities)	**$26,139.1**	**$24,371.8**	**$1,767.3**	**7.3%**

Dollars in Billions	**10/1/2022**	**10/1/2021**	**Increase / $**	**(Decrease) %**
SOCIAL INSURANCE				
SOCIAL INSURANCE[3] Social Insurance Net Expenditures (Open Group)	$23.5	$29.1	($5.6)	(19.3%)

[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 was re-instated May 10, 2023, 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, 2023, 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 September 30, 2023, 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 purposes of the governmentwide financial statements. Based upon this determination, the 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 part 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 has been 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 practice 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 law, and that performance data and proprietary and budgetary accounting transactions applicable to the agency are 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 1933* 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 affected by an entity's oversight body, management, and other personnel that provides a reasonable assurance 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 testing, 3) weaknesses are identified and corrected, and 4) appropriate levels of management are informed and positioned to act timely to prevent or correct problem and initiate improvement.

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 the 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. In fiscal year 2023, the third year of full ERM implementation, we focused efforts on hiring qualified staff to assist with ERM implementation, refining the ERM program, and improving ERM/MCR communication with RRB Senior Executives. We are committed too strong internal controls and 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 2023 consolidated financial statements and on Internal Control Over Financial Reporting. We expect again to receive a disclaimer of opinion on RRB 's fiscal year 2023 financial statements as of and for the year ended September 30, 2023, 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 2023 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 the RMA, the Railroad Retirement and Survivors' Improvement Act of 2001 (the Act) states that NRRIT is not a department, agency, or instrumental instrumentality of the Federal Government, and is not subject to title 31 of the US Code. The Act further states that the NRRIT shall annually engage and 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 in 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.

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, NRIT's Net Asset Value must be included within our RRB's Balance Sheet, even though the NRRIT is independent from the RRB and is a non-governmental entity. In accordance with the FFFAS 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 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 the authority to compel the NRRIT auditors to provide their work papers or speak with the 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).

Federal Information Security Modernization Act

During fiscal year 2023, the RRB continued to build upon its successes in improving the security posture of the agency. In fiscal year 2022, the RRB's cloud environments in the IBM zCloud, and Microsoft's (MS) Azure and M365 clouds received full Authorities to Operate (ATOs). Implementation of the federally directed zero trust architecture strategy continued in fiscal year 2023, 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 27 OIG and 83 non-OIG POAMs during fiscal year 2023. 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 Cyberscope audit results, a part of the fiscal year 2023 FISMA audit indicate that Castro & Company recognized the RRB has sustained progress from the prior year for 12 Core Metrics and has improved on the maturity level for 8 Core Metrics, with 7 Core Metrics reaching Level 3 - Consistently Implemented. Due to the delay in the Office of Inspector General's July 2023 initiation of the fiscal year 2023 FISMA audit, it is unclear yet how Castro & Company will assess the RRB's overall maturity level. Much of the success the RRB realized during the Cyberscope portion of the FISMA audit is directly due to the expansion of the RRB's use of available cybersecurity technologies available in our cloud-environments. Additionally, the RRB is continuing to refine our roadmap to successfully implement a full Zero-Trust architecture as well as maximize its performance against the measured FISMA 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, , 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 2023, having previously completed the transition of the RRB's computer mainframe operations from legacy, on-premises hardware to the IBM zCloud for Government, the RRB was able to focus on utilizing tools that enables further Information Technology Modernization and Application Modernization. In fiscal year 2023, the RRB completed a project to understand our over 9 million lines of code that executes our mission critical benefits payment systems. In rebuilding this knowledge base of our code, this project will allow for faster modification of these systems if new legislature is enacted and allow us to rebuild these systems anew without lengthy testing and validation time. In fiscal year 2023, the RRB initiated the migration to additional cloud services available in Microsoft's cloud solution (M365). In fiscal year 2024, the RRB will complete the migration to M365 OneDrive to eliminate end-of-life on-premises hardware as well as Power BI, a dashboard and reporting tool for accurate and timely data visualization. The RRB also expects to transition our telecommunications services from Networx to Enterprise Infrastructure Solutions (EIS) in fiscal year 2024, as we saw equipment delays due to ongoing global supply chain and financial challenges. These improvements will provide the RRB with the opportunity to more efficiently and effectively carry out its mission and serve our citizens. At the conclusion of our Microsoft migrations and additionally our EIS transition, the RRB will complete the remaining infrastructure component upgrades for the Stabilize Phase, the first of our three-phased strategy – Stabilize | Modernize | Perform. This realization of entering the Modernize phase will position the Agency to focus on the creation and delivery of citizen-centric online services.

In fiscal year 2022, the RRB's cloud environments in the IBM zCloud, and Microsoft's (MS) Azure and M365 clouds received full Authorities to Operate (ATOs). Implementation of the federally directed zero trust architecture strategy continued in fiscal year 2023, 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.

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, 2022, under our intermediate employment assumption. The Required Supplementary Information presents sensitivity analyses showing the impact of changes in employment and investment return assumptions. Under our intermediate employment assumption, no cash flow problems arise during fiscal years 2023-2097. However, 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 any corrective action is necessary. Under the pessimistic employment assumption, the financing structure is not sufficient to pay benefits in all future years.

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 2023-2033. 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. These outstanding loans were repaid by the end of fiscal year 2022. Under the pessimistic employment 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)

PAGE INTENTIONALLY LEFT BLANK

PERFORMANCE SECTION **(Unaudited)**

Government Performance and Results Act Report

The following performance report is based on the major goals and objectives for fiscal year 2023 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 2020 through March 31, 2023 (except as noted), followed by a discussion of our unmet performance goals and objectives for fiscal year 2022. At the time this report was prepared, actual fiscal year 2023 information was unavailable. Unmet fiscal year 2023 goals and indicators will be presented in next year's report. This performance report was prepared by RRB employees.

Railroad Retirement Board Fiscal Year 2023 Performance Plan	**2020 Actual (At $123.5m [3/])**	**2021 Actual (At $123.5m [4/])**	**2022 Actual (At $123.5m [1/])**	**2023 Planned [1/] (At $124.0m)**	**2023 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	Azure Migration: 100%	Azure Migration: 100%	Goal Complete	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	100%	Goal Complete	Goal Complete	Goal Complete
I-A-3. Transition Mission Essential Programs from the End-of-Life Mainframe hardware.	50%	100%	Goal Complete	Goal Complete	Goal Complete

Railroad Retirement Board Fiscal Year 2023 Performance Plan	**2020 Actual (At $123.5m [3/])**	**2021 Actual (At $123.5m [4/])**	**2022 Actual (At $123.5m [1/])**	**2023 Planned [1/] (At $124.0m)**	**2023 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	100%	Goal Complete	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	100%	Goal Complete	Goal Complete	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	50%	50%	50%
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	0%	25%	25%
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	0%	0%	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	50%	75%	75%
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	50%	100%	100%

Railroad Retirement Board Fiscal Year 2023 Performance Plan	**2020 Actual (At $123.5m [3/])**	**2021 Actual (At $123.5m [4/])**	**2022 Actual (At $123.5m [1/])**	**2023 Planned [1/] (At $124.0m)**	**2023 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 2023 Performance Plan	**2020 Actual (At $123.5m [3/])**	**2021 Actual (At $123.5m [4/])**	**2022 Actual (At $123.5m [1/])**	**2023 Planned [1/] (At $124.0m)**	**2023 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)	96.4%	97.0%	96.7%	94.0%	95.7%
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)	97.5%	97.0%	96.7%	94.0%	96.4%
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)	95.0%	92.2%	91.9%	94.0%	97.6%
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)	95.2%	94.8%	95.8%	94.0%	96.0%
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%	95.0%	94.4%	95.0%	99.1%
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)	13.5%	18.6%	12.6%	70.0%	9.3%

Railroad Retirement Board Fiscal Year 2023 Performance Plan		**2020 Actual (At $123.5m [3])**	**2021 Actual (At $123.5m [4])**	**2022 Actual (At $123.5m [1])**	**2023 Planned [1] (At $124.0m)**	**2023 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)		88.5%	87.5%	89.4%	91.0%	92.8%
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)		205	208	174	218	218
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. (Measures: percentage of employers who use electronic media to file reports; number of services available through electronic media)	a) Employers using ERS:	98.9%	99.1%	99.3%	99.0%	95.6%
	b) Internet services:	30 Internet services available	30 Internet services available	31 Internet services available	33 Internet services available	31 Internet services available

Railroad Retirement Board Fiscal Year 2023 Performance Plan		**2020 Actual (At $123.5m [3])**	**2021 Actual (At $123.5m [4])**	**2022 Actual (At $123.5m [1])**	**2023 Planned [1] (At $124.0m)**	**2023 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						
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.)		95.18%	89.08%	89.35%	85.00%	88.53%
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, Deputy Director Programs						
III-B-1. Achieve a railroad retirement benefit payment accuracy rate [8] of at least 99%. (Measure: percent accuracy rate)	a) Initial payment	99.57%	99.79%	99.82%[6]	99.75%	Not Available
	b) Sample post	Not Applicable Post Study Canceled	99.59%	99.29%[6]	99.75%	Not Available
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	96.62%	97.58%	96.90%	95.50%	96.72%[9]
	b) Sickness	97.88%	97.38%	98.53%	95.00%	100.00%[9]
III-B-3. Overall Initial Disability Determination Accuracy. (Measure: % of Case Accuracy)		86.10%	83.30%	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 2023 Performance Plan	2020 Actual (At $123.5m [3/])	2021 Actual (At $123.5m [4/])	2022 Actual (At $123.5m [1/])	2023 Planned [1/] (At $124.0m)	2023 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).	$6.03: $1:00	$7.38: $1.00	$6.99: $1.00	$4.00: $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	99.31%	98.80%	99.76%	99.00%	99.76%
b. Hours of outage allowed per month	4.83 hours	8.83 hours	1.67 hours	7.00 hours	1.75 hours
III-C-4. Innovate – Design for Modularity. Strategy for Continuity of Operations Improvements.	Cloud based enterprise test lab: No.	Microsoft Azure Cloud: Yes.	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 2023 Performance Plan	**2020 Actual (At $123.5m 3/)**	**2021 Actual (At $123.5m 4/)**	**2022 Actual (At $123.5m 1/)**	**2023 Planned 1/ (At $124.0m)**	**2023 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.	Unprivileged Users>66% Privileged Users 63%	Unprivileged Users>54% Privileged Users 98%	Unprivileged Users>49% Privileged Users 100%	Unprivileged Users>85% Privileged Users 100%	Unprivileged Users>78% 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 2023 performance targets shown in the RRB's Congressional Justification of Budget Estimates, released on March 13, 2023. Unless otherwise noted, actual results represent status as of March 31, 2023, and as reported in the RRB's FY 2025 Budget Submission, dated September 11, 2023.

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 2023 actual results represent status as of March 31, 2023 (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 this fiscal year 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 2022

INDICATOR	*DISCUSSION OF VARIANCE*
Performance Indicator I-A-6: Complete the development of business rules strategy and data layer components of the modernization. Our fiscal year 2022 goal was 75.0%, and the actual was 50.0%.	Given our needs for modernization, it is necessary to recruit for new skillsets and rebuild our knowledge base for our legacy systems. The RRB has seen an unprecedented number of separations of staff with the knowledge of our legacy systems which delayed the development of the business rules strategy and data layer components. Additionally, the RRB has found it difficult to attract and retain qualified staff to aid in these projects. In FY 2022, to make progress in this area, the RRB contracted for a tool, Application Discovery and Delivery Intelligence (ADDI) for IBM Z and associated professional services. These activities continued with additional contractor services (Foundation Services) added to the scope in FY 2023 with completion scheduled in FY 2024.
Performance Indicator I-A-7: Deliver citizen-centric services and applications to railroad employees through mobile- and web-ready interfaces. Our fiscal year 2022 goal was 50.0%, and the actual was 0.0%.	In FY 2022, the RRB experienced an unprecedented number of separations of our technical staff which were intimately familiar with our legacy mainframe environment. Given this severe shortage of staff, several modernization initiatives have been delayed as we procure contracted staff or backfill for these critical needs. The RRB is intending to deliver on the citizen-centric services goal to the implement an online sickness benefit solution utilizing contracted services with award scheduled in FY 2024.
Performance Indicator I-A-8: Complete the streamlining of core business processes and modernize key applications, which support these processes. Our fiscal year 2022 goal was 25.0%, and the actual was 0.0%.	Identification of core business processes for modernization will begin in FY 2024 in conjunction with agile methodology of modular learning and decision making based on the implementation of the online sickness benefit solution. This delay can be attributed to the unprecedented number of separations of our technical staff in FY 2022. This staff was intimately familiar with our legacy mainframe environment. Given this severe shortage of staff, several modernization initiatives have been delayed as we procure contracted staff or backfill for these critical needs.

INDICATOR	*DISCUSSION OF VARIANCE*
Performance Indicator I-A-9: Refine critical management processes in the following areas within the IT organization: change, project, program and configuration. Our fiscal year 2022 goal was 100.0%, and the actual was 50.0%.	Delay of hiring a qualified program manager for the Project Management Office in FY 2022 resulted in the change of percentage of completion for Program Management to FY 2023 (75%) and Change Management to FY 2024 (100%).
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 2022 goal was 94.0%, and the actual was 91.9%.	The Survivor Initial Section (SIS) experienced staff losses due to poor performance. SIS also experienced temporary staff shortages due to several initial claims examiners being on extended leave due to Covid, medical issues, and/or family related issues. As a result, workloads for the remaining examiners increased significantly. Many examiners were not able to process the increased workloads timely. In November 2022, the Retirement Survivor Benefits Division began a Survivor Initial training class consisting of six new claims examiners The individuals will be in training for one year but will begin processing applications by the third month. The initial application workload will now be distributed to more examiners, which should result in an increase to the overall timeliness performance.
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 2022 goal was 96.0%, and the actual was 94.4%.	The Survivor Initial Section (SIS) experienced staff losses due to poor performance. SIS also experienced temporary staff shortages due to several initial claims examiners being on extended leave due to Covid, medical issues, and/or family related issues. As a result, workloads for the remaining examiners increased significantly. Many examiners were not able to process the increased workloads timely. In November 2022, the Retirement Survivor Benefits Division began a Survivor Initial training class consisting of six new claims examiners The individuals will be in training for one year but will begin processing applications by the third month. The initial application workload will now be distributed to more examiners, which should result in an increase to the overall timeliness performance.

INDICATOR	*DISCUSSION OF VARIANCE*
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 2022 goal was 70.0%, and the actual was 12.6%.	At the start of FY 2022, there were approximately 1,657 pending cases, which included 26.4% of cases with filing dates 2020 and earlier. At the end of FY 2022, all 2018 filing dates were eliminated and less than 2.3% of pending cases had filing dates in 2019 and 2020. The unit completed over 1,700 initial decisions despite staffing losses (approximately ¼ of the initial examining unit). The 88.3% reduction in cases with filing dates 2018 and earlier significantly affects the percentage of cases rated within 100 days. As we continue to finalize older pending decisions, timeliness will be impacted. However, the onboarding of new staff should assist with the adjudication of newer filings to offset the difference.
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 2022 goal was 92.0%, and the actual was 89.4%.	This payment goal is shared by both the Retirement Benefits Division (RBD) and Survivor Benefits Division (SBD). The survivor disability initial application volume represents approximately 10% of the initial disability applications received annually. As such, one missed survivor disability payment can lower the overall payment percentage. The retirement and survivor initial sections experienced staff losses due to poor performance. Both sections also experienced temporary staff shortages due to several initial claims examiners being on extended leave due to Covid, medical issues, and/or family related issues. Because of this, workloads for the remaining examiners increased significantly. Many examiners were not able to process the increased workloads timely. RIS and SIS remains understaffed. Another contributing factor is that all applications involving partition and/or garnishment require manual handling by the examiners in the Legal Partition/Garnishment Unit (LPG). These legal process calculations can be complicated, time consuming and often require consultation with the Office of General Counsel. The annuity beginning date of a large percentage of disability applications, retroact more than 12 months in the past; resulting in multiple date-breaks and reduction amounts. Our mechanical payment system, AARP, cannot handle applications with multiple legal process reductions. Because of this, the LPG examining staff must compute multiple legal process reductions and process the award for these applications manually. In addition, LPG remains understaffed. In November 2022, the Retirement Survivor Benefits Division began a retirement initial training class consisting of eleven new claims examiners and a survivor initial training class consisting of six new claims examiners The individuals will be in training for one year but will begin processing applications by the third month. The initial application workloads will now be distributed to more examiners, which should result in an increase to the overall timeliness performance.

INDICATOR	*DISCUSSION OF VARIANCE*
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 2022 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 2022 due to higher priority BIS initiated projects, such as Azure Cloud migrations.
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 2022 actual was: Unprivileged Users 49%; Privileged Users 100%	Unforeseen challenges due to limited account management staff at the RRB and limited availability of credentialing centers for RRB employees to obtain their PIV card due to the COVID-19 emergency. In FY 2023, there has been an overall increase to 78% for unprivileged users and the RRB is intending to procure a new multi-factor authentication solution which will bring us to 85% for unprivileged users.

Program Evaluations

PROGRAM EVALUATION	*RESULTS IN FISCAL YEAR 2023*
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 2023 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 2023 addresses the 11 fiscal year period 2023 through 2033. The report indicated that even as maximum benefits are expected to increase 54 percent from 2022 to 2033,, experience-based contribution rates will respond to fluctuating employment and unemployment levels and, with short-term borrowing, 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 2022. It showed that program integrity activities resulted in the establishment of about $14.1 million in recoverables, benefit savings of $887,194, and 56 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 2023, 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 was temporarily lifted under the Continued Assistance to Railway Workers Act of 2020 for days beginning January 3, 2021, through May 9, 2023. The sequestration reduction of 5.7 percent was reinstated on May 10, 2023, and will continue through 2031, or until the law is amended again.

Strategic Management of Human Capital

Like many agencies, the RRB has an aging workforce. Nearly 36 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 2023. The Bureau of Human Resources has shifted to a strategic approach in managing its human capital through such efforts as workforce and succession planning, alignment of the mission with employee performance to ensure efficient and effective accomplishment of RRB operations and evaluating job-fit and recruitment efforts to ensure a developed, diverse, inclusive, engaged and accountable workforce. We continue to automate and streamline antiquated and outdated personnel policies and procedures and educate, develop, and train our employees and supervisors both in technical and soft skills in alignment with our agency mission, values and goals. We strive to bring the methods of the Bureau of Human Resources in strategic alignment with the RRB’s mission and best human resources management practices within the Federal government.

The Workforce Organization Management section (WOMS) continues to refine recruitment efforts to ensure we receive applications from a talented, diverse, and inclusive pool of applicants. Through USAJOBS, we have been able to reach candidates from across the country. We maximized workplace flexibilities and used a variety of recruitment strategies, including targeted advertising and hiring programs such as Pathways Intern and Recent Graduate, as well as direct hiring authorities, to create a diverse and high-quality applicant pool.

The Human Services/Labor Relations section (HS/LR) is in the process of re-negotiating the Nationwide Collective Bargaining Agreement (CBA), which was last negotiated in 1985. In addition to rewriting the CBA, the HS/LR section has taken on the task of updating a number of Human Resources policies and negotiating those policies, where appropriate, with the Union. This includes creating new policies, such as remote work, and alternative work schedules, and updating antiquated and outdated policies on Performance Management, Leave Administration, Hours of Work, etc. The revisions of both the policies and the CBA are forward thinking and afford employees a number of flexibilities, are reflective of our Agency’s emerging culture, encompass the importance of employee engagement as well as employee accountability and define a commitment to organizational responsibility.

The Training and Development section within the Bureau of Human Resources utilizes the results from training needs assessments, workforce planning, and employee surveys to create the RRB’s training strategies and develop training (whether it be virtual or in-person). The Training and Development section also utilizes available technology, low-cost training options and innovative and best practices in training and development in order to deliver varied training modalities for all agency employees, whether the training is mandatory or developmental in nature. We continue to update and automate training modules available to our entry-level and mission critical claims and benefit training classes to ensure a successful training environment for new employees and the successful accomplishment of our mission.

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.

PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION
(Unaudited)

PAGE INTENTIONALLY LEFT BLANK

RAILROAD RETIREMENT BOARD
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2023 AND 2022
(in thousands)

	(Unaudited) **FY 2023**	(Unaudited) **FY 2022**
ASSETS		
Intragovernmental assets:		
Fund Balance with Treasury (Note 3)	$477,791	$556,364
Investments, net (Note 4)	2,143,664	1,884,880
Accounts Receivable, net (Note 6)	5,960,963	5,549,648
Advances and Prepayments	3,743	2,071
Total Intragovernmental assets	**$8,586,161**	**$7,992,963**
Other than intragovernmental:		
Accounts Receivable, net (Notes 6)	65,398	72,685
Property, Plant and Equipment, net (Note 7)	4,344	2,842
NRRIT Net Assets (Note 5)	24,230,255	22,977,127
Other Assets (Note 12)	5	5
Total other than intragovernmental assets	24,300,002	23,052,659
TOTAL ASSETS	**$32,886,163**	**$31,045,622**
LIABILITIES		
Intragovernmental liabilities:		
Accounts Payable	$636,440	$534,700
Debt (Note 8)	4,686,613	4,452,546
Other Liabilities (Note 8)	3,139	348,451
Total Intragovernmental liabilities	**5,326,192**	**5,335,697**
Other than intragovernmental liabilities		
Accounts Payable	4,197	4,407
Federal employee benefits payable	7,154	7,157
Benefits Due and Payable	1,285,705	1,198,918
Other Liabilities (Note 8)	123,833	127,652
Total other than intragovernmental liabilities	1,420,889	1,338,134
TOTAL LIABILITIES	**$6,747,081**	**$6,673,831**
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET POSITION		
Unexpended Appropriations - Funds from Dedicated Collections (Note 16)	$907	$959
Unexpended Appropriations - Funds from other than Dedicated Collections	279,420	379,250
Total Unexpended Appropriations (Consolidated)	280,327	380,209
Cumulative Results of Operations - Funds from Dedicated Collections (Note 16)	25,853,152	23,985,986
Cumulative Results of Operations - Funds from other than Dedicated Collections	5,603	5,596
Total Cumulative Results of Operations (Consolidated)	25,858,755	23,991,582
TOTAL NET POSITION	**26,139,082**	**24,371,791**
TOTAL LIABILITIES AND NET POSITION	**$32,886,163**	**$31,045,622**

The accompanying notes are an integral part of these statements

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENTS OF NET COST
FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022
(in thousands)

	(Unaudited) FY 2023	(Unaudited) FY 2022
Gross Program Costs		
Railroad Retirement Program		
Gross costs	$14,385,695	$13,698,875
Less: earned revenue	15,977	13,263
Net program costs	14,369,718	13,685,612
Railroad Unemployment and Sickness Insurance Program		
Gross costs	101,959	125,371
Less: earned revenue	15,304	14,930
Net program costs	86,655	110,441
Costs not assigned to programs		
Less: earned revenues not attributed to programs	72	59
Net cost of operations	**$14,456,301**	**$13,795,994**

The accompanying notes are an integral part of these financial statements

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(in thousands)

(Unaudited)
FY 2023

	Funds from Dedicated Collections (Consolidated Totals) (Note 16)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$959	$379,250	$0	$380,209
Appropriations received	885,910	9,000	0	894,910
Other Adjustments	(144)	(94,691)	0	(94,835)
Appropriations used	(885,818)	(14,139)	0	(899,957)
Net Change in Unexpended Appropriations	(52)	(99,830)	0	(99,882)
Total Unexpended Appropriations	**$907**	**$279,420**	**$0**	**$280,327**
Cumulative Results from Operations:				
Beginning Balances	$23,985,986	$5,596	$0	$23,991,582
Other Adjustment	(2,213)	0	0	(2,213)
Appropriations used	885,818	14,139	0	899,957
Non-exchange revenue (Note 25)	7,622,262	84	(1)	7,622,345
Transfers in from NRRIT (Note 10)	1,415,000	0	0	1,415,000
Transfers in/out without reimbursement	4,783,057	348,272	0	5,131,329
Imputed financing	8,284	0	0	8,284
Change in NRRIT assets	1,253,128	0	0	1,253,128
Capital Transfers to the General Fund	0	(350,318)	0	(350,318)
Accruals for Capital Transfers to the General Fund	346,702	0	0	346,702
Gain/(Loss) contingency	(740)	0	0	(740)
Net Cost of Operations	14,444,132	12,170	(1)	14,456,301
Net Change in Cumulative Results of Operations	**1,867,166**	**7**	**0**	**1,867,173**
Total Cumulative Results of Operations	**25,853,152**	**5,603**	**0**	**25,858,755**
Net Position	**$25,854,059**	**$285,023**	**$0**	**$26,139,082**

The accompanying notes are an integral part of these statements.

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

(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	$384,028	$0	$384,940
Appropriations received	941,019	11,000	0	952,019
Other Adjustments	(140)	(1,007)	0	(1,147)
Appropriations used	(940,832)	(14,771)	0	(955,603)
Net Change in Unexpended Appropriations	47	(4,778)	0	(4,731)
Total Unexpended Appropriations	**$959**	**$379,250**	**$0**	**$380,209**
Cumulative Results from Operations:				
Beginning Balances	$29,388,686	$5,574	$0	$29,394,260
Appropriations used	940,832	14,771	0	955,603
Non-exchange revenue (Note 25)	6,433,209	65	0	6,433,273
Transfers in from NRRIT (Note 10)	1,964,000	0	0	1,964,000
Transfers in/out without reimbursement	4,896,757	270,065	0	5,166,822
Imputed financing	7,457	0	0	7,457
Change in NRRIT assets	(5,507,802)	0	0	(5,507,802)
Capital Transfers to the General Fund	0	(270,078)	0	(270,078)
Accruals for Capital Transfers to the General Fund	(346,702)	0	0	(346,702)
Gain/(Loss) contingency	(9,258)	0	0	(9,258)
Net Cost of Operations	13,781,193	14,801	0	13,795,994
Net Change in Cumulative Results of Operations	**(5,402,700)**	**22**	**0**	**(5,402,679)**
Total Cumulative Results of Operations	**23,985,986**	**5,596**	**0**	**23,991,582**
Net Position	**$23,986,945**	**$384,846**	**$0**	**$24,371,791**

The accompanying notes are an integral part of these statements.

RAILROAD RETIREMENT BOARD
COMBINED STATEMENTS OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(in thousands)

	(Unaudited) FY 2023	(Unaudited) FY 2022
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$415,767	$421,477
Appropriations (discretionary and mandatory)	10,140,492	9,881,704
Borrowing authority (discretionary and mandatory) (Note 18)	5,074,300	4,843,700
Spending authority from offsetting collections (discretionary and mandatory)	207,458	196,468
Total budgetary resources	**$15,838,017**	**$15,343,349**
Status of budgetary resources		
New obligations and upward adjustments (total)	$15,536,572	$14,936,600
Unobligated balance, end of year		
Apportioned, unexpired accounts	246,835	343,472
Unapportioned, unexpired accounts	1,037	10,182
Unexpired unobligated balance, end of year	247,872	353,654
Expired unobligated balance, end of year	53,573	53,095
Unobligated balance, end of year (total)	301,445	406,749
Total budgetary resources	**$15,838,017**	**$15,343,349**
Outlays, net		
Outlays, net (total) (discretionary and mandatory)	$15,187,112	$14,697,042
Distributed offsetting receipts (-)	(5,991,471)	(5,928,109)
Agency outlays, net (discretionary and mandatory)	**$9,195,641**	**$8,768,933**

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, 2022

(Present values in billions of dollars)

	10/1/2022	10/1/2021	10/1/2020	10/1/2019	10/1/2018
Current participants who have attained retirement age:					
Contributions and earmarked taxes	$105.1	$104.5	$94.1	$92.3	$98.4
Expenditures for scheduled future benefits	157.2	157.5	144.8	142.6	151.7
Present Value of future revenue less future expenditures	(52.1)	(52.9)	(50.7)	(50.3)	(53.3)
Current participants not yet having attained retirement age:					
Contributions and earmarked taxes	105.4	93.9	95.5	92.5	100.2
Expenditures for scheduled future benefits	116.2	103.8	103.3	96.3	104.8
Present Value of future revenue less future expenditures	(10.7)	(9.9)	(7.8)	(3.8)	(4.6)
Present value of future revenue less future expenditures for current participants	(62.9)	(62.8)	(58.6)	(54.1)	(57.9)
Plus: Asset Experience Gain/(Loss) for following quarter ending 12/31	1.4	0.8	2.1	N/A	N/A
Net present value for current participants (closed group measure)	(61.5)	(62.0)	(56.5)	(54.1)	(57.9)
Plus: Treasury securities and assets held by the program	24.9	30.5	26.2	27.3	28.3
Closed group surplus/(unfunded obligation)	($36.6)	($31.5)	($30.3)	($26.9)	($29.5)
Future participants:					
Contributions and earmarked taxes	$82.5	$70.2	$68.4	$55.3	$63.2
Expenditures for scheduled future benefits	44.5	37.3	36.7	27.2	32.3
Present Value of future revenue less future expenditures	38.0	32.9	31.7	28.1	31.0
Present value of future revenue less future expenditures for current and future participants	(24.9)	(30.0)	(26.8)	(26.0)	(26.9)
Plus: Asset Experience Gain/(Loss) for following quarter ending 12/31	1.4	0.8	2.1	N/A	N/A
Net present value for current and future participants (open group measure)	(23.5)	(29.1)	(24.7)	(26.0)	(26.9)
Plus: Treasury securities and assets held by the program	24.9	30.5	26.2	27.3	28.3
Open group surplus/(unfunded obligation)	$1.4	$1.4	$1.4	$1.3	$1.4

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, 2022

(dollars in billions)

Net Present Value 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/beginning of year 2022	$ (29.1)
Reasons for changes in the NPV during 2022:	
Changes in valuation period	(0.3)
Changes in demographic data, assumptions, and methods	(0.1)
Changes in economic data, assumptions, and methods	6.0
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 2022	5.6
Net Present Value end of year 2022	$ (23.5)

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, 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, 2023 and 2022

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 2023 are to be submitted to the President, the Congress, and the Director of OMB by November 15, 2023. 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, 2023, 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. Based on Public Law 118-5, there was a capital transfer on this Account in Fiscal Year 2023.

- Under ARPA of 2021, LOA 60X8237 received appropriations for hiring and IT from pass through 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 117-328, Consolidated Appropriations Act, 2023.

- 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. Based on Public Law 118-5, there was a recission on this Account in Fiscal Year 2023.

- 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. Based on Public Law 118-5, there was a recission on this Account in Fiscal Year 2023.

- 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

- National Railroad Retirement Investment Trust Account – 60X8118, is used as a pass thru or conduit for transfers from the NRRIT to the RRB for payment of railroad retirement benefits. Authority for this account is 45 U.S.C. § 231n. The NRRIT and the RRB are separate entities.

  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. See page 29 for additional information.

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 2023 and 2022, net payroll taxes transferred to the RRB by Treasury were $7.5 and $6.4 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 2023 and 2022, investments, including accrued interest, totaled $2.1 billion and $1.9 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 2023 due to the financial interchange advances during fiscal year 2022 included principal of $4.9 billion and interest of $88 million. 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.

- 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 2023 and 2022, the RRB trust funds realized $5.6 billion and $5.5 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 $2.4 billion for fiscal year 2023 and $2.2 billion for fiscal year 2022.

- CMS participates in the annual financial interchange in the same manner as described for SSA. The RRB transferred $588 million and $516 million to CMS in fiscal years 2023 and 2022, 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 2023 and 2022 were $16.1 million and $13.6 million, respectively. The fiscal year 2023 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 $2.6 million for fiscal year 2023 and $2.3 million for fiscal year 2022.

- The Department of Labor invests RUIA contributions. Accounts receivable with the Department of Labor amounted to $340.5 million and $85.8 million for fiscal years 2023 and 2022, respectively.

- NRRIT transfers funds to the RRB for payment of railroad retirement benefits. During fiscal years 2023 and 2022, the NRRIT transferred $1,415 million and $1,964 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 as of September 30 consisted of:

	2023	2022
1. Status of Fund Balance with Treasury (in thousands)		
(1) Unobligated Balance		
(a) Available	$246,836	$343,472
(b) Unavailable	1,037	10,182
(2) Obligated Balance not yet Disbursed	229,918	202,710
(3) Non-Budgetary FBWT	-	-
Total	**$477,791**	**$556,364**
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 (in thousands)		
	Cost	Interest Receivable	Investments Net
Intragovernmental Securities:			
Non-Marketable Par Value 2023	$2,139,709	$3,955	$2,143,664
Non-Marketable Par Value 2022	$1,882,097	$2,783	$1,884,880

The balance on September 30, 2023, consisted of investments in 4.250 percent par value specials (with market value equal to face value) maturing on October 2, 2023. 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. 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, 2023 and 2022. These figures were provided to the RRB by the NRRIT for the fiscal years ended September 30, 2023 and 2022.

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 as of September 30 consisted of (in thousands):

	2023	2022
Financial Interchange – Principal	$5,525,300	$5,366,960
Financial Interchange – Interest	95,200	96,840
Department of Labor	340,463	85,848
Total	**$5,960,963**	**$5,549,648**

- *Accounts Receivable, Net*

Accounts receivable, net as of September 30 consisted of (in thousands):

	2023	2022
Accounts receivable – Benefit overpayments	$64,759	$68,714
Accounts receivable – Past due RUI contributions and taxes	558	800
Accounts receivable – Interest, penalty & administrative costs	9,365	8,870
Accounts receivable - Criminal Restitution	8,391	14,036
Sub-Total	**$83,073**	**$92,420**
Accounts receivable - Criminal Restitution - Long Island Railroad	2,262	296,593
Total Gross Receivables	**$85,335**	**$389,013**
Less: Allowances for doubtful accounts	17,339	18,490
Less: Allowances for doubtful accounts-Criminal Restitution	2,033	4,211
Less: Allowances for doubtful accounts-Criminal Restitution -Long Island Railroad	565	293,627
Total Net Receivables	**$65,398**	**$72,685**

The allowance for doubtful accounts for the railroad retirement program excluding the criminal restitution receivables was calculated 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 and criminal restitution-Long Island Railroad related to benefit overpayments for fiscal year 2023 is estimated using the percentages calculated for the railroad retirement programs rounded to the nearest whole number, while the allowance for criminal restitution for fiscal year 2022 is estimated at 30%. In addition, the allowance for doubtful accounts for the criminal restitution–Long Island for FY 2022 is estimated at 99% as the probability of collecting full restitution is unlikely, given that a large amount of Long Island restitution is due from four individuals and not related to benefit overpayments.

7. Property, Plant, and Equipment, Net (Unaudited)

Property, Plant, and Equipment, Net 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 (in thousands) consisted of:

Classes of Fixed Assets	Service Lives	As of September 30, 2023 Cost	Accumulated Depreciation	Net Book Value
Structures, facilities, and leasehold improvements	15 years	$2,724	$2,724	$0
IT software	5 years	28,854	28,853	1
Equipment	5-10 years	7,043	7,042	1
Internal-Use Software in Development		4,342	0	4,342
Total		**$42,963**	**$38,619**	**$4,344**

Classes of Fixed Assets	Service Lives	As of September 30, 2022 Cost	Accumulated Depreciation	Net Book Value
Structures, facilities, and leasehold improvements	15 years	$2,724	$2,724	$0
IT software	5 years	28,854	28,671	183
Equipment	5-10 years	7,043	7,033	10
Internal-Use Software in Development		2,649		2,649
Total		**$41,270**	**$38,428**	**$2,842**

The table below discloses activity for General Property, Plant, and Equipment, Net as of September 30, 2023 and 2022, respectively (in thousands):

	FY 2023	FY 2022
Property, Plant, and Equipment, Net - Beginning Balances	**$2,842**	**$1,770**
Capitalized Acquisitions	1,692	1,378
Depreciation Expense	(190)	(306)
Property, Plant, and Equipment, Net - Ending Balances	**$4,344**	**$2,842**

8. Liabilities (Unaudited)

Liabilities as of September 30 consisted of:

- *Total Liabilities Not Covered by Budgetary Resources (in thousands):*

	2023	2022
A. Intragovernmental:		
(1) Other Liabilities	$243	$239
B. Other than Intragovernmental Liabilities:		
(1) Accounts Payable	556	556
(2) Federal employee and veteran benefits payable	7,796	7,792
Total Other than Intragovernmental Liabilities	**8,352**	**8,348**
Total Liabilities Not Covered by Budgetary Resources	**$8,595**	**$8,587**
Total Liabilities Covered by Budgetary Resources	6,731,484	6,659,942
Total Liabilities Not Requiring Budgetary Resources	7,001	5,301
Total Liabilities	**$6,747,081**	**$6,673,831**

- *Federal Debt and Interest Payable (in thousands)*

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

	2023	2022
Beginning Balance, Principal	$4,417,400	$4,567,300
New Borrowing	5,074,300	4,843,700
Repayments	(4,864,900)	(4,993,600)
Ending Balance, Principal	**$4,626,800**	**$4,417,400**
Accrued Interest	59,813	35,146
Total	**$4,686,613**	**$4,452,546**

- *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 (in thousands) include uncashed checks of $18,783 and $17,864 as of September 30, 2023 and 2022, 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 10,575 benefit cases, estimated at $5.2 million, has been identified and will be processed over the next few years.

- *Other Liabilities (in thousands)*

Other liabilities as of September 30 consisted of:

	Non-Current	Current	2023 Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable		$1,596	$1,596
Unfunded FECA Liability		243	243
Other Liabilities with non-related liabilities		0	0
Custodial Liability		1,300	1,300
Total Intragovernmental		**$3,139**	**$3,139**
Other than Intragovernmental:			
Other Liabilities With Related Budgetary Obligations		1,548	1,548
Accrued Payroll		62	62
Withholdings Payable		0	0
Contingent Liability (see Note 9 for details)	$89,254	0	89,254
Other		32,969	32,969
Total Other than Intragovernmental	**$89,254**	**$34,579**	**$123,833**
Total Other Liabilities	**$89,254**	**$37,718**	**$126,972**

	Non-Current	Current	2022 Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable		$1,510	$1,510
Unfunded FECA Liability		239	239
Other Liabilities with non-related liabilities		0	0
Custodial Liability		346,702	346,702
Total Intragovernmental		**$348,451**	**$348,451**
Other than Intragovernmental:			
Other Liabilities With Related Budgetary Obligations		7,296	7,296
Accrued Payroll		1,515	1,515
Withholdings Payable		23	23
Contingent Liability (see Note 9 for details)	$100,918	0	100,918
Other		17,900	17,900
Total Other than Intragovernmental	**$100,918**	**$26,734**	**$127,652**
Total Other Liabilities	**$100,918**	**$375,185**	**$476,103**

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 $23.3 million in claims, the RRB's legal counsel has determined that it is probable that the RR and SSEB Accounts are contingently liable for $23.3 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 case was settled in court and ordered to close.

Other Contingencies: We also recorded a contingent liability in the amount of $66.0 million, for forthcoming adjustments to the financial interchange for military service credits due SSA.

Commitments: As of September 30, 2023, the RRB had contractual arrangements which may result in future financial obligations of $70.7 million.

Contingent Loss Table (in thousands)

		Estimated Range of Loss	
FY 2023	**Accrued Liabilities**	**Lower End**	**Upper End**
Legal Contingencies:			
Probable	$23,300	$23,300	$23,300
Reasonably Possible	$0	$0	$0
Other Contingencies:			
Probable	$66,000	$66,000	$66,000
Reasonably Possible	$0	$0	$0

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

10. Transfers To/From NRRIT (Unaudited)

The RRB received a total of $1,415 million and $1,964 million from the NRRIT during fiscal years 2023 and 2022, 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) (in thousands)

	2023	2022
Federal Undelivered Orders	$0	$0
Non-Federal Undelivered Orders	66,893	50,346
Total Federal/Non-Federal Undelivered Orders	**$66,893**	**$50,346**
Paid Undelivered Orders	$0	$0
Unpaid Undelivered Orders	66,893	50,346
Total Paid/Unpaid Undelivered Orders	**$66,893**	**$50,346**
Total Undelivered Orders	**$66,893**	**$50,346**

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, 2022, to amounts included in the Budget of the United States Government. A reconciliation was not performed for the period ended September 30, 2023, since the RRB's Performance and Accountability Report is published in November 2023, 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 FY2023 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 2022 (in millions)	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
1.	Combined Statement of Budgetary Resources – September 30, 2022	$15,343	$14,937	$5,928	$8,769
2.	Expenditure Transfers from Trust Funds	(137)			
3.	Unobligated Balance, Brought Forward October 1, 2021 as adjusted	(410)			
4.	Recoveries of Prior Year Unpaid Obligations	(4)			
5.	Sickness Insurance Benefit Recoveries	(14)			
6.	Administrative Expense Reimbursement	(41)			
7.	Interfund Transfers: Federal Payment Obligations – Income Taxes Collected on Benefits (0113),	(941)			
8.	Intrafund Transfers: Receipts from the Old-Age and Survivors Insurance (OASI) Trust Fund	(5,317)			
9.	Intrafund Transfers: Receipts from the Disability Insurance (DI) Trust Fund	(162)			
	FINANCIAL INTERCHANGE				
10.	Accrued Receipts from the OASI and DI Trust Funds			(25)	25
11.	Accrued Transfers to the Federal Hospital Insurance Trust Fund			509	(509)
	NRRIT				
12.	NRRIT Obligations / Outlays	2,030	2,030		2,030
13.	Intrafund Transfers: NRRIT Transfer to RRA	(1,964)		1,964	(1,964)
14.	Proprietary Receipts: NRRIT – Gains and Losses	3,503		(3,503)	3,503
15.	Proprietary Receipts: NRRIT – Interest and Dividends	(336)		336	(336)
16.	Rounding	(5)	(5)	1	(2)
17.	**Budget of the United States Government FY 2022 Actuals**	**$11,545**	**$16,962**	**$5,210**	**$11,516**

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 1/1/2022, whereas present values are as of 10/1/2022.

- 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, with the outcome being a lower present value of expected future revenue, whereas lower Treasury security and assets balances result in higher tax rates and income, which increases the present value of future revenue.

- Statement of Changes in Social Insurance Amounts:

  - Changes in valuation period:

    - ***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.

    - ***Between 10/1/2021 and 10/1/2022:*** Changes in the valuation period from fiscal years 2022-2096 to fiscal years 2023-2097 resulted in a change of about $(0.3) billion in the open group measure between 10/1/2021 and 10/1/2022.

  - Changes in demographic data, assumptions, and methods:

    - ***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) in the open group measure between 10/1/2020 and 10/1/2021.

    - ***Between 10/1/2021 and 10/1/2022:*** Demographic assumptions were not changed between the Statement of Social Insurance as of 10/1/2021 and the Statement of Social Insurance as of 10/1/2022, 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 $(0.1) in the open group measure between 10/1/2021 and 10/1/2022.

  - Changes in economic data, assumptions, and methods:

    - ***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 near-term 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 an annual 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.

- ***Between 10/1/2021 and 10/1/2022:*** Ultimate economic assumptions were not changed between the Statement of Social Insurance as of 10/1/2021 and the Statement of Social Insurance as of 10/1/2022, but there were changes in near-term economic assumptions. The actual COLA of 8.7% was used for 2023 in place of the 7.8% COLA assumed in the prior year's report. A COLA of 3.3% was assumed for 2024 instead of the 5.2% COLA assumed in the prior year's report. A COLA of 2.9% was assumed for 2025 instead of the ultimate COLA of 2.4% assumed in the prior year's report. A 6.1% wage increase was used for 2022 instead of the ultimate 3.4% wage increase assumption used in the prior year's report. Wage increase assumptions of 10.0% and 2.0% were used for 2023 and 2024, respectively, instead of the ultimate 3.4% assumption used in the prior year's report. Actual investment return was (10.8%) for 2022 and 5.4% for quarter ended 12/31/2022 instead of an annual 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 $6.0 billion in the open group measure from 10/1/2021 to 10/1/2022.

- There were no changes in law or policy.

- Changes in methodology and programmatic data:

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

  - ***Between 10/1/2021 and 10/1/2022:*** 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 for the projection period under all circumstances.

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 (in other words, benefit changes or payroll tax 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 financial statements include Required Supplementary Information to assist in understanding the effect of changes in assumptions to the related information.

The Statement of Social Insurance as of 10/1/2022 includes an adjustment to the Net Present Value for the asset experience gain/(loss) during the period 10/1/2022 – 12/31/2022. 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 loans from the RR account to the RUI account. There are currently no outstanding loans from the RR account to the RUI account.

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 2023 Section 502 Report.

The employment assumption for the SOSI is employment assumption II, the intermediate employment assumption, as used in the 2023 Section 502 Report. Under employment assumption II, (1) railroad passenger employment is assumed to remain level at 44,000, 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.

Projected employment levels were updated to reflect the actual 2022 average employment, which was 189,700 (subject to later adjustment). Average passenger employment for calendar year 2022 was estimated to be lower at about 44,000, as stated above.

The rates of decline in freight employment from the 28th Actuarial Valuation were then applied in all years except for 2023. To recognize the actual employment increase to 195,000 in the first quarter of 2023, we added a 4 percent increase in freight employment between 2022 and 2023.

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* (in thousands)

	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, 2023										
Intragovernmental										
Fund Balance with Treasury	32,051	47,157	19,091	849	84,609	3,292	8,989	196,038	0	196,038
Investments, net	1,045,101	1,098,563	0	0	0	0	0	2,143,664	0	2,143,664
Accounts receivable, net	5,620,500	0	334,917	0	0	5,545	7	5,960,969	(7)	5,960,962
Advances and Prepayments	0	0	0	0	364	0	3,377	3,741	0	3,741
Total intragovernmental assets	**6,697,652**	**1,145,720**	**354,008**	**849**	**84,973**	**8,837**	**12,373**	**8,304,412**	**(7)**	**8,304,405**
Other than intragovernmental										
Accounts receivable, net	0	49,962	11,093	0	35	0	0	61,090	0	61,090
General property, plant, and equipment, net	0	0	0	0	4,345	0	0	4,345	0	4,345
NRRIT Net Assets	0	24,230,255	0	0	0	0	0	24,230,255	0	24,230,255
Other assets	0	0	0	0	5	0	0	5	0	5
Total other than intragovernmental	**0**	24,280,217	11,093	0	4,385	0	0	24,295,695	0	24,295,695
Total assets	**6,697,652**	**25,425,937**	**365,101**	**849**	**89,358**	**8,837**	**12,373**	**32,600,107**	**(7)**	**32,600,100**
Intragovernmental										
Accounts Payable	632,815	920	0	0	2,940	(228)	0	636,447	7	636,440
Debt	4,686,613	0	0	0	0	0	0	4,686,613	0	4,686,613
Other liabilities	0	0	0	0	3,052	0	87	3,139	0	3,139
Total Intragovernmental liabilities	**5,319,428**	**920**	**0**	**0**	**5,992**	**(228)**	**87**	**5,326,199**	**7**	**5,326,192**
Accounts Payable	0	0	0	0	3,432	0	699	4,131	0	4,131
Federal employee benefits payable	0	0	0	0	6,579	0	575	7,154	0	7,154
Benefits Due and Payable	707,223	559,657	17,851	0	0	0	0	1,284,731	0	1,284,731
Other liabilities	66,000	56,223	0	0	1,501	0	109	123,833	0	123,833
Total other than intragovernmental	773,223	615,880	17,851	0	11,512	0	1,383	1,419,849	0	1,419,849
Total liabilities	**6,092,651**	**616,800**	**17,851**	**0**	**17,504**	**(228)**	**1,470**	**6,746,048**	**7**	**6,746,041**
Unexpended Appropriations	0	0	0	849	58	0	0	907	0	907
Cumulative Results of Operations	605,001	24,809,137	347,250	0	71,796	9,065	10,903	25,853,152	0	25,853,152
Total Liabilities and Net Position	**6,697,652**	**25,425,937**	**365,101**	**849**	**89,358**	**8,837**	**12,373**	**32,600,107**	**7**	**32,600,100**
Statement of Net Cost for the Year Ended September 30, 2023										
Gross Program Costs	8,456,087	5,764,448	77,330	12	164,709	0	13,329	14,475,915	(436)	14,475,479
Less Earned Revenues	0	0	15,303	0	14,811	0	1,588	31,703	425	32,128
Net Program Costs	**8,456,087**	**5,764,448**	**62,026**	**12**	**149,898**	**0**	**11,740**	**14,444,213**	**(11)**	**14,444,202**
Costs Not Attributable to Program Costs	0	0	0	0	0	0	0	0	0	0
Less Earned Revenues Not	0	0	0	0	0	0	0	0	0	0
Attributable to Program Costs	0	0	0	0	69	0	0	69	0	69
Net Cost of Operations	**8,456,087**	**5,764,448**	**62,026**	**12**	**149,829**	**0**	**11,740**	**14,444,144**	**(11)**	**14,444,132**
Statement of Changes in Net Position for the Year Ended September 30, 2023										
Unexpended Appropriations										
Beginning Balance	0	0	0	902	57	0	0	959	0	959
Corrections of errors (+/-)	0	0	0	0	0	0	0	0	0	0
Beginning Balance, as Adjusted	0	0	0	902	57	0	0	959	0	959
Appropriations received	0	0	0	885,910	0	0	0	885,910	0	885,910
Other Adjustments	0	0	0	(144)	0	0	0	(144)	0	(144)
Apropriations used	0	0	0	(885,818)	0	0	0	(885,818)	0	(885,818)
Total unexpended appropriations	**0**	**0**	**0**	**849**	**57**	**0**	**0**	**907**	**0**	**907**
Cumulative Results of Operations										
Beginning Balance	544,779	23,267,930	95,214	0	62,481	6,485	9,098	23,985,986	0	23,985,986
Corrections of errors (+/-)	0	0	0	0	0	0	0	0	0	0
Beginning Balance, as Adjusted	**544,779**	**23,267,930**	**95,214**	**0**	**62,481**	**6,485**	**9,098**	**23,985,986**	**0**	**23,985,986**
Other Adjustment	0	0	0	0	(2,213)	0	0	(2,213)	0	(2,213)
Appropriations Used	0	0	0	885,818	0	0	0	885,818	0	885,818
Non-federal non-exchange revenue	3,436	4,041	303,509	0	0	27,780	0	338,764	0	338,764
Total non-federal non-exchange revenue	3,436	4,041	303,509	885,818	0	27,780	0	1,224,583	0	1,224,583
Intragovernmental non-exchange revenue	3,538,130	3,740,325	4,945	0	0	109	0	7,283,508	(11)	7,283,497
Transfers In From NRRIT	0	1,415,000	0	0	0	0	0	1,415,000	0	1,415,000
Change in NRRIT Assets	0	1,253,128	0	0	0	0	0	1,253,128	0	1,253,128
Transfers-in/out without reimbursement	4,628,240	893,703	5,608	(885,806)	153,663	(25,308)	12,955	4,783,057	0	4,783,057
Imputed financing	0	0	0	0	7,694	0	590	8,284	0	8,284
Accruals for Capital Transfer to the General Fund	346,702	0	0	0	0	0	0	346,702	0	346,702
Gain/(Loss) contingency	(200)	(540)	0	0	0	0	0	(740)	0	(740)
Net Cost of Operations	(8,456,087)	(5,764,448)	(62,026)	(12)	(149,829)	0	(11,740)	(14,444,144)	(11)	(14,444,132)
Net Change in Cumulative Results of Operations	60,221	1,541,208	252,036	(0)	11,528	2,580	1,805	1,867,166	0	1,867,166
Total Cumulative Results of Operations	605,000	24,809,138	347,250	(0)	71,796	9,065	10,903	25,853,152	0	25,853,152
Net position, end of period	**605,000**	**24,809,138**	**347,250**	**849**	**71,853**	**9,065**	**10,903**	**25,854,059**	**0**	**25,854,059**

* rounding difference; not included eliminations between funds from dedicated collections and other than funds from dedicated collections

Note 16 Funds from Dedicated Collections* (in thousands)

	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, 2022										
Intragovermental										
Fund Balance with Treasury	$29,745	$40,342	$18,391	$902	$71,271	$3,331	$8,285	$172,267	$0	$172,267
Investments, net	1,111,818	773,062	0	0	0	0	0	1,884,880	0	1,884,880
Accounts receivable, net	5,463,800	0	82,922	0	0	2,926	0	5,549,648	0	5,549,648
Advances and Prepayments	0	0	0	0	63	0	2,008	2,071	0	2,071
Total intragovernmental assets	**6,605,363**	**813,404**	**101,313**	**902**	**71,334**	**6,257**	**10,293**	**7,608,866**	**0**	**7,608,866**
Other than intragovernmental										
Accounts receivable, net	0	58,261	11,785	0	72	0	6	70,124	0	70,124
General property, plant, and equipment, net	0	0	0	0	2,842	0	0	2,842	0	2,842
NRRIT Net Invested Assets	0	22,977,127	0	0	0	0	0	22,977,127	0	22,977,127
Other assets	0	0	0	0	5	0	0	5	0	5
Total other than intragovernmental	**0**	23,034,389	11,785	0	2,919	0	6	23,050,098	0	23,050,098
Total assets	**$6,605,363**	**$23,847,792**	**$113,098**	**$902**	**$74,253**	**$6,257**	**$10,299**	**$30,658,964**	**$0**	**$30,658,964**
Intragovernmental										
Accounts Payable	534,015	920	(7)	0	0	(228)	0	534,700	(0)	534,700
Debt	4,452,546	0	0	0	0	0	0	4,452,546	0	4,452,546
Other liabilities	346,702	0	0	0	1,513	0	236	348,451	0	348,451
Total Intragovernmental liabilities	**5,333,263**	**920**	**(7)**	**0**	**1,513**	**(228)**	**236**	**5,335,697**	**(0)**	**5,335,697**
Accounts Payable	860	966	0	0	2,078	0	396	4,300	0	4,300
Federal employee benefits payable	0	0	0	0	6,701	0	456	7,157	0	7,157
Benefits Due and Payable	657,225	522,098	17,891	0	0	0	0	1,197,214	0	1,197,214
Other liabilities	69,236	56,878	0	0	1,424	0	113	127,651	0	127,651
Total other than intragovernmental	727,321	579,942	17,891	0	10,203	0	965	1,336,322	0	1,336,322
Total liabilities	**6,060,584**	**580,862**	**17,884**	**0**	**11,716**	**(228)**	**1,201**	**6,672,019**	**(0)**	**6,672,019**
Unexpended Appropriations	0	0	0	902	57	0	0	959	0	959
Cumulative Results of Operations	544,779	23,267,930	95,214	0	62,480	6,485	9,098	23,985,986	(0)	23,985,986
Total Liabilities and Net Position	**$6,605,363**	**$23,848,792**	**$113,098**	**$902**	**$74,253**	**$6,257**	**$10,299**	**$30,658,964**	**($0)**	**$30,658,964**
Statement of Net Cost for the Year Ended September 30, 2022										
Gross Program Costs	7,908,868	5,631,690	107,930	9	150,887	0	12,441	13,811,825	(2,393)	13,809,432
Less Earned Revenues	0	3	14,930	0	12,464	0	1,221	28,618	425	29,043
Net Program Costs	7,908,868	5,631,687	93,000	9	138,423	0	11,220	13,783,207	(1,968)	13,781,239
Costs Not Attributable to Program Costs	0	0	0	0	0	0	0	0	0	0
Less Earned Revenues Not	0	0	0	0	0	0	0	0	0	0
Attributable to Program Costs	0	0	0	0	46	0	0	46	0	46
Net Cost of Operations	**$7,908,868**	**$5,631,687**	**$93,000**	**$9**	**$138,377**	**$0**	**$11,220**	**$13,783,161**	**($1,968)**	**$13,781,193**
Statement of Changes in Net Position for the Year Ended September 30, 2022										
Unexpended Appropriations	0	0	0	0	0	0	0	0	0	0
Beginning Balance	0	0	0	855	57	0	0	912	0	912
Corrections of errors (+/-)	0	0	0	0	0	0	0	0	0	0
Beginning Balance, as Adjusted	0	0	0	855	57	0	0	912	0	912
Appropriations received	0	0	0	941,019	0	0	0	941,019	0	941,019
Other Adjustments	0	0	0	(140)	0	0	0	(140)	0	(140)
Apropriations used	0	0	0	(940,832)	0	0	0	(940,832)	0	(940,832)
Total unexpended appropriations	**0**	**0**	**0**	**902**	**57**	**0**	**0**	**959**	**0**	**959**
Cumulative Results of Operations										
Beginning Balance	425,981	28,973,007	(69,921)	0	44,258	6,843	8,518	29,388,686	0	29,388,686
Corrections of errors (+/-)	0	0	0	0	0	0	0	0	0	0
Beginning Balance, as Adjusted	**425,981**	**28,973,007**	**(69,921)**	**0**	**44,258**	**6,843**	**8,518**	**29,388,686**	**0**	**29,388,686**
Appropriations Used	0	0	0	940,832	0	0	0	940,832	0	940,832
Other than intragovernmental non-exchange revenue	(3,436)	(3,047)	252,736	0	0	24,942	(0)	271,195	0	271,195
Total other than intragovernmental non-exchange revenue	(3,436)	(3,047)	252,736	940,832	0	24,942	(0)	1,212,027	0	1,212,027
Intragovernmental non-exchange revenue	2,896,176	3,266,882	844	0	0	81	0	6,163,982	(1,968)	6,162,014
Transfers In From NRRIT	0	1,964,000	0	0	0	0	0	1,964,000	0	1,964,000
Change in NRRIT Assets	0	(5,507,802)	0	0	0	0	0	(5,507,802)	0	(5,507,802)
Transfers-in/out without reimbursement	5,482,329	215,134	4,556	(940,823)	149,609	(25,381)	11,333	4,896,757	0	4,896,757
Imputed financing	0	0	0	0	6,990	0	466	7,457	0	7,457
Capital Accrual to be transferred to the General Fund	(346,702)	0	0	0	0	0	0	(346,702)	0	(346,702)
Other	(700)	(8,558)	0	0	0	0	0	(9,258)	0	(9,258)
Net Cost of Operations	(7,908,868)	(5,631,687)	(93,000)	(9)	(138,377)	0	(11,220)	(13,783,161)	(1,968)	(13,781,193)
Net Change and Cumulative Results of Operations	118,798	(5,705,077)	165,135	0	18,221	(357)	579	(5,402,700)	0	(5,402,700)
Cumulative Results of Operations: Ending	544,779	23,267,930	95,214	0	62,481	6,485	9,097	23,985,986	0	23,985,986
Net position, end of period	**$544,779**	**$23,267,930**	**$95,214**	**$902**	**$62,538**	**$6,485**	**$9,097**	**$23,986,945**	**$0**	**$23,986,945**

* rounding difference; not included eliminations between funds from dedicated collections and other than funds from dedicated collections

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 Year (Unaudited)

The amount of RRB available borrowing authority at the end of the year associated with financial interchange advances is $ 5,074,300,000**.**

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 an increase of $1,253.1 million in NRRIT net assets from the SOSI, October 1, 2022, valuation date and the September 30, 2023, balance sheet date. Other than this event, no other material events or transactions have occurred subsequent to September 30, 2023, of which we are aware. We have evaluated subsequent events through November 15, 2023, the date the financial statements were released.

21. Permanent Indefinite Appropriations (Unaudited)

In fiscal year 2023, 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 2023. The quarter over quarter difference in accounts receivable is due to an increase in the annual Financial Interchange (FI) settlement from Social Security Administration (SSA). The increase of accounts payable compared to last year is due to higher accrual benefit payment. The increase in other liabilities is due to higher amount in FI settlement owed to Centers for Medicare and Medicaid services (CMS). The decrease in transfers in/out is due to the decrease in quarterly income tax receipts.

Budget and Accrual Reconciliation
For the Year Ended September 30, 2023
(in thousands)

	Intra-governmental	Other then Intragovernmental	Total FY 2023
NET COST	**$144,084**	**$14,312,218**	**$14,456,301**
Components of Net Cost That Are Not Part of Net Outlays:			
Increase/(decrease) in assets:			
Accounts receivable	(5,940,114)	(7,707)	(5,947,821)
Other assets	1,369	1,502	2,871
(Increase)/decrease in liabilities:			
Accounts payable	(26,051)	(85,651)	(111,702)
Salaries and benefits	(33)	(37)	(70)
Other liabilities	827,830	74	827,904
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(8,284)		(8,284)
Transfers out (in) without reimbursement	865,342		865,342
Total Components of Net Cost That Are Not Part of Net Outlays	**(4,279,941)**	**(91,819)**	**(4,371,760)**
Components of Net Outlays That Are Not Part of Net Cost:			
Other	(155)	(888,745)	(888,900)
Total Components of Net Outlays That Are Not Part of Net Cost	(155)	(888,745)	(888,900)
NET OUTLAYS	**($4,136,012)**	**$13,331,653**	**$9,195,641**

Budget and Accrual Reconciliation
For the Year Ended September 30, 2022
(in thousands)

	Intra-governmental	With the public	Total FY 2022
NET COST	**$129,835**	**$13,666,159**	**$13,795,994**
Components of Net Cost That Are Not Part of Net Outlays:			
Increase/(decrease) in assets:			
Accounts receivable	(5,786,485)	9,014	(5,777,471)
Other assets	1,126	1,076	2,202
(Increase)/decrease in liabilities:			
Accounts payable	2,704	(21,923)	(19,219)
Salaries and benefits		4,049	4,049
Other liabilities	645,268	754	646,022
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(7,456)		(7,456)
Transfers out (in) without reimbursement	1,069,132	25	1,069,157
Total Components of Net Cost That Are Not Part of Net Outlays	**(4,075,711)**	**(7,005)**	**(4,082,716)**
Components of Net Outlays That Are Not Part of Net Cost:			
Other	(9)	(944,336)	(944,345)
Total Components of Net Outlays That Are Not Part of Net Cost	(9)	(944,336)	(944,345)
NET OUTLAYS	**($3,945,885)**	**$12,714,818**	**$8,768,933**

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 2022 FR can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2023 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.3.8.37, 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 63.

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ending September 30, 2023 (in thousands)

RRB Financial Statement Line	Amounts	Dedicated Collections Combined	Dedicated Collections Eliminations	All Other Amounts (with Eliminations)	Eliminations Between Dedicated and All Other	Total	Reclassified Financial Statement Line
Gross Program Costs:							
Railroad Retirement Program							
Gross costs	$14,385,695	$0	$0	$0	$0	$0	
	0	14,237,864	0	14,640	0	14,252,504	Non-federal gross cost
	0	21,365	0	0	0	21,365	Benefit program costs (RC 26) /2
	0	8,284	0	0	0	8,284	Imputed costs (RC 25) /2
	0	12,497	(425)	(5)	0	12,067	Buy/sell cost (RC24) /2
	0	112,890	(11)	0	(1)	112,877	Borrowing and other interest expense (RC05) /2
	0	5,688	0	0	0	5,688	Other expenses (without reciprocals) (RC 29)
	0	(27,093)	0	0	0	(27,093)	Other expenses (without reciprocals) (RC 29)
Total Gross Cost	**14,385,695**	**14,371,496**	**(436)**	**14,635**	**(1)**	**14,385,693**	**Total**
Less: earned revenue	(15,977)	0	0	0	0	0	
	0	154	0	0	0	154	Non-federal earned revenue
	0	(16,556)	425	0	0	(16,131)	Buy/sell revenue (exchange) (RC 24) /2
Total Earned Revenue	**0**	**(16,402)**	**425**	**0**	**0**	**(15,977)**	**total**
Net program costs	**14,369,718**	**14,355,094**	**(11)**	**14,635**	**(1)**	**14,369,716**	**Program Total**
Railroad Unemployment and Sickness Insurance Program							
Gross costs	101,959	0	0	0	0	0	
	0	77,330	0	(2,463)	0	74,866	Non-federal gross cost
	0	27,093	0	0	0	27,093	Non-federal gross cost
Total Gross Cost	0	104,423	0	(2,463)	0	101,959	7.3-Buy/sell cost (RC24) - Footnote 2
Less: earned revenue	(15,304)						
	0	(15,303)	0	0	0	(15,303)	Non-federal earned revenue
Net program costs	**86,655**	**89,119**	**0**	**(2,463)**	**0**	**86,656**	**Program total**
Costs not assigned to programs	0	0	0	0	0	0	
Less: Gross Cost not attributed to programs	0	0	0	0	0	0	Non-federal gross cost
Less: earned revenues not attributed to programs	(72)	0	0	0	0	0	
	0	(3)	0	0	0	(3)	Non-federal earned revenue
	0	(69)	0	0	0	(69)	Federal Buy/sell revenue (exchange) (RC 24) /2
Sub-total	0	(72)	0	0	0	(72)	Sub-total
Net Cost	**$14,456,301**	**$14,444,141**	**($11)**	**$12,171**	**($1)**	**$14,456,299**	**Net Cost**

Differences due to rounding

Reclassification of Statement of Changes in Net Poistion to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ending September 30, 2023
(in thousands)

FY 2023 RRB SCNP		Line Items Used to Prepare FY 2023 Government-wide SCNP	
Financial Statement Line	RRB Amounts	Reclassified Financial Statement Consolidated	Reclassified Financial Statement Line
Unexpended Appropriations:			
Unexpended Appropriations, Beginning Balance	$380,209	$380,209	Unexpended Appropriations, Beginning Balance
Changes in Accounting Principles			Changes in Accounting Principles
Total Corrections of Errors			Total Reclassified Corrections of Errors
Appropriations received	894,910	894,910	Appropriations received
Other Adjustments	(94,835)	(94,835)	Other Adjustments
			Appropriations Transferred In/Out
Appropriations used	(899,957)	(899,957)	Appropriations used
Total Unexpended Appropriations	**$280,327**	**$280,327**	**Total Unexpended Appropriations**
CUMULATIVE RESULTS OF OPERATIONS			
Cumulative Results of Operations, Beginning Balances	$23,991,582	$23,991,582	Cumulative Results of Operations, Beginning Balances, as adjusted
Changes in Accounting Principles			Changes in Accounting Principles
Corrections of errors			Corrections of errors
Other Adjustments	(2,213)	(2,213)	Other Adjustments
Appropriations used	899,957	899,957	7.3-Appropriations expended (RC 38) - Footnote 1
Nonexchange Revenue	7,622,345		
		338,848	5.7-Other taxes and receipts
		80,461	6.1-Federal securities interest revenue including associated gains and losses (non-exchange) (RC 03) - Footnote 1
		7,203,037	6.6-Other taxes and receipts (RC 45) - Footnote 1
Change in NRRIT assets	1,253,128	1,253,128	5.7-Other taxes and receipts
Capital Transfers to the General Fund	(350,318)	(350,318)	6.9-Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 16)
Gain/(Loss) contingency	(740)	(740)	5.7-Other taxes and receipts
Transfers in from NRRIT (Note 10)	1,415,000	1,415,000	7.8-Expenditure transfers-in of financing sources (RC 09) - Footnote
Transfers In/Out w/o Reimbursement -Budgetary	5,131,329		
		(146)	7.6-Non-expenditure transfers-in of unexpended appropriations and financing sources (RC 08) - Footnote 1
		146	7.7-Non-expenditure transfers-out of unexpended appropriations and financing sources (RC 08) - Footnote 1
		5,825,714	7.8-Expenditure transfers-in of financing sources (RC 09) - Footnote
		(694,386)	7.9-Expenditure transfers-out of financing sources (RC 09) - Footnote 1
Imputed financing	8,284	8,284	7.22-Imputed financing sources (RC 25) - Footnote 1
Accruals for Capital Transfer to the General Fund	346,702	346,702	**6.9-Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 16)**
Total Financing Sources	16,325,686	16,325,686	**Total Financing Sources**
Net Cost of Operations	14,456,304	14,456,304	**Net Cost of Operations**
Ending Balance-Cumulative Results of Operations	$25,858,751	$25,858,751	**Ending Balance-Cumulative Results of Operations**
Total Net Position	$26,139,078	$26,139,078	**Total Net Position**

24. COVID-19 Activity (Unaudited)

The RRB received pandemic relief funding through Coronavirus Aid, Relief, and Economic Security Act (CARES), American Rescue Plan Act of 2021 (ARPA), and Continued Assistance to Railway Workers Act of 2020 (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 (in thousands):

COVID-19 Activity Funded by DEF Code L, M, N, O, P, U, or V	FY 2023	FY 2022
Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from PY	$97,472	$105,149
New Budget Authority (+)	0	0
Rescissions(-)/Other Changes (+/-) to Budgetary Resources	(85,541)	738
Budgetary Resources Obligated (-)	(11,642)	(8,415)
Budgetary Resources: Ending Unobligated (and unexpired) Balance to be Carried Forward	$289	$97,472
Outlays, Net (Total)	$6,868	$9,409

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 2023 Collection of non-custodial non-exchange revenue and carrier refunds below (in thousands).

Non-Exchange Revenue	FY 2023 Tax Year	FY 2022 Tax Year	FY 2021 Tax Year	All Other Prior Tax Years	FY 2023 Collections
Payroll Tax	$7,548,909	$0	$0	$0	$7,548,909
Interest Revenue	83,123	(2,551)	0	749	81,321
Subtotal	7,632,032	(2,551)	0	749	7,630,231
Less: amounts collected for non-federal entities	121	(232)	0	(749)	(861)
Total amount of federal revenues collected	$7,632,153	($2,783)	$0	$0	$7,629,370

Refunds	FY 2023 Tax Year	FY 2022 Tax Year	FY 2021 Tax Year	All Other Prior Tax Years	FY 2023 Refunds
Carrier Refunds	$15,182	($7,296)	$0	$0	$7,886
Total amount of refunds	$15,182	($7,296)	$0	$0	$7,886

FY 2022 Collection of non-custodial non-exchange revenue and carrier refunds below (in thousands).

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	$6,425,166	$0	$0	$0	$6,425,166
Interest Revenue	44,534	(2,179)	78	1,056	43,489
Subtotal	6,469,700	(2,179)	78	1,056	6,468,655
Less: amounts collected for non-federal entities	(277,233)	(187)	(78)	(1,056)	(278,555)
Total amount of federal revenues collected	$6,192,467	($2,366)	$0	$0	$6,190,100

Refunds	FY 2022 Tax Year	FY 2021 Tax Year	FY 2020 Tax Year	All Other Prior Tax Years	FY 2022 Refunds
Carrier Refunds	$35,382	$0	$0	$0	$35,382
Total amount of refunds	$35,382	$0	$0	$0	$35,382

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

The Unobligated balance from prior year budget authority, net (discretionary and mandatory) of $415.8 million from prior year budget authority includes the prior year unobligated balance of $406.8 million plus $9.0 million current year recoveries of prior year paid/unpaid obligations.

Required Supplementary Information (Unaudited)

Social Insurance

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 automatically adjusted 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 $104.5 billion, reflecting net payments from social security offset by a smaller transfer to CMS. The FI funds are 35.7% of the estimated future revenue of $293.0 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, 2022. The figures in the table are based on the 2023 Section 502 Report extended through fiscal year 2097. The present values of estimated future revenue and expenditures in the table are based on estimates of revenue and expenditures through the fiscal year 2097. 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 2023 Section 502 Report. Under employment assumption II, (1) railroad passenger employment is assumed to remain level at 44,000, 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.

The projections for this year are updated to reflect the actual 2022 average employment levels. The projected average employment for 2022, based on the three employment assumptions used in last year's report, ranged from 185,900 to 190,200. The actual average employment for 2022 was 189,700 (subject to later adjustment), which was near the top of the range of projected amounts. Average passenger employment for calendar year 2022 was estimated to be lower at about 44,000, rather than the 45,000 assumed in the 2022 Section 502 Report. The rates of decline in freight employment from the 28th Actuarial Valuation were then applied in all years except for 2023. To recognize the increasing employment trend to 195,000 in the first quarter of 2023, we added a 4 percent increase in freight employment across all scenarios between 2022 and 2023.

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 2023 Section 502 Report extended through fiscal year 2097, 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;

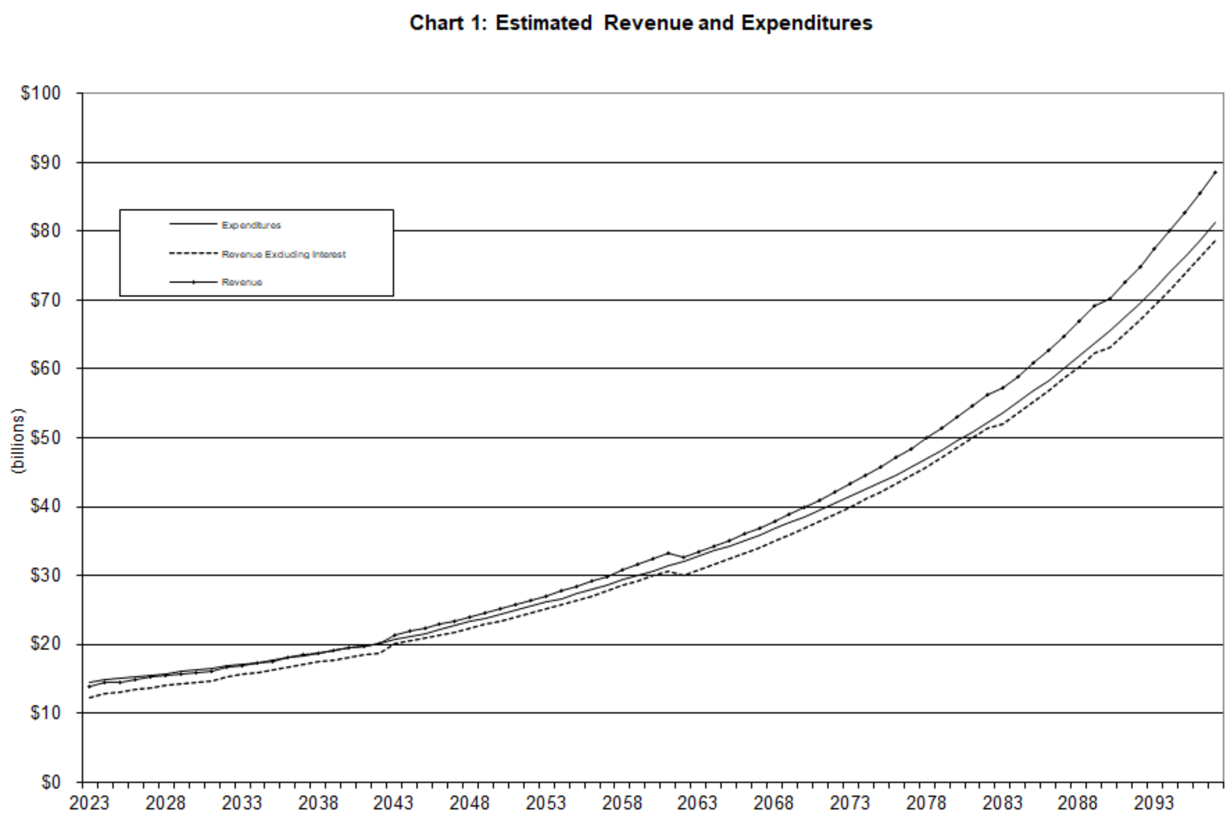
(2) estimated annual revenue excluding interest and expenditures in nominal dollars and as a percentage of taxable payroll;

(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.

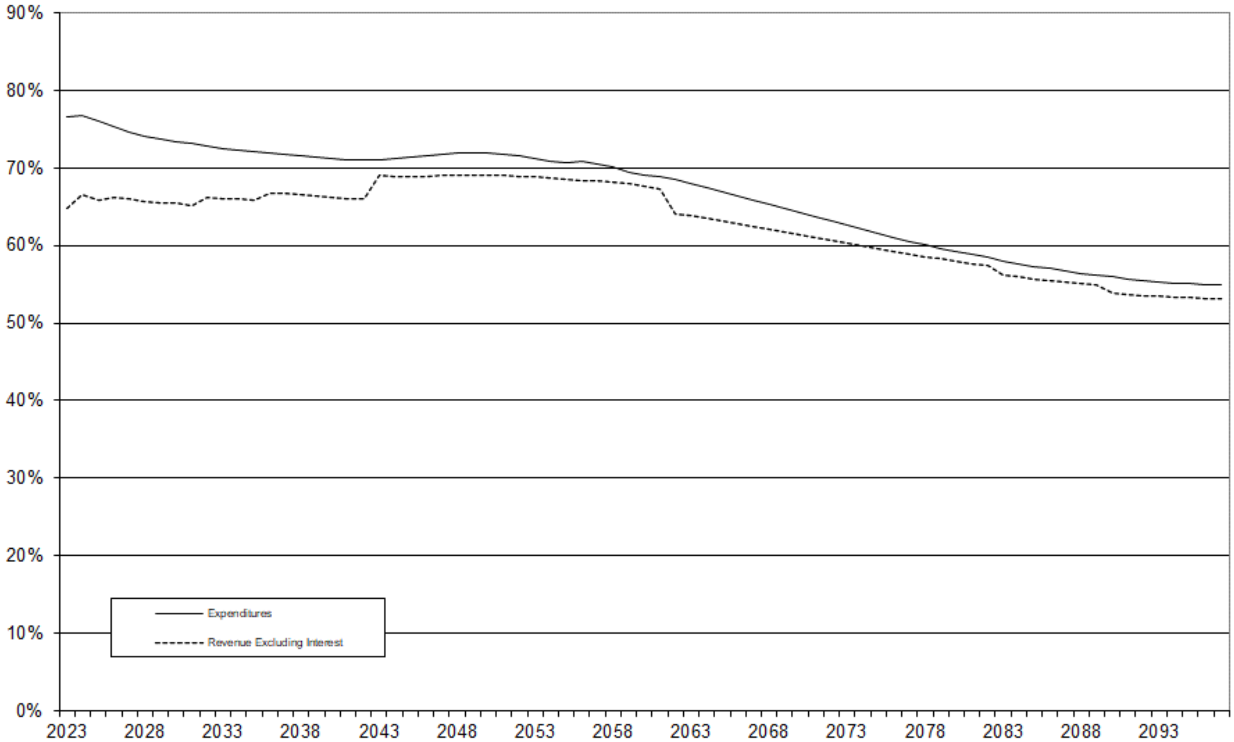


Cashflow Projections – Chart 1 shows actuarial estimates of railroad retirement annual revenue, revenue excluding interest, and expenditures for 2023-2097 in nominal dollars. The estimates are for the open-group population, which includes all persons projected to participate in the railroad retirement 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 2036 through 2040 and 2043 through 2097. Without investment income, however, annual expenditures are greater than annual revenue throughout the entire period. 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 2024, 2043-2050, and 2056. 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.

Chart 2: Estimated Railroad Retirement Revenue Excluding Interest and Expenditures as a Percent of Taxable Tier II 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, 2022, and are based on estimates of revenue and expenditures during the fiscal years 2023-2097 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 and 2023, 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, assume that (1) passenger employment will remain at the level of 44,000 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 differs 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. Average employment for 2022 increased to the level of 189,700, and we are projecting a recovery to higher employment levels during 2023 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, 2023-2097
(in billions)

Employment Assumption	I	II	III
Present Value	$2.9	$1.4	($0.6)
Average Tier II tax rate [a]	17.9%	19.9%	22.3%

[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 SSEBA Account under Three Employment Assumptions

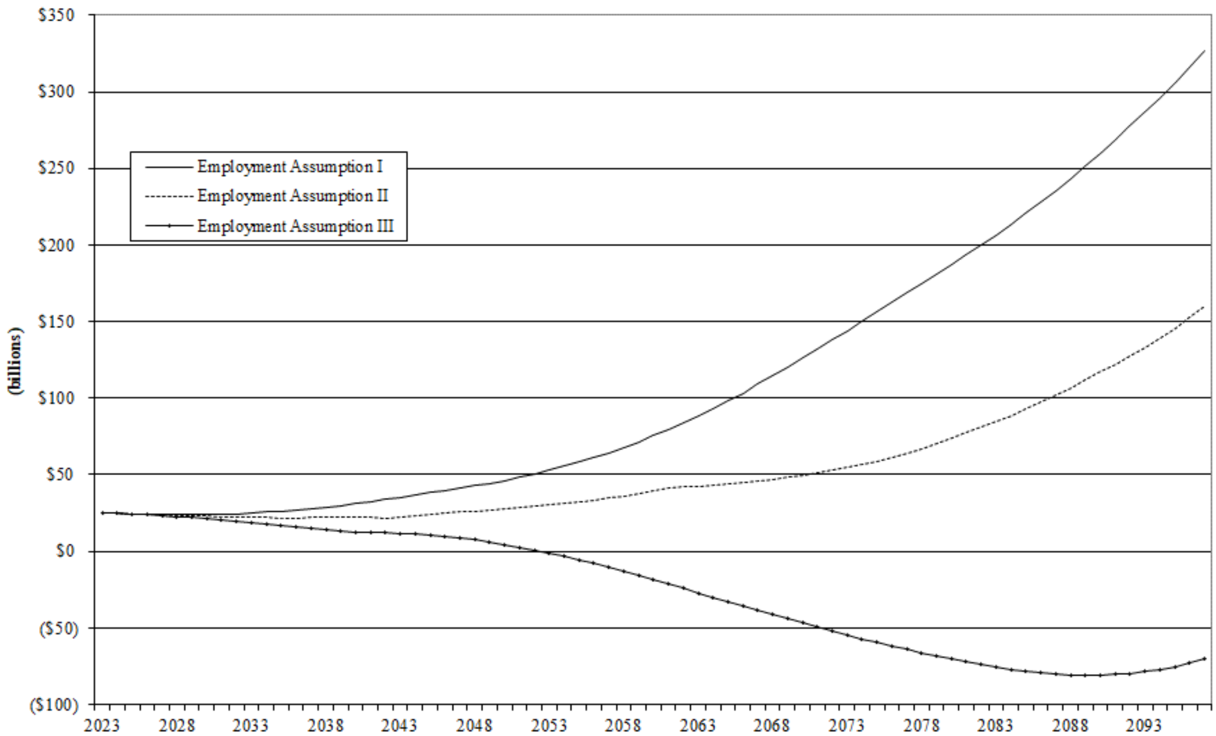


Chart 3a shows the combined balance of the accounts under each of the three employment assumptions. Note that the combined account balance is positive throughout the entire period for assumptions I and II but becomes negative in 2053 for assumption III and remains so until the end of the projection period. 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 Ratio (ABR) under the three employment assumptions. The ABR 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 assumption I, the ABR decreases until 2032, increases until 2078, and decreases slightly for the remainder of the projection period. Under assumption II, the ABR decreases until 2042, increases until 2061, decreases until 2067, and then increases again through the end of the projection period. Under assumption III, the ABR decreases steadily, becoming negative in 2053. Although it does increase slightly starting in 2083, it never becomes positive by the end of the projection period.

Chart 3b: Account Benefits Ratio under Three Employment Assumptions

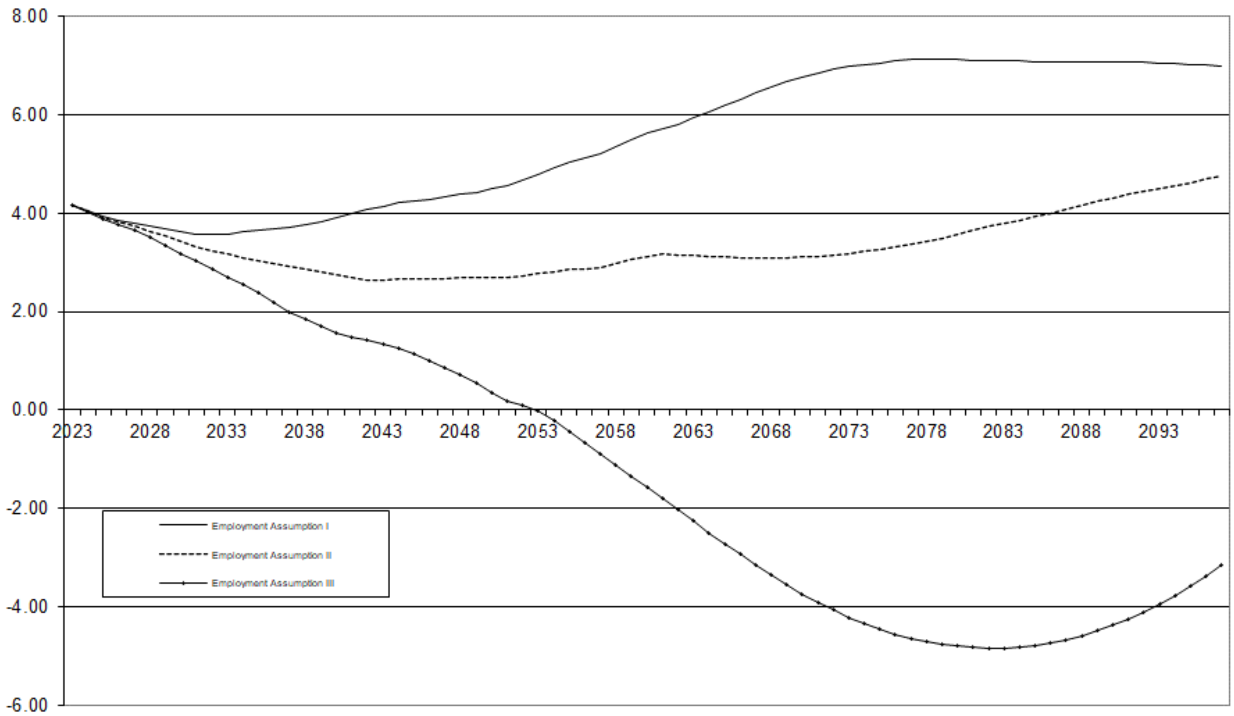
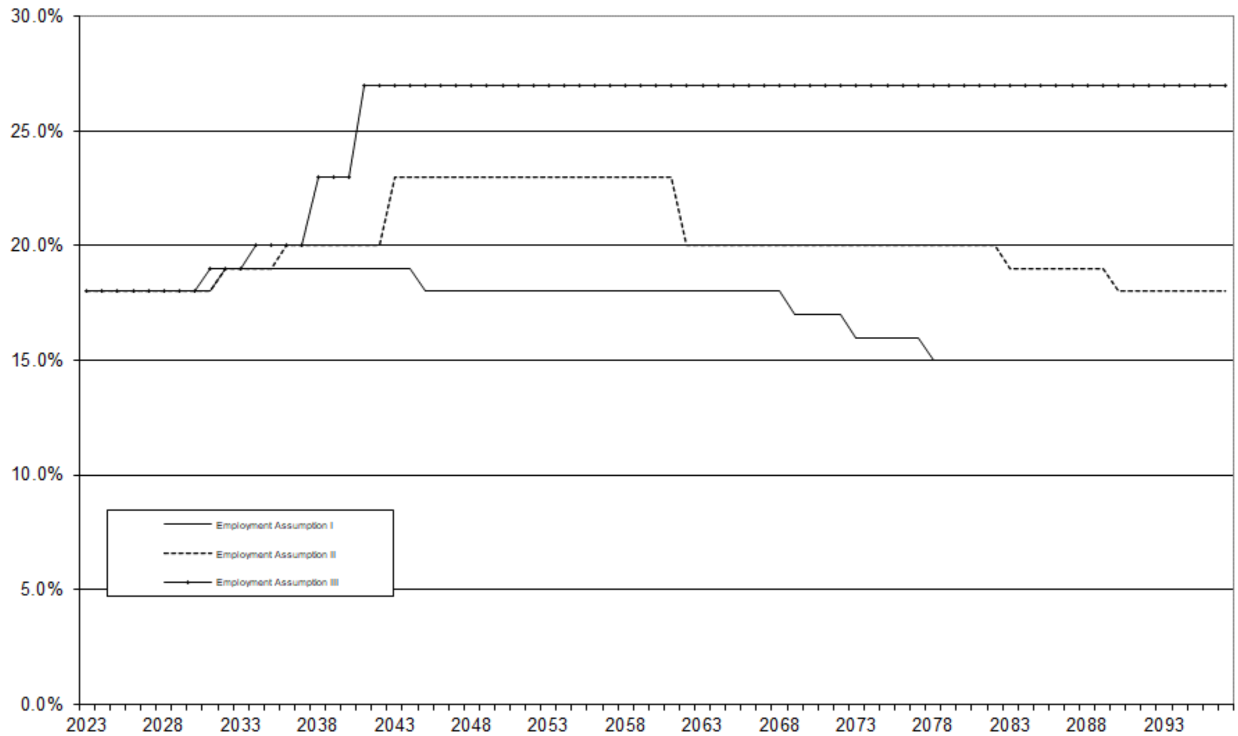


Chart 3c shows the tier II tax rate as determined by the 10-year average ABR under these employment assumptions. Under employment assumption I, the current 18 percent tax rate increases to 19 percent in 2032, drops back to 18 percent in 2045, and continues to decrease until it reaches 15 percent in 2078, where it remains for the rest of the projection period. Under employment assumption II, the current 18 percent tax rate begins to increase in 2032, reaching 23 percent in 2043 before decreasing starting in 2062 until it reaches 18 percent again in 2090. 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 2041, 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 (AABR), 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.

Investment return: 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, 2023-2097
(in billions)

Investment Return Assumption	4.0%	6.5%	9.0%
Present Value	$6.4	$1.4	$0.5
Average Tier II tax rate	22.0%	19.9%	17.5%

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

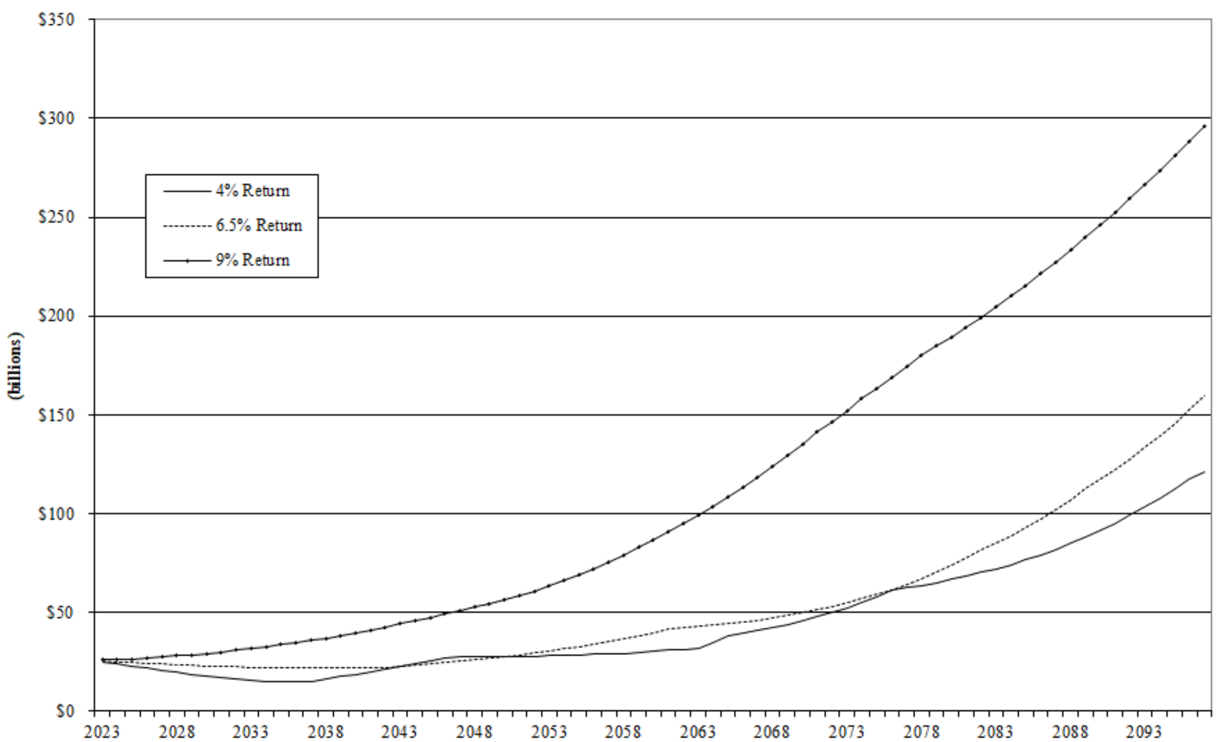


Chart 4a shows the combined account balance under the three investment return assumptions for the projection period. At a 4 percent investment return, the account balance remains positive, reaching its lowest value in 2034, and then increases through the remainder of the projection period. With a 6.5 percent investment return, the account balance decreases until 2035 and then increases again through the remainder of the projection period, except for slight decreases in 2041 and 2042. 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, 2023.

Chart 4b shows the ABR under the same three investment return assumptions. When the return is 4%, the ABR decreases until 2037, increases until 2046, decreases until 2062, increases until 2076, decreases until 2082, and then increases throughout the remainder of the period. With a 6.5% return, the ABR decreases until 2042, increases until 2061, and decreases again until 2067 before increasing for the rest of the period. When the return is 9%, the ABR decreases slightly through 2025, then increases though 2078 before decreasing throughout the remainder of the projection period.

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

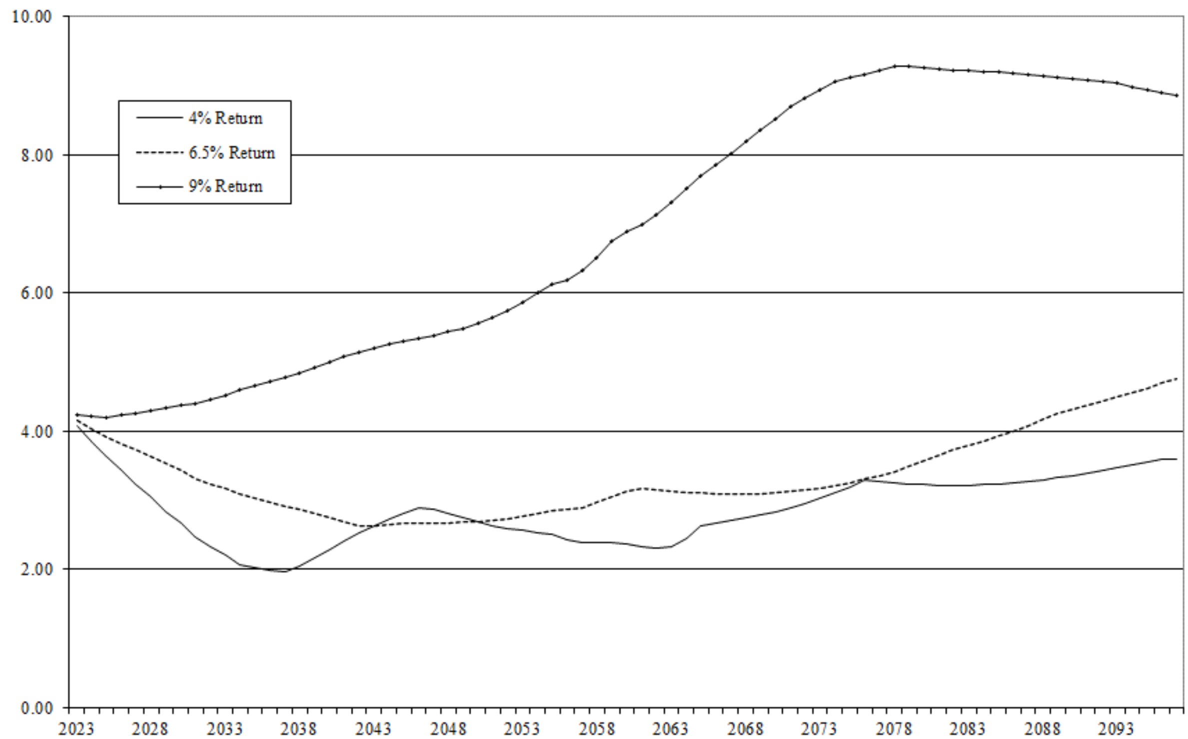
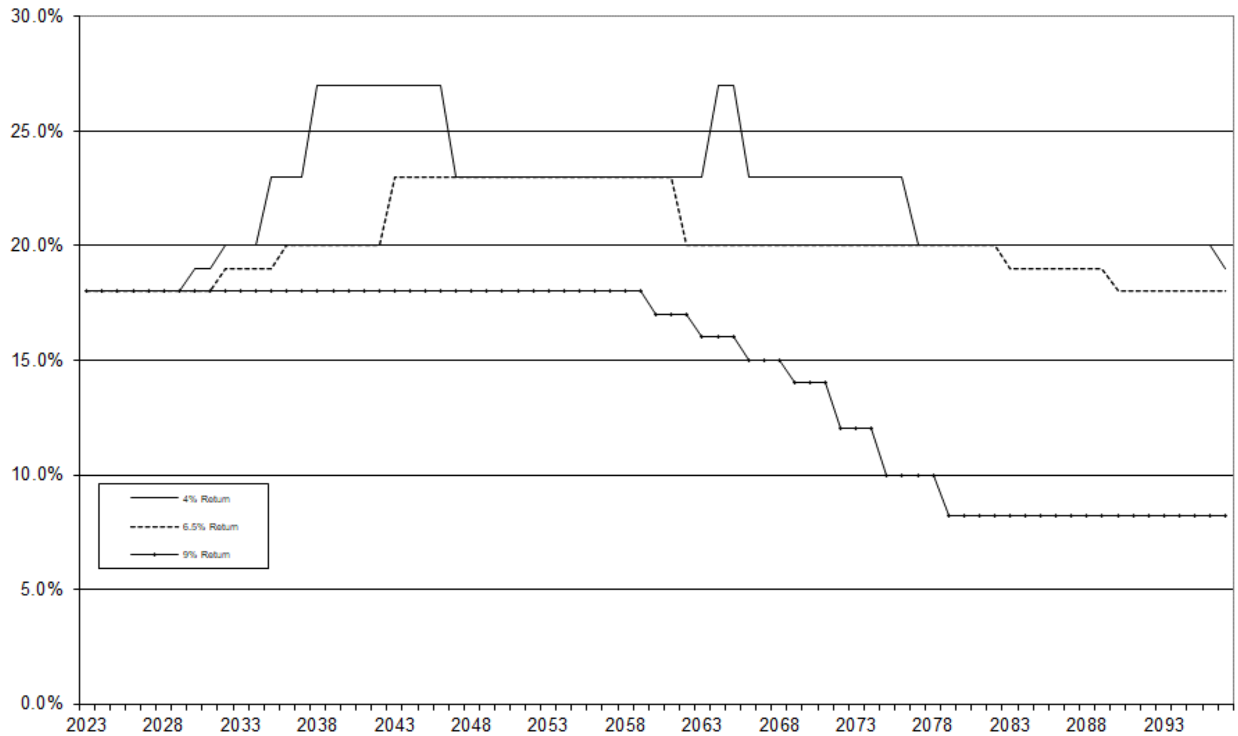


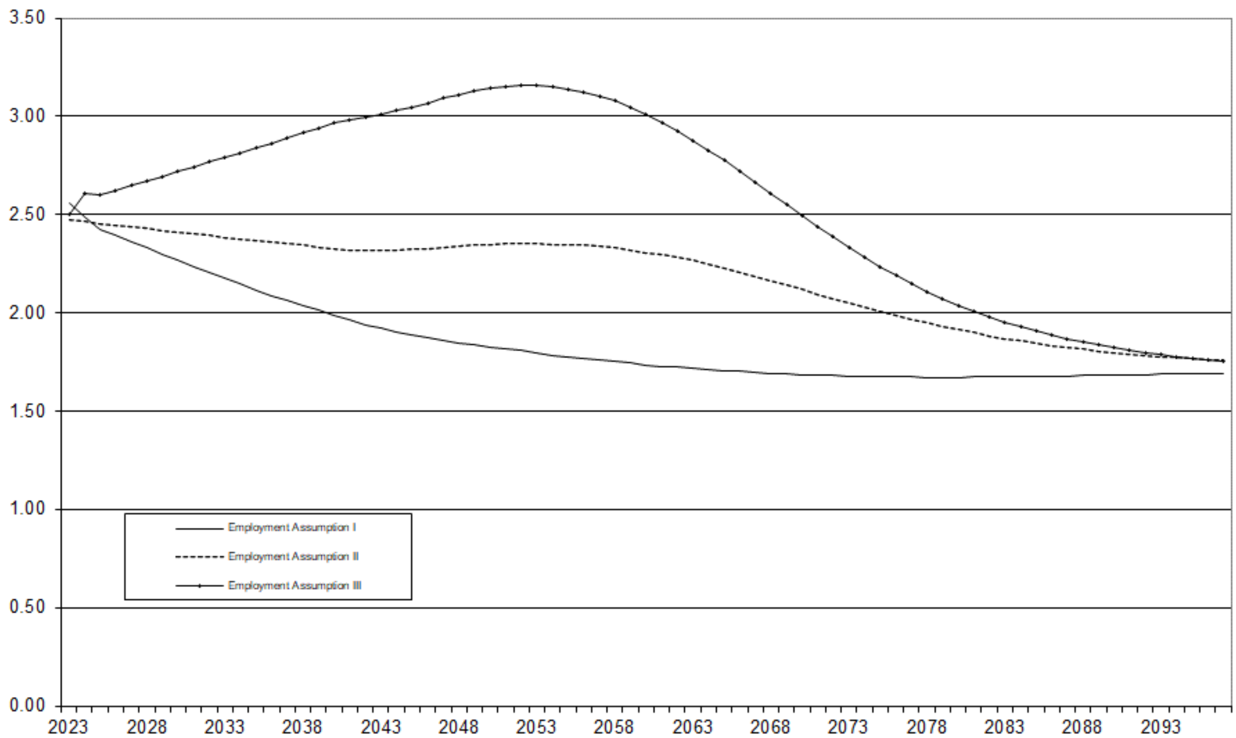
Chart 4c shows the tier II tax rate as determined by the 10-year average ABR under the same three investment return assumptions. With a 4 percent investment return, the maximum tier II tax rate of 27 percent applies in 2038 through 2046 and then again in 2064 and 2065. With the 6.5 percent investment return, the tax rate is never higher than 23 percent, which applies in 2043 through 2061. With a 9 percent investment return, the maximum tax rate is also never applicable, and the minimum tax rate of 8.2 percent is paid from 2079 through the end of the projection period. As mentioned above, because the tier II tax rate is determined based on the ratios of asset values to benefits and administrative expenses, 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 2023. For assumption III, the ratio increases until it is highest in 2055 before decreasing for the remainder of the period. 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 Statements of Budgetary Resources (Unaudited)

RAILROAD RETIREMENT BOARD
COMBINING STATEMENTS OF BUDGETARY RESOURCES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(in thousands)

	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)	$53,565	$357,139	$5,063	$415,767
Appropriations (discretionary and mandatory)	10,153,865	(13,373)	-	10,140,492
Borrowing authority (discretionary and mandatory) (Note 18)	5,074,300	-	-	5,074,300
Spending authority from offsetting collections (discretionary and mandatory)	175,828	15,885	15,745	207,458
Total budgetary resources	**$15,457,558**	**$359,651**	**$20,808**	**$15,838,017**
Status of budgetary resources				
New obligations and upward adjustments (total)	$15,421,723	$99,190	$15,659	$15,536,572
Unobligated balance, end of year				
Apportioned, unexpired accounts	23,430	223,405	-	246,835
Unapportioned, unexpired accounts	2	38	997	1,037
Unexpired unobligated balance, end of year	23,432	223,443	997	247,872
Expired unobligated balance, end of year	12,403	37,018	4,152	53,573
Unobligated balance, end of year (total)	35,835	260,461	5,149	301,445
Total budgetary resources	**$15,457,558**	**$359,651**	**$20,808**	**$15,838,017**
Outlays, net				
Outlays, net (total) (discretionary and mandatory)	$15,108,363	$80,570	($1,821)	$15,187,112
Distributed offsetting receipts (-)	(5,991,471)	-	-	(5,991,471)
Agency outlays, net (discretionary and mandatory)	**$9,116,892**	**$80,570**	**($1,821)**	**$9,195,641**

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

	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)	$58,592	$357,530	$5,355	$421,477
Appropriations (discretionary and mandatory)	9,771,716	109,988	-	9,881,704
Borrowing authority (discretionary and mandatory) (Note 18)	4,843,700	-	-	4,843,700
Spending authority from offsetting collections (discretionary and mandatory)	166,751	15,501	14,216	196,468
Total budgetary resources	**$14,840,759**	**$483,019**	**$19,571**	**$15,343,349**
Status of budgetary resources				
New obligations and upward adjustments (total)	$14,792,294	$129,906	$14,400	$14,936,600
Unobligated balance, end of year				
Apportioned, unexpired accounts	36,653	306,819	-	343,472
Unapportioned, unexpired accounts	195	9,274	713	10,182
Unexpired unobligated balance, end of year	36,848	316,093	713	353,654
Expired unobligated balance, end of year	11,617	37,020	4,458	53,095
Unobligated balance, end of year (total)	48,465	353,113	5,171	406,749
Total budgetary resources	**$14,840,759**	**$483,019**	**$19,571**	**$15,343,349**
Outlays, net				
Outlays, net (total) (discretionary and mandatory)	$14,583,796	$113,760	($514)	$14,697,042
Distributed offsetting receipts (-)	(5,928,109)	-	-	(5,928,109)
Agency outlays, net (discretionary and mandatory)	**$8,655,687**	**$113,760**	**($514)**	**$8,768,933**

UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

November 15, 2023

To the Board Members,

We contracted with the independent public accounting (IPA) firm of RMA Associates, LLC (RMA) to audit the financial statements of the Railroad Retirement Board (RRB), which included the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years then ended, statements of social insurance as of October 1, 2022, October 1, 2021, October 1, 2020, October 1, 2019, and October 1, 2018, statement of changes in social insurance for the two year period ended September 30, 2022, and related notes to the consolidated financial statements (collectively referred to herein as the consolidated financial statements). RMA was also engaged to audit RRB's internal control over financial reporting as of September 30, 2023, 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 (GAGAS), the Office of Management and Budget audit requirements, 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 consolidated financial statements because RRB could not provide sufficient appropriate evidential matter in a timely manner for complete and accurate consolidated financial statements;
- a disclaimer of opinion on internal control over financial reporting because RRB could not provide sufficient appropriate evidential matter in a timely manner to support its internal control over financial reporting due to inadequate processes, controls, and records; and
- three instances of noncompliance or other matters that were required to be reported.

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 14 recommendations. In addition, RMA identified instances of noncompliance with laws and regulations which are described in Exhibit II of the attached auditor's report. To address three instances of noncompliance or other matters identified in the report, RMA made two recommendations. RMA did not make recommendations for findings from prior OIG reports where the existing recommendation, if implemented, could correct the finding. In response to RMA's findings and recommendations, RRB did not express concurrence or nonconcurrence. Instead, RRB provided an approximately two page response to the entirety of the auditor's report disagreeing with the disclaimers of opinions and categorization of all findings and recommendations as material weaknesses or instances of noncompliance. RRB provided additional overarching explanations regarding dissatisfaction with the audit.

As required by GAGAS, RMA evaluated RRB's response. Based on the evaluation, RMA's findings and recommendations remain unchanged and RMA concluded that its audit report remains as written and was not modified.

RMA is responsible for the attached auditor's report dated November 15, 2023 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,

PATRICIA MARSHALL

Digitally signed by PATRICIA MARSHALL
Date: 2023.11.15 16:15:36 -06'00'

Patricia A. Marshall
Deputy Inspector General
General Counsel to Inspector General

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Independent Auditor's Report

Board of Directors and Inspector General
Railroad Retirement Board

Report on the Audit of the Consolidated Financial Statements and Internal Control Over Financial Reporting

Disclaimer of Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We were engaged to audit the consolidated financial statements of the Railroad Retirement Board (RRB), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years then ended, statements of social insurance as of October 1, 2022, October 1, 2021, October 1, 2020, October 1, 2019, and October 1, 2018, statement of changes in social insurance for the two year period ended September 30, 2022, and related notes to the consolidated financial statements (collectively referred to herein as the consolidated financial statements). We do not express an opinion on the accompanying consolidated financial statements of the RRB. Because of the significance of the matters described in the Basis for Disclaimer of Opinion on the Consolidated Financial Statements section of our report, we have not been able to obtain sufficient appropriate audit evidence in a timely manner to provide a basis for an audit opinion on the consolidated financial statements.

We were also engaged to audit RRB's internal control over financial reporting as of September 30, 2023, 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.). Because of the significance of the material weaknesses described in the Basis for Disclaimer of Opinion on Internal Control Over Financial Reporting section of our report, we have not been able to obtain sufficient appropriate audit evidence in a timely manner 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 the Consolidated Financial Statements

RRB continues to have unresolved accounting issues and material weaknesses in internal control that cause RRB to be unable to provide sufficient appropriate evidential matter in a timely manner for complete and accurate consolidated financial statements. As a result of these matters, we are unable to determine the effect of the lack of sufficient appropriate audit evidence, and whether any adjustments might have been found necessary in respect of recorded and unrecorded balances on RRB's consolidated financial statements as of and for the years ended September 30, 2023 and 2022.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Also, RMA could not perform the audit procedures required by the American Institute of Certified Public Accountants (AICPA) AU-C Section 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, which requires the establishment of ongoing communication between group management (RMA) 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 because the National Railroad Retirement Investment Trust (NRRIT), a component entity of RRB, is not a Federal agency and was enacted by Congress as an independent entity, thus, our audit scope has been limited.

Basis for Disclaimer of Opinion on Internal Control Over Financial Reporting

RRB could not provide sufficient appropriate evidential matter in a timely manner to support its internal control over financial reporting due to inadequate processes, controls, and records. As a result, we could not determine the effect of the lack of sufficient appropriate audit evidence on RRB's internal control over financial reporting as of September 30, 2023.

Emphasis Matter

Sustainability Financial Statements

As discussed in Note 14 to the consolidated financial statements, the sustainability financial statements are based on management's assumptions. These sustainability financial statements show the actuarial present value of 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 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 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 the 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.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Related Party

RRB discloses transactions with related parties in Note 2 to the consolidated financial statements. RRB, Social Security Administration, and Centers for Medicare and Medicaid Services are parties to a financing arrangement described as a financial interchange (FI). Under this arrangement, transfers from the Social Security Administration's Old Age and Survivors Insurance and Disability Insurance trust funds and transfers to the Federal Hospital Insurance trust fund represented approximately $5.1 billion (net), or about 34 percent of the financing sources reported on RRB's consolidated statement of changes in net position for fiscal year (FY) 2023 before considering the change in the reported value of the NRRIT net assets. For FY 2022, FI transfers of approximately $5.2 billion (net) represented about 37 percent of the financing sources reported before considering the reduction in the reported value of NRRIT assets.

Reporting Entity

RRB discloses its reporting entity in Note 1.B, *Reporting Entity*, to the consolidated financial statements. The NRRIT was established by the Railroad Retirement and Survivors' Improvement Act 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. The NRRIT is domiciled in and subject to the laws of the District of Columbia. The NRRIT's net assets as of September 30, 2023 and 2022 are $24 billion and $23 billion and compose roughly 73 percent and 74 percent, respectively, of total RRB reported assets. RRB could not provide sufficient appropriate evidential matter to support NRRIT balances.

Responsibilities of Management for the Consolidated Financial Statements and Internal Control Over Financial Reporting

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

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control Over Financial Reporting

Our responsibility is to conduct an audit of RRB's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS), *Government Auditing Standards*, Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion on the Consolidated Financial Statements and Basis for Disclaimer of Opinion on the Internal Control Over Financial Reporting sections of our report, we were not able to obtain sufficient appropriate audit evidence in a timely manner to provide a basis for an audit opinion on these consolidated financial statements.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

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 in a timely manner to provide a basis for an audit opinion.

We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

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

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with the U.S. GAAP. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the U.S. GAAP and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Required Supplementary Information

U.S. GAAP requires the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB), who considers it to be an essential part of financial reporting for placing the basic consolidated 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 GAAS because management did not provide sufficient appropriate evidential

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

matter in a timely manner. We do not express an opinion or provide any assurance on the information.

Other Reporting on Internal Control

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 entity's financial statements 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 attention by those charged with governance.

We identified the following material weaknesses described in Exhibit I.

I. Scope Limitation
   - A. Lack of Access to NRRIT Audit Results (Repeat)
   - B. Insufficient and Untimely Evidential Matter (Repeat)
   - C. Unsupported Railroad Retirement Act Annuity Payments (New)

II. Internal Control Environment
   - A. Ineffective Internal Control Program (Modified Repeat)
   - B. Ineffective Information Technology (IT) Control Over Financial Reporting (Repeat)
   - C. Outdated Accounting Procedure Guides (New)

III. Financial Reporting
   - A. Preparing and Reviewing Financial Reports (Modified Repeat)
   - B. Open Obligations Not Timely Reviewed (Repeat)
   - C. Unsupported Undelivered Orders (New)
   - D. Unsupported Journal Entries (Repeat)
   - E. Financial Statement Analysis (Repeat)
   - F. Non-Compliance with Treasury United States Standard General Ledger (USSGL) (New)

We did not identify significant deficiencies. Material weaknesses or significant deficiencies may exist that were not identified.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Report on Compliance and Other Matters

In connection with our engagement to audit RRB's consolidated financial statements as of and for the year ended September 30, 2023, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01, which is described in the accompanying Exhibit II.

Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the consolidated financial statements and the internal controls over financial reporting, other instances of noncompliance or other matters may have been identified and reported herein.

RRB's Response to Audit Findings and Recommendations

Government Auditing Standards require the auditor to perform limited procedures on RRB's response to the findings identified in our engagement and described in the accompanying Appendix A, Management's Response to Audit Report, dated November 13, 2023. RRB's response was not subject to the other auditing procedures applied in the engagement to audit the consolidated financial statements and, accordingly, we express no opinion on the response. The accompanying Appendix B describes our evaluation of RRB's response.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Other Reporting on Internal Control and the Report on Compliance and Other Matters sections is solely to describe the deficiencies we consider to be material weaknesses and 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, 2023

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Exhibit I – Material Weaknesses

I. Scope Limitations

A. *Lack of Access to NRRIT Audit Results (Repeat)*

The RRB's financial statement auditors, RMA, could not perform required AICPA audit procedures. Ongoing communication was nonexistent between those responsible for conducting the RRB's financial statement audit and other auditors (component auditors) who performed work on the financial information that will be used as audit evidence for the RRB's financial statements.

In November 2022, the RRB's Chief Financial Officer (CFO) did not agree with this finding, which contributed to a material weakness. However, the CFO agreed that, "[u]ntil additional guidance is issued this reported material weakness will exist due to an inability for the [RRB financial statement] auditors to perform the audit procedures required by AICPA AU-C Section 600B…"

The RRB's total assets reported on its consolidated balance sheet as of September 30, 2023, were $33 billion. NRRIT's Net Assets of $24 billion, which comprise roughly 73 percent of the RRB's total assets, were included in the RRB's consolidated financial statements. However, our audit scope over the FY 2023 consolidated financial statements was materially limited because of the procedures under the 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.

According to the Railroad Retirement and Survivors' Improvement Act of 2001 (the Act), the 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 requires 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.

The RRB explained it has no authority to compel NRRIT auditors to provide its work to RRB financial statement auditors. The RRB also explained 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. Additionally, RRB management explained it won't establish an independent committee because the actions may supersede or negate the Act. However, the Office of Inspector General (OIG) continues to recommend the Board identify a functional solution to achieve compliance with AICPA standards.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Because RRB has not taken and/or completed corrective action, this material weakness and the related prior recommendation remain open and unimplemented.

Recommendation:

We are not making any new recommendations, as the following recommendation was already made in the RRB's OIG Report No. 15-01:

In 2015, the RRB OIG recommended that the 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 (RRB OIG Report 15-01, Recommendation #8).

B. *Insufficient and Untimely Evidential Matter (Repeat)*

RRB's Bureau of Fiscal Operations (BFO) was not able to provide the required and necessary evidential matter in a timely manner during the audit engagement. RRB provided 90 items, or 26 percent of requests, late or not at all.

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

The Bureau of Fiscal Operations did not develop a process or mechanism in place to properly communicate with the appropriate person or group of persons that could respond timely to financial statement auditor requests.

According to the 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*, "[a]ppropriate 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."

Because RRB has not taken and/or completed corrective action, this material weakness and the related prior year recommendations remain open and unimplemented.

Recommendations:

We are not making any new recommendations, as the following recommendation was already made in the RRB's OIG Report No. 23-01.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

We recommended the Bureau of Fiscal Operations:

- 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 (RRB OIG Report 23-01, Recommendation #1).
- 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 (RRB OIG Report 23-01, Recommendation #2).
- Develop training or reference guides for stakeholders to utilize when providing documentation to ensure the documentation provided meets the required needs (RRB OIG Report 23-01, Recommendation #3).
- Develop and communicate an enterprise-wide financial reporting timeline, which includes monthly, quarterly, and yearly deadlines (RRB OIG Report 23-01, Recommendation #4).

C. *Unsupported Railroad Retirement Act Annuity Payments (New)*

The total Railroad Retirement Program gross cost was $14.4 billion for the year ended September 30, 2023, representing an increase of almost $700 million from FY 2022. To test this balance, we requested the Railroad Retirement Act (RRA) annuity payment files for the months of October 2022 through June 2023.

<u>RRA Annuity Payment Data Files Prior to Third Quarter Were Not Maintained</u>

For the period ended March 31, 2023, the records related to RRA annuity payments were not readily available. The Office of Programs stated its policy is to delete the monthly data payment tapes after 60 days and therefore, the Office of Programs reproduced the data payment tapes that were destroyed.

RRB's Records Disposition Schedules, Records Schedule 10 – *Retirement and Survivor Benefits Division Programs*, Section 10-2, *Daily Activity Input Systems (DAISY) Listings*, provides, in part: *"AUTHORIZED DISPOSITION: TEMPORARY*. Destroy when 1 year old or no longer needed for administrative use, whichever is sooner." Furthermore, the *Federal Records Act*, Title 44, United States Code (USC) 3101 specifies, "[t]he head of each Federal agency shall make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency and designed to furnish the information necessary to protect the legal and financial rights of the Government and of persons directly affected by the agency's activities." Thus, RRB was not in compliance with the Federal Records Act, GAO's Green Book, and its own Records Disposition Schedule because RRB personnel

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

were not familiar with or do not regularly refer to the requirements of its Record Disposition Schedule.

RRA Annuity Payments Not Supported

The RRB's Office of Programs could not verify if its annuity payments were made accurately, resulting in an increased risk that the railroad retirement program cost on the Statement of Net Cost was unsupported, misstated, and/or potentially fraudulent.

For the first three quarters of FY 2023, RRB paid $10.7 billion to over 500,000 individuals representing approximately 4.5 million RRA annuity payments. We provided RRB with 318 samples. However, RRB was only able to provide an initial subset of 30 samples. All 30 samples were exceptions as RRB could not provide sufficient appropriate evidential matter to support the samples in a timely manner because Office of Programs lacks policies and procedures documenting and consisting of end-to-end business process narratives and flow charts related to its RRA annuity payments.

In accordance with GAO *Standards for Internal Control in the Federal Government*, Section 4, Additional Considerations, Documentation Requirements, "[d]ocumentation 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…These requirements represent the minimum level of documentation in an entity's internal control system. Management exercises judgment in determining what additional documentation may be necessary for an effective internal control system. If management identifies deficiencies in achieving these documentation requirements, the effect of the identified deficiencies is considered as part of management's summary determination as to whether the related principle is designed, implemented, and operating effectively."

Recommendations:

We recommend the RRB's Bureau of Information Services review and update:

1. Its policy to routinely maintain its Record Disposition Schedule to ensure all the required and necessary financial/nonfinancial data is retained, specifically for its benefit payments to allow management to support its financial activity and support its requirement to obtain an audit of the RRB's financial statements; and
2. The entirety of the RRB Records Disposition Schedule including the removal of items that are no longer relevant.

Further, we recommend the RRB's Office of Programs:

3. In coordination with the Bureau of Field Service, determine, develop, and document policies and procedures including end-to-end business processes for its Railroad Retirement Act annuity payments. Those procedures should include:
    a. An implementation of a checklist when reviewing and accepting employee applications for benefit payments that must be signed by the appropriate preparer and reviewer;
    b. Requirements that all eligibility documentation is complete and accessible; and
    c. The development of an in-depth guide that outlines how the Payment Rate Entitlement History (PREH) completes the benefit payment calculations.

II. Internal Control Environment

A. *Ineffective Internal Control Program (Modified Repeat)*

An effective system of internal control is vital to provide reasonable assurance a federal entity conducts its programmatic activities successfully and efficiently, has a reliable financial reporting system, and complies with applicable laws and regulations. Without a fully functional internal control program, which includes proper skills and experience at all levels of the organization, as well as sustainable processes, systems, and controls that operate effectively in a U.S. GAAP-compliant environment, RRB is unable to achieve its operations, reporting, and compliance objectives.

In addition, RRB's inability to develop, implement, and execute an effective internal control program, which includes people, processes, and systems, over its financial management leads to (1) ineffective operations, (2) repeat deficiencies in internal control, and (3) inadequate processes to address changes to accounting standards and regulations. Furthermore, establishing internal controls that meet Federal standards is a core responsibility of RRB management, as required by the FMFIA, Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, (OMB A-123), and GAO's *Standards for Internal Control in the Federal Government* (GAO Green Book).

RRB's BFO continues to have ineffective financial operations due to (1) significant understaffing, as well as gaps in skills and experience of its resources, (2) lack of updated policies and standard operating procedures, including documentation of end-to-end process narratives and flow charts, and (3) outdated technology causing unresolved accounting issues and material weaknesses in its internal control environment. These are caused by a lack of investment in (1) the financial infrastructure of the agency related to people, processes, and technology, (2) recruiting, training, and retaining financial management personnel at all levels with the requisite knowledge, skill, and experience in sound financial management, (3) achieving control objectives, properly designing the control environment

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

to respond to risks, consistently monitoring the control environment, and (4) ensuring timely submission of evidential matter.

The GAO *Standards of Internal Control for Federal Government* assert an "effective internal control system requires each of its five components, including control environment; risk assessment; control activities; information and communications; and monitoring to be effectively designed, implemented, and operating together in an integrated manner." Therefore, RRB needs to continue to address deficiencies in its entity-wide control environment components of Risk Assessment and Monitoring. As we reported in FY 2022, we continued to observe entity-wide internal control system conditions, which contributed to the weakness noted above, as follows:

- Management was unable to accurately document its internal controls.
- As part of RRB's agency-wide internal controls, RRB provided a draft version of Management's Assurances for FY 2023. 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. The 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, 2023, was $33 billion and NRRIT made up $24 billion of that balance. NRRIT represents 73% of total assets.
- The NRRIT internal control environment is beyond RRB's authority per the Memorandum of Understanding between RRB, NRRIT, the United States Department of Treasury (Treasury), and OMB entered in 2002. Thus, RRB could not assess that the internal control environment was designed, implemented, and operating effectively, for almost 73% of the assets reported in the Balance Sheet.

Furthermore, as part of our testing of financial reporting, we requested the RRB's Corrective Action Plans related to the FY 2022 financial statement audit material weaknesses and noncompliance findings. RRB stated it did not have a Corrective Action Plan created. Due to management's nonconcurrence with repetitive auditor-reported material weaknesses, management contends it does not have any corrective action plans to develop. However, according to OMB A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Section V. Part B, Corrective Action Plan Requirements, "[a] summary of the corrective action plans for material weaknesses that have not been fully mitigated at the time of reporting must be included in the Agency's Agency Financial Report (AFR), Performance and Accountability Report (PAR), or other management report…The summary discussion must include a description of the material weakness, status of corrective actions, and timeline for resolution…Management must maintain more thoroughly detailed corrective action plans internally, which must be made available for OMB and audit review."

Because RRB's BFO has not taken and/or completed corrective action, this material weakness and the related prior year recommendations remain open and unimplemented.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Recommendation:

We recommend the RRB's Bureau of Fiscal Operations, Audit and Compliance Section:

4. Perform an assessment of the RRB's internal control program, identify the gaps, and implement remediation actions to address the documentation, implementation, and assessment gaps identified.

In November 2022, we recommended the Bureau of Fiscal Operations "…report a statement of no assurance given the materiality of the NRRIT balances reported in the Balance Sheet" (RRB OIG Report 23-01, Recommendation #5) and establish a process to maintain detailed corrective action plans for all internal control deficiencies to comply with the requirements of the Office of Management and Budget A-123. Specifically, we recommended the Bureau of Fiscal Operations (RRB OIG Report 23-01, Recommendation #10):

- Communicate corrective actions to the appropriate level of the Agency and delegate authority for completing corrective actions to appropriate personnel.
- 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.
- 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.
- Require prompt resolution and internal control testing to validate the correction of the control deficiency.
- Ensure that accurate records of the status of the identified control deficiency are maintained and updated throughout the entire process.
- Ensure that the corrective action plans are consistent with laws, regulations, and Agency policy.
- Ensure that performance appraisals of appropriate officials reflect effectiveness in resolving or implementing corrective action for identified material weaknesses.
- Fully disclose uncorrected internal control weaknesses and highlight those that are material.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

B. ***Ineffective IT Control Over Financial Reporting (Repeat)***

RRB's IT internal controls are ineffective for its Information Security Program, therefore its IT controls over financial reporting are ineffective.

RRB relies extensively on 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.

In accordance with the GAO Federal Information System Controls Audit Manual, Chapter 3, *Evaluating and Testing General Controls*, "*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 RRB has not implemented the necessary IT internal controls over its financial reporting systems to mitigate the risk of material misstatement. Without

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

effective IT controls over financial reporting, financial systems cannot be relied on, and RRB's financial statements may be materially misstated.

Because RRB has not taken and/or completed corrective action, this material weakness and the related prior year recommendation remain open and unimplemented.

Recommendation:

We are not making any new recommendations, as the following recommendation was already made in the RRB's OIG Report 23-01.

In November 2022, we recommended the RRB's Bureau of Information Services design and implement the necessary Information Technology controls in the following five areas (RRB OIG Report 23-01, Recommendation #6):

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

C. *Outdated Accounting Procedure Guides (New)*

RRB's Accounting Procedures Guides (APGs) related to its financial management practices (i.e., accounting and financial reporting processes) provided no evidence of being updated, reviewed, and/or approved. Most of RRB's APGs have not been updated for more than three years with one being last updated in FY 2007.

The Bureau of Fiscal Operations has not prioritized updating its APGs for its accounting and financial reporting processes. The Bureau of Fiscal Operations stated the guides were updated as needed, during a meeting on June 21, 2023, but did not elaborate on how this determination was reached. Additionally, there was no documentation to validate whether the procedures were current, have been reviewed, and/or approved.

In accordance with GAO's Green Book, Principle 12 - *Implement Control Activities*, "[m]anagement periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks." Subsequent to informing the Bureau of Fiscal Operations of our findings, management stated they maintain electronic versions of approvals for some APGs, however, those electronic versions were never provided. The Bureau of Fiscal Operations also stated, "…vacancies in key leadership positions coupled with overall staffing shortages in the accounting section has hindered our ability to review and update all APGs."

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Outdated and obsolete APGs may lead to inaccurate procedures, resulting in accounting and financial reporting processes that are not (1) in accordance with U.S. GAAP, (2) in compliance with the OMB Circular No. A-136, *Financial Reporting Requirements* (OMB A-136). Additionally, the Bureau of Fiscal Operations personnel responsible for these critical and/or sensitive areas are unable to ensure they are performing their work in accordance with RRB's required procedures, which may result in material misstatements, missing, incomplete, inaccurate, and/or misleading reporting and disclosures in RRB's consolidated financial statements.

Recommendations:

We recommend the RRB's Bureau of Fiscal Operations:

5. Implement a process to ensure both accounting and financial reporting processes Accounting Procedures Guides are reviewed and updated periodically to support its accounting and financial reporting processes.
6. Implement a process to ensure the review and approval of Accounting Procedures Guides are properly documented with a date stamp of when the Audit Program Guides were approved along with an authorizing official's signature indicating the approval.
7. Maintain a master list of all Accounting Procedures Guides for tracking and archival purposes.
8. Withdraw and archive outdated Accounting Procedures Guides that are no longer followed or needed.

III. Financial Reporting

A. *Preparing and Reviewing Financial Reports (Modified Repeat)*

The financial reporting compilation function is central to an entity's internal control environment, and its ability to accurately report to Congress, the public, the railroad community, and other stakeholders about its stewardship of Federal funds and the railroad community's trust fund. While the Bureau of Fiscal Operations has made significant progress in improving its financial reporting, several critical areas have not been resolved. The Bureau of Fiscal Operations financial reporting process lacked sufficient processes and internal controls to ensure complete, reliable, and accurate financial statements and the accompanying notes were prepared timely.

Since the Bureau of Fiscal Operations did not provide us with its PAR or the consolidated financial statements and accompanying notes in a timely manner, we were unable to perform our required audit procedures on the Management's Discussion and Analysis (MD&A), Performance, Financial, and Other Information sections of the PAR. Therefore, without sufficient appropriate evidential matter obtained in a timely manner, Bureau of Fiscal Operations may not be able to support complete and accurate consolidated financial

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

statements that are free from material misstatement, whether due to fraud or error, causing the agency to be unable to report accurately to Congress, the public, and other stakeholders about its stewardship of Federal funds.

During our procedures over RRB's interim[1] financial statements, we observed the following:

- Prior year balances that did not agree with the reported prior year financial information;
- Balances that did not agree with provided evidential matter;
- Note disclosures that were missing, incomplete, inaccurate, and/or misleading;
- Mathematical errors; and
- Formatting inconsistencies and/or errors.

Furthermore, the FY 2023 OMB A-136 explains, in part that final audited financial statements are due to MAX.gov and by email to GAO by 6 p.m. on November 15, 2023, and agencies must submit a complete draft PAR, including its unaudited financial statements, to OMB by October 31, 2023. In RRB's prior year response related to this finding, management stated, "…[it] would be subjecting the document to ongoing review and revision up through the November 15..." However, RRB is unable to meet the mandate of providing a final PAR per OMB A-136 by November 15 without the financial statement audit being completed on time. The financial statement audit is required under the Accountability of Tax Dollar Act of 2002[2].

Because RRB has not taken and/or completed corrective action, this material weakness and the related prior year recommendation remain open and unimplemented.

Recommendations:

RMA is not making any new recommendations, as the following recommendations were already made in RRB OIG Report 23-01.

In November 2022, RMA recommended the RRB's Bureau of Fiscal Operations (RRB OIG Report 23-01, Recommendations #7-9):

We recommended the RRB's Bureau of Fiscal Operations:

- Round financial statements and other related financial information to thousands or millions to decrease the number of mathematical errors due to rounding (RRB OIG Report 23-01, Recommendation #7).

[1] According to OMB A-136, "[a]gencies must submit unaudited interim…financial statements and notes by August 15, 2023."
[2] Public Law 107-289 (2002).

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

- Develop and implement effective controls, including a quality assurance process, necessary to ensure that (RRB OIG Report 23-01, Recommendation #8):
  a. accounting and reporting are in accordance with U.S. GAAP and financial information is presented in compliance with OMB 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 the PAR compilation.
- Develop, identify, and make available the training necessary to ensure staff obtain and update the skills necessary to ensure compliance with (RRB OIG Report 23-01, Recommendation #9):
  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. *Open Obligations Not Timely Reviewed (Repeat)*

RRB's BFO continued to have issues regarding the review of Open Obligations. These issues were identified in last year's financial statement audit report.

The review and approval of an agency's Open Obligations is a critical control for management to support its obligation balances on its Combined Statement of Budgetary Resources. For the year ended September 30, 2023, BFO reported \$15.5 billion in obligations, of which, \$66.9 million were unpaid. During our final phase of the FY2023 audit, we requested the Open Obligations Review for Current and Prior Fiscal Years. However, BFO initially did not provide the requested information to support the year end analysis. According to the BFO, open obligations are reviewed on a quarterly basis. We further observed that the due date for an agency's submission to OMB of its complete draft FY 2023 PAR was October 31, 2023. The open obligations review was due on or before November 13th, 2023, thus, the review is being completed after the submission of the PAR. Without providing the requested supporting evidential matter, RMA could not validate management's review and approval, as well as determine if its controls were operating effectively related to BFO's open obligations validation process.

The Bureau of Fiscal Operations continues to have unresolved issues regarding the timeliness of review and approval for its open obligations due to financial reporting internal control.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

The due date for RRB's review was (1) after the due date that OMB requires the draft Performance and Accountability Reports to be submitted; and (2) the last day of the Governmentwide Treasury Accounting Symbol (GTAS) Period 12 revision window. Specifically, as part of the testing of open obligations balances, we received the Memorandum with the subject, "Open Obligations Review for Current and Prior Fiscal Years," dated October 10, 2023, and noted that the due date for responses was November 13, 2023.

In our prior year audit report, we reported that OMB's required due date for open obligation reviews did not allow sufficient time for RRB's management to review, approve, and process any potential adjustment to the obligations. This year's due date, once again, did not allow sufficient time for a review. This also directly impacts the RRB's ability to turn in audited financial statements on or before the due date. For FY 2023, the RRB must submit audited financial statements by 6 p.m. ET on November 15, 2023.

Because RRB has not taken and/or completed corrective action, this material weakness and the related prior year recommendations remain open and unimplemented.

Recommendation:

We are not making any new recommendations, as the following recommendation was already made in the RRB OIG Report 23-01.

We recommended the RRB's BFO require responses to the Open Obligations Review for Current and Prior Fiscal Years Memorandum be submitted at a time that allows the RRB to meet its financial reporting deadlines as required by the OMB A-136 (RRB OIG Report 23-01, Recommendation #11).

C. *Unsupported Undelivered Orders (New)*

The Office of Administration was unable to provide sufficient support for 42 of the 48 undelivered orders[3] (UDO) sampled. For the quarter ended June 30, 2023, we selected a total of 48 UDO obligations and remaining balances, totaling $53.5 million, from a population of 920 UDO obligations, totaling $60.5 million. During our UDO testing, we identified 40 internal control exceptions and 27 substantive[4] exceptions, resulting in the following:

- The 27 substantive exceptions resulted from significant differences identified between our recalculated UDO balance and the amounts reported in the Financial Management Integrated System (FMIS). We recalculated the UDO balances using source

[3] An undelivered order is defined as the value of goods and services ordered and obligated that have not been received.
[4] A substantive test is defined as a check for errors in an organization's accounts, financial statements, or support. An exception occurs when an error is present.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

documents, such as original contracts, contract modifications, and expenditure history reports. The total difference between our recalculated amount and the amount per FMIS was a net understatement of $56.9 million.

- The 40 internal control exceptions resulted from the Office of Administration's inability to provide sufficient appropriate evidential matter in a timely manner to achieve the objectives of the UDO testing. Specifically, the Office of Administration was not able to provide:
    - obligation documents (i.e., original contracts and contract modifications) to validate the existence of the UDOs;
    - invoices and/or Intra-Governmental Payments and Collections (IPACs) to substantiate the expenditures related to the UDOs; and
    - justification on why UDOs have not been closed out/deobligated despite being opened for an extended period of time after the end of the period of performance.

RRB's UDOs may be understated by approximately $56.9 million for the period ended June 30, 2023 and materially misstated at year-end because it lacks updated policies and standard operating procedures, including documentation of end-to-end process and quality assurance process to ensure all balances recorded are supported by underlying source documentation. The potential material misstatement of the UDOs could also cause RRB's (1) unobligated balance from prior year budget authority, net and (2) new obligation and upward adjustments reported on its Combined Statement of Budgetary Resources to be materially misstated by an undetermined amount.

In accordance with the GAO Green Book, Section 10.03, *Design of Appropriate Types of Control Activities*, "[a]ppropriate 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."

Recommendations:

We recommend the Railroad Retirement Board's Office of Administration:

9. Develop, implement, and document the necessary standard operating procedures to establish an effective control environment, along with the end-to-end business processes and quality assurance process to verify all balances recorded are supported by underlying source documentation. At a minimum, the procedures should include establishing and maintaining relationships with key business process owners, including sub-processes, across the Railroad Retirement Board to maintain all relevant

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

documentation for undelivered obligations in a central location in the Financial Management Integrated System (FMIS).

10. Develop training or reference guides to teach users of the Financial Management Integrated System to properly attach supporting documentation when recording obligations in the Financial Management Integrated System.
11. Analyze Undelivered Orders balances quarterly to verify balances are still valid for obligations that are open for an extended period after the end of the period of performance. At a minimum, continue the quarterly analysis until the Office of Administration has determined the updated internal controls as effective.

D. ***Unsupported Journal Entries (Repeat)***

RRB's BFO failed to support journal vouchers with sufficient and appropriate documentation. More specifically, of the 15 judgmentally selected samples, we identified 11 transactions totaling approximately $115 million that could not be adequately supported.

Of the remaining nine additional transactions tested, we identified similar issues. There was inadequate documentation (e.g., unresearched GTAS edits, unsupported excel spreadsheets and/or emails) to properly support each transaction.

Without having the appropriate documentation before journal vouchers are posted, financial statements may be materially misstated.

In accordance with GAO Standards for Internal Control in the Federal Government, Principle 10 – *Design Control Activities, Design of Appropriate Types of Control Activities Attribute*, "[a]ppropriate 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."

Because RRB has not taken and/or completed corrective action, this material weakness and the related prior year recommendations remain open and unimplemented.

Recommendations:

We are not making any new recommendations, as the following recommendations were already made in RRB's OIG Report 23-01.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

In November 2022, we recommended the Bureau of Fiscal Operations:

- Improve its internal controls so that supporting documentation for journal entries is available for external review (RRB OIG Report 23-01, Recommendation #12).
- 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 (RRB OIG Report 23-01, Recommendation #13).

E. *Financial Statement Analysis (Repeat)*

The Bureau of Fiscal Operations' current process related to its financial statement fluctuation analysis does not provide detailed level information to adequately explain why or how the differences occurred. Specifically, RRB's financial statement fluctuation analysis did not:

- Document financial account balance fluctuation expectations based on its operating environment and compare those expectations to the identified significant balance fluctuations for reasonableness;
- Specify the underlying financial event(s), change(s) in operations, and/or trends that would provide insight into the root cause of the balance fluctuations; and
- Provide explanations that were supported. For example, the change in NRRIT assets on the consolidated statement of changes in net position increased by $1.3 billion and 1,303 percent. Management's response stated, "*Increase is due to change in NRRIT Assets*." However, NRRIT net assets on the consolidated balance sheet reported a decrease of $4.2 billion and 15 percent, which is not consistent with the fluctuation explanation for change in NRRIT assets on the consolidated balance sheet. We are unable to independently verify the fluctuations concerning NRRIT- because RRB has not authority to compel NRRIT to provide financial information for our audit.

The Bureau of Fiscal Operations has a lack of (1) controls in place to document its review of the balances reported on its financial statements, (2) understanding of how the account balances are driven and fed into the financial statement line items, and (3) review and approval of the fluctuation analysis to ensure significant changes are properly explained and are supported.

Bureau of Fiscal Operations' inability to appropriately explain the cause of a fluctuation in its financial statements (1) may lead to untimely detection of significant omissions and/or misstatements and (2) indicate the existence of a material misstatement due to control, fraud, or inherent risk. Specifically, RRB's financial statement fluctuation analysis did not:

In accordance with OMB A-136, "[s]ignificant entities should explain the reasons for significant changes to material line items…[s]ignificant changes include: (1) changes in excess of 10 percent that are material to the agency's financial statements…" Furthermore, the GAO Standards for Internal Control in the Federal Government, Principle 10 – *Design*

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Control Activities, Design of Appropriate Types of Control Activities Attribute, "[r]eviews 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 "[a]ppropriate 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."

Because RRB has not taken and/or completed corrective action, this material weakness and the related prior year recommendations remain open and unimplemented.

Recommendation:

We recommend the RRB's Bureau of Fiscal Operations:

12. Develop and adhere to the standard operating procedures for the fluctuation analysis on all financial statements for every quarter of the fiscal year.

Since the Railroad Retirement Board has not implemented corrective action plans, the prior year's material weaknesses and the related recommendations remain open and unimplemented. The following recommendations were already made in the Railroad Retirement Board Office of Inspector General Report 23-01.

In November 2022, we recommended the RRB's Bureau of Fiscal Operations:

- 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 (RRB OIG Report 23-01, Recommendation #14).
- 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 (RRB OIG Report 23-01, Recommendation #15).

F. ***Non-Compliance with Treasury USSGL (New)***

RRB's Bureau of Fiscal Operations did not record required budgetary entries for its FI accrual in accordance with OMB and Treasury requirements.

RRB's BFO did not record contributions receivable in accordance with OMB and Treasury requirements.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Specifically, we observed:

- For recording the RRB's FI accrual information, BFO used proprietary entries for two USSGL accounts.[5] When we requested the required corresponding budgetary entries, BFO explained that the FI accrual does not require a budgetary entry until the actual settlement occurs in the following year. We determined that BFO's explanation was not supported by USSGL transaction codes or guidance from Treasury or OMB.

- For recording the RRB's contributions receivable information, BFO used incorrect debit and credit combinations for four USSGL accounts.[6] According to BFO, there may be multiple journal entries made in relation to contributions receivable transactions that may, in combination, agree to the USSGL transactions. However, BFO did not respond to our request to provide all the entries associated with and in accordance with the USSGL transaction codes.

BFO's process for recording FI accruals and contributions receivable did not comply with the requirements of the Treasury Financial Manual (TFM), USSGL due to a lack of adequate understanding, proper use, and effective review and approval process to ensure transactions are recorded in accordance with USSGL transaction codes. Additionally, the Bureau of Fiscal Operations does not have readily available support for its transaction codes in relation to how it records financial events. The FI accrual balance as of September 30, 2023 was $5.6 billion. The contributions receivable balance as of September 30, 2023 was $340.0 million.

BFO's failure to record transactions in accordance with USSGL transaction codes may result in (1) RRB not recording its FI and contribution receivables in accordance with the USSGL, (2) a material misstatement in RRB's Combined Statement of Budgetary Resources, and (3) differences between budgetary and proprietary accounts when performing tie point reconciliations.

In accordance with OMB A-123, Appendix D, *Management of Financial Management Systems – Risk and Compliance*, Section 4, Part E, "Transactions are posted to the financial system in accordance with the standard general ledger accounting requirements of the Treasury published in the USSGL supplement to the Treasury Financial Manual (TFM)."

[5] Account 5750, *Expenditure Financing Sources – Transfers-In*, and account 5760, *Expenditure Financing Sources – Transfers-Out*.

[6] Account 1330, *Receivable for Transfers of Currently Invested Balances*, account 5800, *Tax Revenue Collected – Not Otherwise Classified*, account 4126, *Amounts Appropriated from Specific Invested Treasury Appropriation Fund Symbol (TAFS) – Receivable*, and account 4120, *Anticipated Indefinite Appropriations*.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Recommendations:

We recommend the RRB's Bureau of Fiscal Operations:

13. Develop and implement effective controls necessary to ensure transactions recorded are United States Standard General Ledger compliant.
14. Assess the training necessary to ensure learning objectives are met and the required skills obtained by Bureau of Fiscal Operations management and staff to ensure compliance with Treasury's United States Standard General Ledger.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Exhibit II – Compliance with Laws and Regulations

I. *Inadequate Controls Over Railroad Service and Compensation (Modified Repeat)*

In accordance with the RRA, the RRB has the authority to conduct audits of the railroad community's employers. Therefore, RRB established the Audit and Compliance Section (ACS) (1) to determine whether compensation has been accurately reported to the RRB, and (2) to reconcile creditable compensation reported for RRA with taxable compensation reported to the Internal Revenue Service for Railroad Retirement Tax Act purposes. The RRB's ACS established a program of railroad employer audits with the primary objective of reviewing the accuracy of railroad service and compensation on which payroll taxes are based.

However, RRB's internal control over creditable and taxable compensation was found to be inadequate because RRB does not provide sufficient audit coverage to railroad employer compensation reporting. An audit of the largest Class 1 railroads has not been completed since 2016 with one in progress during the FY 2023 audit but has not been completed. The limited number of audits being completed by ACS was due to less staff and funding being allotted.

In accordance with the RRA, Section 7, and Railroad Unemployment Insurance Act (RUIA), these acts "provide authority for RRB to conduct compliance audits".

RRB management contends the requirements under Section 7 of the RRA and Section 12 of the RUIA "do not expressly instruct the RRB to conduct such audits…[w]hereas implementing requirements associated with FMFIA…is federally mandated." RRB's ACS continues to state they do not have enough staff to complete its audits of the railroad employers. Additionally, the staff hired by ACS were redirected to satisfy the mandated requirements of the FMFIA. RRB management has not prioritized staffing and resources to support its program of railroad employer audits with the primary objective of reviewing the accuracy of railroad service and compensation on which payroll taxes are based.

Failure to monitor railroad employer compensation effectively through Class I railroad audits may lead to the inaccurate reporting of creditable service and taxable compensation, which directly impacts the value of the railroad community's retirement funds and the sustainability of the railroad retirement system.

Because RRB has not taken and/or completed corrective action, this material weakness and the related prior year recommendation remain open and unimplemented.

Recommendation:

We are not making any new recommendations, as the following recommendation was already made in the RRB OIG Report 20-02.

In November 2019, the RRB OIG recommended the Railroad Retirement Board Bureau of Fiscal Operations acquire additional staff and funding to increase the Audit and Compliance

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Section's coverage of railroad employer compensation reporting to ensure that sufficient quantity of railroad audits, including Class I railroads, are conducted to establish and maintain a level of control effectiveness. (RRB OIG Report 20-02, Recommendation #4)

II. ***Antideficiency Act (ADA) (New)***

We were not able to ascertain RRB's compliance with the ADA. The Railroad Retirement Board's Office of Administration could not provide sufficient and appropriate supporting documentation for the requested UDO samples for the quarter ending June 30, 2023. We selected a total of 48 undelivered orders UDO samples. Part of the testing included verifying whether the Office of Administration was compliant with the ADA. For 9 of the 48 UDO samples, we could not verify if the Office of Administration was compliant or noncompliant with the ADA.

An undelivered order is defined as goods and services that the agency has been obligated but have not been received.

The OA lacked policies, standard operating procedures, training, and effective internal controls related to maintaining adequate documentation and meeting records management's requirements related to ADA compliance. Without effective internal control, RRB may not be able to prevent or detect potential occurrences of an ADA violation.

In accordance with Title 31 U.S. Code §1341, *Limitations on expending and obligating amounts*, section (a)(1)(A), "[a]n officer or employee of the United States Government or of the District of Columbia government may not… make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation." Furthermore, the Federal Records Act, Title 44, Chapter 31, section 3101, require, that "[t]he head of each Federal agency shall make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency and designed to furnish the information necessary to protect the legal and financial rights of the Government and of persons directly affected by the agency's activities."

Recommendations:

We recommend the RRB's Office of Administration:

15. Develop, implement, and document the necessary standard operating procedures to establish an effective control environment, along with the end-to-end business processes and quality assurance process to ensure these undelivered orders are supported with underlying source documentation with the intent to verify the agency is Antideficiency Act compliant.
16. Assess the training necessary to ensure established policy and procedures for records management are communicated and effectively implemented to comply with the Antideficiency Act.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

III. ***Contract Closeout Process (New)***

On October 31, 2023, RRB's CFO notified RMA that the agency continued receiving and paying for services even though the binding contracts had expired months earlier. Per the CFO, "according to RRB management, in August of 2023, members of management became aware that the agency continued receiving and paying for services on an expired contract. Management further explained that the Office of Administration's Acquisition Management Division (AM) was not aware that the contract had expired. To remedy the situation, RRB senior management had conversations with the responsible parties and management officials within and over AM to put in place an additional tracking mechanism to guard against such an error in the future. Unfortunately, RRB management became aware in October 2023 that another contract had expired at the beginning of August 2023 for which RRB has been receiving and paying for services. Based on the additional discovery, RRB management is in the process of determining corrective actions and developing additional internal controls to have a reasonable assurance that this will not occur again."

In accordance with GAO Standards for Internal Control in the Federal Government, Principle 10 – Design Control Activities, Design of Appropriate Types of Control Activities, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

AM lacks up-to-date acquisition and procurement management policies and procedures, including defined end-to-end acquisition and procurement business processes, and defined roles and responsibilities at all levels used to track contracts, specifically closeouts. Therefore, the AM may be disbursing funds in violation of contract clauses, which may lead to non-compliance issues, including potential ADA violations.

Recommendation:

We are not making any new recommendations, as the following recommendations were already made in the RRB OIG Report 19-14, Recommendations #11 and #12, RRB OIG recommended the Office of Administration/Division of Acquisition Management:

- Establish standard procedures for identifying and tracking contracts that have been physically completed (RRB OIG Report 19-14, Recommendation #11); and
- Take steps to ensure the remaining balances are de-obligated in the Financial Management Integrated System (FMIS) in a timely manner (RRB OIG Report 19-14, Recommendation #12).

Appendix A – Management's Response to Audit Report

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

OFFICE OF THE CHIEF FINANCIAL OFFICER

November 13, 2023

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 2023 Consolidated Financial Statements and Internal Control Over Financial Reporting

We acknowledge receipt of the referenced draft audit report, which was due to the Office of Inspector General (OIG) for its review and comment by October 27, 2023, and then was not provided to the RRB for comment until Friday, November 10, 2023, a day on which all RRB offices were closed in observation of Veterans Day, a federal holiday.

We strongly disagree with the disclaimer of opinions as well as the categorization of all findings and recommendations as material weaknesses or instances of non-compliance that the RMA states reportedly existed as of and for the year ended September 30, 2023. While we firmly non-concur with RMA's overuse of material weaknesses and instances of noncompliance, we recognize that there is room for internal control improvements. After we have the opportunity to review the final report in detail, we will determine whether RMA's recommendations are appropriate, cost effective, and reasonable. However, since the RRB was afforded only one business day (today, November 13) to respond to the draft report that contained new or changes to information previously communicated, the condensed timeframe prevents us from providing a more thorough management response as has been our custom. The severely restricted response time indicates a blatant disregard of and disrespect for the audit process and further calls into question the integrity and objectivity of the audit report. Without sufficient time to respond to new and changing information, we cannot appropriately address the contents of the draft report in our management response.

Accordingly, the commentary herein focuses on the primary basis for RMA's disclaimer of opinions, which according to our understanding is due to a lack of access to the National Railroad Retirement Investment Trust (NRRIT) or its 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).*

Congress created the NRRIT more than 21 years ago with the cooperation of rail labor and rail management when it enacted the Railroad Retirement and Survivors' Improvement Act of 2001 (the Act) and built audit provisions into the Act. As we have explained multiple times, Congress did not provide a legal basis or a requirement for the NRRIT to provide financial information to another party outside of that which is specified in the Act. The Act requires NRRIT management to annually engage an independent public accountant to audit its financial statement and submit an annual management report to the Congress that contains findings and results from that audit. The NRRIT's management has engaged KPMG, LLP, an independent public accounting firm, for the purposes of

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

conducting the annual financial statement audit. Further, in October 2018, the U. S. Government Accountability Office (GAO), serving as the federal government's auditor, entered into a Memorandum of Understanding (MOU) with the NRRIT that provided the GAO access to information necessary to support inclusion of the NRRIT's financial information in the government-wide financial statements starting in fiscal year 2018.[1] To pursue legislative change to allow RMA or other OIG auditors access to the same information currently accessed by the GAO would be duplicative and a waste of government resources.

So long as the OIG and its contract auditors insist on access to the NRRIT's auditors and financial information beyond the parameters set by Congress, it has become obvious to the objective observer that there is no action the RRB can take which will achieve a clean opinion on its consolidated financial statements or the RRB's internal control over financial reporting.

Sincerely,

SHAWNA WEEKLEY
Digitally signed by SHAWNA WEEKLEY
Date: 2023.11.13 17:28:45 -06'00'

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

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
Elizabeth Plowiec, Accounting Officer
Chiquita Lowery, Director of Audit Affairs and Compliance

[1] 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).

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Appendix B – RMA's Evaluation of Management's Response

We appreciate the courtesies afforded to the auditors during the fiscal year 2023 financial statement audit. We also appreciate receiving RRB's response to the draft independent auditor's report as requested on November 13, 2023. We understand the concerns in the letter. As required by generally accepted government auditing standards (GAGAS), we evaluated RRB's comments and responded below.

During the entrance conference held on February 16, 2023, we informed RRB the final draft audit opinion would be issued to the agency on or before November 10, 2023, for a comment period of at least one day. The audit opinion was provided to the agency on the morning of November 10, 2023, with a request for a response to be provided by the end of the day November 13, 2023. During the exit conference held on November 9, 2023, we notified RRB the audit opinion would be provided for their comment following OIG approval. We met the delivery date established in the entrance conference and provided RRB with the agreed-upon comment period.

RRB was provided with all the findings and recommendations of the audit prior to or on November 4, 2023, with 10 of these delivered in October. With exception to Notifications of Finding and Recommendation (NFR) numbers 23-01, 23-02, 23-03, 23-04, 23-05, and 23-16, RRB deferred responding to the remaining 15 findings until the draft audit report was provided to the agency.[7] Furthermore, during the audit status meeting on November 7, 2023, RRB was unaware the final NFR had been sent to the necessary parties at RRB on November 4, 2023. The final NFR was re-sent on November 7, 2023, at which point RRB management had access to all the findings included in the report delivered on November 10, 2023.

We understand and appreciate that the NRRIT access issue is beyond RRB's control. This issue does have an impact on financial reporting and is the primary cause of the disclaimer. However, the lack of access to NRRIT records was not the sole limitation on the scope of our audit. Evidential matter was not delivered timely; 90 audit requests, which represent 26 percent of the total, were either provided late or not at all. Additionally, we were unable to conduct testing over the $14.4 billion of the Railroad Retirement annuity payments as adequate supporting documentation was not available. This amount represents over 99% of RRB gross costs.

We regret any inconvenience and will work more closely with RRB management next year to better communicate the year-end timing and the importance of timely responses to NFRs to mitigate the risk of a rush immediately before the November 15th reporting deadline.

Finally, in accordance with GAGAS requirements, we are required to evaluate RRB's management's responses which we have completed, and we have concluded our report remains as written and is not modified.

[7] RRB's management provided a response to NFR 23-01 on September 15, 2023; NFR 23-02 on September 23, 2023; NFR 23-03 on September 22, 2023; NFR 23-04 on October 4, 2023; NFR 23-05 on October 1, 2023; and NFR 23-16 on October 30, 2023.

PAGE INTENTIONALLY LEFT BLANK

OTHER INFORMATION
(Unaudited)

PAGE INTENTIONALLY LEFT BLANK

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 the 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.[1]

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 also has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage.[2]

In fiscal year 2022, the RRB paid retirement-survivor benefits of nearly $13.5 billion to about 506,000 beneficiaries and paid unemployment-sickness insurance benefits of approximately $90.4 million to about 23,000 claimants. This year's management challenges are:

- Improve Agency Disability Program Integrity
- Improve Information Technology Security and Complete System Modernization
- Improve Transparency and Management of Railroad Medicare
- Improve Payment Accuracy and Transparency
- Achieving a Clean Opinion on Agency Financial Statements and Internal Controls over Financial Reporting
- 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.[3] Many of this year's challenges have been repeatedly included in prior statements. Some have been

[1] Office of Management and Budget (OMB), *Financial Reporting Requirements*, Circular No. A-136 Revised (Washington, D.C.: May 19, 2023).
[2] Social Security Act (42 U.S.C. § 1842(g)).
[3] The President's Management Agenda, *The Biden-Harris Management Agenda Vision*, https://www.performance.gov/pma/.

included in one form or another for at least nine 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 remains high. Over the years, we have issued numerous audit recommendations directed towards increasing program integrity within the RRB's disability program. Investigative work in this area continues as well. However, RRB has failed to enact substantial change to a program valued at approximately $710 million in fiscal year 2022 ($475 million for occupational disability and $235 million for total disability).[4] Disability program integrity remains one of my top concerns.

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 ten years but in more recent audits completed in 2019 and 2021.[5] In six prior audits, we made 34 recommendations to address disability findings, of which 20 remain open at the time of this statement. All of these recommendations should still be implemented as reported. Of the 20 open recommendations, RRB management concurred with 6 of them. For these six recommendations, two have been open for more than a decade, one has been open for over seven years, and three for over four years. 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 establish 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.

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."[6] The RRB's approval rate for occupational

---

[4] A railroad employee is considered occupationally disabled if the physical or mental condition is such that the employee is permanently disabled for work in his or her regular railroad occupation, even though the employee may be able to perform other kinds of work.

[5] Details regarding these reports can be found in our previously reported challenges.

[6] 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.

disabilities was 97.62 percent during fiscal year 2022. 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 occupational disability program, the statement in GAO's report remains valid and reflects that improvements are still needed in the program.

Total and occupational disability awards are high value and can be abused by railroad employees. For fiscal year 2022, 7,500 total disabled annuitants received an average monthly total disability annuity of $2,425 and 9,700 occupationally disabled annuitants received an average monthly occupational disability annuity of $3,612. The RRB is statutorily required to periodically review disability annuitant's impairment(s) and work activity to determine if the annuitant continues to be entitled to disability benefits.[7] The RRB calls this evaluation a continuing disability review (CDR). In general, the CDR process includes the RRB obtaining recent medical evidence and other documents from awardees and determining if recovery from a disability has occurred. If the RRB confirms recovery, the disability is terminated. The breadth and effectiveness of the RRB's CDR program is an area of concern. At the start of fiscal year 2022, there were 923 pending CDR actions, and the Disability Benefits Division (DBD) completed 490 CDRs in fiscal year 2022. In comparison, the RRB paid 17,200 disability annuities during fiscal year 2022. Improvements in the RRB's oversight of CDRs will help minimize disability overpayments and support the RRB's mission. According to the RRB, "[i]n carrying out our 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."

A prior audit report, issued by GAO in 2018, reported that the RRB needed to take actions to improve the effectiveness and oversight of CDRs.[8] GAO found that most beneficiaries were not subject to medical CDRs, and the RRB's data used to identify unreported earnings and potential overpayments was outdated. In addition, GAO determined RRB's oversight of its CDR program has focused on high-risk reviews rather than overall program data. GAO made three recommendations, the RRB concurred with the three recommendations and implemented corrective action, and GAO closed these recommendations. GAO also recommended that Congress consider giving RRB access to the National Directory of New Hires, a national database of wage and employment information that would enable it to identify potential overpayments sooner. As of May 2023, no legislation had been enacted related to this matter of Congress.

In the RRB's fiscal year 2022 Performance and Accountability Report (PAR), RRB management explained that the near 100 percent occupational disability approval rate reflects the statutory requirements for approval more than a measure of program

---

[7] Railroad Retirement Board (RRB) regulations in 20 Code of Federal Regulations § 220.185 through 187 and 220.15 through 20 describe the broad categories of circumstances when the RRB will conduct a Continuing Disability Review and the frequency of review of disability determinations under the Railroad Retirement Act.
[8] GAO, *Railroad Retirement Board: Actions Needed to Improve the Effectiveness and Oversight of Continuing Disability Reviews*, GAO-18-287, (Washington, D.C.: February 21, 2018).

integrity. They stated because of these statutory requirements, many recommendations made by the OIG will not address the disability approval rate. In addition, RRB management explained that the 2009 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. In the RRB's fiscal year 2020 PAR, RRB management also mentioned they have been addressing 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.[9]

Staffing has been an issue according the RRB. In the fiscal year 2022 PAR, RRB management explained that DBD experienced a 28 percent staffing loss, and in the fiscal year 2021 PAR and fiscal year 2022 PAR stated that to reduce the number of pending cases and to improve timeliness DBD planned to hire additional initial claims examiners. In the fiscal year 2024 Justification of Budget Estimates, 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 14, 2023, 26 percent of staff within Programs can retire within the next year and 33 percent can retire within the next three years. The sustained low staffing levels have led to backlogs in cases that require post award adjustments. Lastly, as of March 13, 2023, the DBD had backlogs of approximately 2,314 initial disability decisions and 2,738 early Medicare cases were 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, and independent public accounting firms engaged to conduct RRB OIG audits. The RRB must also not ignore Congressional concerns from the past. 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 dollars in 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. 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. A federal disability program that, according to the administering agency, is established to achieve a near 100 percent approval rate is very troubling and needs to be reassessed by Congress.[10]

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

[9] GAO-09-821R.
[10] The approval rate for occupational disability claims in fiscal year 2022 was 97.62 percent.

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 is an ongoing challenge for the agency. Secure and modern information technology (IT) systems are vital in supporting the ability to meet the RRB's core mission and to 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 2024 Justification of Budget Estimates, 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. Using this additional funding, RRB will focus on its fully funded IT initiatives and planned projects.

In the annual Federal Information System Modernization Act (FISMA) audits for fiscal years 2018, 2019, 2020, 2021, and 2022, the RRB did not comply with FISMA legislation or OMB guidance. As reported in the fiscal year 2022 FISMA, the sampled security controls selected from National Institute of Science and Technology Special Publication 800-53, Rev 5 demonstrated ineffectiveness, and thus, the RRB's information security program (ISP) did not provide reasonable assurance of adequate security. Auditors observed various improvements across the agency that demonstrated RRB's commitment towards progress and noted that RRB has ongoing initiatives that, if fully implemented, will further mature RRB's ISP and practices. However, based on the fiscal year 2022 Core Inspector General FISMA Reporting Metrics, RRB's ISP was not operating effectively. RRB's ISP did not meet the fiscal year 2022 Core Inspector General (IG) FISMA Reporting Metrics' definition of effective because the program's overall maturity did not reach Level 4: Managed and Measurable. A total of 11 detailed audit recommendations were made to address these fiscal year 2022 identified weaknesses. RRB management concurred with all of the recommendations. RRB's response noted the recognition of necessary improvements to mature RRB's ISP and defined the Chief Information Officer and Chief Information Security Officer's planned actions to address the findings and recommendations presented in the audit report.[11] In total, for all prior FISMA reports, the RRB has implemented 35 recommendations and 37 remain open.

[11] RRB Office of Inspector General (OIG), *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2022*, Report No. 23-02 (Chicago, IL: January 18, 2023).

On August 31, 2023, auditors reported the maturity of RRB's ISP to be not effective.[12] The independent public accounting (IPA) firm reviewed the RRB's Agency Enterprise General Information System (AEGIS) General Support System (GSS) and determined that despite an overall not effective system, the RRB has sustained some of the prior year ratings, continued to improve on other ratings, and continued to make steady progress in improving their ISP.

The RRB continues to emphasize the need for improving cybersecurity and modernizing the RRB's systems through key reporting. In its fiscal year 2024 Justification of Budget Estimates, the RRB established Strategic Goal I, Modernize Information Technology Operations to Sustain Mission Essential Services with the Strategic Objective, RRB's Transformation. In support of Strategic Goal I, the RRB developed its Information Resources Management (IRM) Strategic Plan for Modernization and identified four goals which are: 1) Improve the User Experience, 2) Secure the Enterprise, 3) Upskill the IT Team, and 4) Optimize the Infrastructure. In efforts to achieve its goals and planning, the RRB identified four IT priorities, which are:

- Priority 1 - Mainframe and Legacy Application Optimization in Cloud Environments/Platforms
- Priority 2 - Data Model Design/Implementation
- Priority 3 - Application/Customer Views
- Priority 4 - Optimize Infrastructure

In addition, the RRB addressed its ISP as a component of its Strategic Goal III, serve as responsible stewards for our customers' trust funds and agency resources, through its strategic objective, ensure effectiveness, efficiency, and security of operations.

Within its Justification of Budget Estimates Performance Plan, the RRB consolidated its performance indicators to assess its progress toward its strategic objective with reference to its IRM Strategic Plan for Modernization. The five performance indicators are:

- Indicator 1 - Complete the development of business rules strategy and data layer components of the modernization
- Indicator 2 - Deliver citizen-centric services and applications to railroad employees through mobile and web-ready interfaces
- Indicator 3 - Complete the streamlining of core business processes and modernize key applications, which support these processes
- Indicator 4 - Refine critical management processes in the following areas within the IT organization: change, project, program, and configuration

[12] An independent public accounting (IPA) firm made this determination using the required fiscal year 2023 Core and Supplemental Inspector General FISMA Reporting Metrics. The IPA firm provided the RRB OIG with what is commonly known as the CyberScope report. This report was uploaded in the Department of Homeland Security's CyberScope Portal.

- Indicator 5 - Evaluate the re-engineering assessment deliverables to determine a cost-effective path forward to application rationalization and streamline business processes

RRB management stated that it continues to make progress towards a compliant ISP and make efforts towards improving its security posture to ensure compliance with emerging executive orders and emergency operational directives. RRB has partnered with the Department of Homeland Security (DHS) and participates in the Continuous Diagnostic and Mitigation (CDM) program and the CDM Dynamic and Evolving Federal Enterprise Network Defense (DEFEND) program. This partnership with DHS is expected to strengthen its Information Security continuous monitoring compliance, vulnerability assessment, hardware and software management, configuration management, and privileged account management.

In response to our narrative for this challenge, RRB management stated that it has consistently recognized its regulatory responsibilities and acknowledges the OIG's concern with the RRB's ability to establish and maintain a secure and reliable IT environment for its data, applications, and systems. RRB also stated that it understands and takes very seriously the mandate of the FISMA, as amended by the Federal Information Security Modernization Act of 2014. RRB management also explained that its leadership has been proactive in 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 strategy that will support both RRB and the Railroad community. According to the RRB, these actions improved its overall risk management for the agency.

RRB’s progress has steadily been improving because they closed 21 Plan of Action and Milestones and 23 OIG findings during fiscal year 2022. RRB also plans to proactively address the remaining findings and recommendations in order to improve the agency's security posture. RRB’s multi-year effort to stabilize its infrastructure and modernize its operations was expected to close by the end of fiscal year 2023.

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

Challenge 3 – Improve Transparency and 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 84 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 82 recommendations. For the reasons explained later in this challenge, we continue to see the need for 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.[13]

As of June 7, 2023, we were informed that the RRB established a Railroad Medicare bridge contract with Palmetto as a result of an earlier bid protest.[14] GAO dismissed this protest on September 27, 2022 as described in last year's challenge. Since September 2022, RRB management has been extending the previous Palmetto contract until they could complete the process for a new long-term contract. RRB management explained they will try to obtain a new 10-year Specialty Medicare Administrative Contractor (SMAC) contract sometime during the first quarter of fiscal year 2024, with the period of performance beginning on or around April 1, 2024. However, RRB management is anticipating another bid protest. We are also concerned that if RRB's Acquisition Management pursues this new acquisition in the same manner previously, they indeed will face another bid protest and more delays in awarding a new contract.

It is anticipated that a new 10-year contract with a total cost of approximately $183 million will be awarded by the RRB this fall with a performance period beginning on April 1, 2024. In contrast, if the contract were to be transferred to the Centers for Medicare and Medicaid Services (CMS), federal taxpayers could potentially save a significant amount of funds due to the gained economy of scales.

Within the RRB, Programs is responsible for the day-to-day Railroad Medicare contract oversight, while RRB's Acquisition Management Division is responsible for successfully awarding the contract. The RRB is fully responsible for the Railroad Medicare contract.

At the end of fiscal year 2022, approximately 459,773 qualified railroad retirement beneficiaries were enrolled in Medicare Part A, and 442,615 were also enrolled in Medicare Part B. During fiscal year 2022 and on behalf of the RRB, Palmetto processed more than 7.9 million Railroad Medicare claims and paid approximately $923 million in

[13] 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.

[14] According to USAspending.gov and 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. The bridge contract number is 60RRBH23C0003.

benefit payments to providers for Part B services. CMS transferred/reimbursed RRB for total expenses of $38.3 million in Railroad Medicare program costs during fiscal year 2022, a total increase of 15 percent from the prior fiscal year. Of that amount, approximately $23.3 million, a 27 percent increase from the prior fiscal year, was transferred to fund the RRB's Palmetto contract, and $15.0 million, a 1 percent increase, was sent to the RRB for reimbursable expenses incurred for administering the program. At the time of this report, no information was available to explain the extraordinary contract funding increase. CMS paid the RRB for these administrative services through an existing and ongoing cost reimbursement agreement, interagency agreement, and memorandums 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.

On August 31, 2022, a new Memorandum of Understanding (MOU) was 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.

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. This report includes five recommendations addressing Medicare payment integrity transparency.[15] The public and Congress have not been allowed access to Palmetto's performance over the years, including Palmetto's fiscal year 2022 performance in processing over 7.9 million claims to pay various providers over $923 million. Five years of improper payment information is unknown to the public and Congress. Additionally, the MOU dated August 31, 2022 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 2022 PAR, RRB management provided actions taken to address the management of Railroad Medicare, such as 1) continue to prepare an annual risk assessment to determine SMAC vulnerabilities, 2) continue to use the Comprehensive Error Rate Testing (CERT) improper payment information to prepare annual medical

[15] RRB OIG, *The Railroad Retirement Board was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2022,* Report No. 23-04 (Chicago, IL: May 19, 2023).

review strategies, 3) continue to require the SMAC to submit a CERT Improper Payment Activities Report after the final improper payment data is received from CMS, 4) continue to ensure that the SMAC submits regular updates to the RRB if the improper payment rate is above the accepted tolerance levels, and 5) continue providing performance data and other data to CMS, when requested, in order to assist CMS with reporting requirements.[16] 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.[17] 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 determination by revealing an unreliable and ever fluctuating Railroad Medicare improper payment rate (i.e., rates from 2 percent up to 13.7 percent).[18] Further analysis of the Railroad Medicare's initial CERT sample size projected the margin of error at +/- 8.2 percent whereas a proper statistical sample would have a margin of error between +/- 3.00 percent and +/- 4.99 percent.

We continue to disagree with RRB management that the RRB is not responsible for the oversight of the now more than $38 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 ten-year period of fiscal years 2013 through 2022, CMS paid the RRB approximately $141 million in Railroad Medicare administrative costs plus funded an additional $183 million for the Palmetto GBA contract. To eliminate excessive federal program waste, the more than $38 million in Railroad Medicare administrative and contract costs expended each year could be put

---

[16] RRB OIG, *Report on the Railroad Retirement Board's Financial Statements Fiscal Year 2022,* Report No. 23-01 (Chicago, IL: November 15, 2022).
[17] 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).
[18] 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, 2.0 percent, and 5.2 percent. Each CERT report warned readers to proceed with caution when interpreting data because of small sample sizes.

to much better use through consolidation with the Medicare program and remedial budgetary oversight action.

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. In addition, delivering excellent, equitable, and secure federal services and customer experience 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 the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Continued Assistance to Rail Workers Act (CARWA), and the American Rescue Plan Act (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 latest 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 fiscal year 2020 through fiscal year 2022, the RRB made pandemic relief benefit payments of more than $264.4 million.

Our oversight of CARES Act funding is ongoing. In three prior reports, we made eight recommendations to address CARES Act findings, six of which remain open.[19] Even

---

[19] 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 No. 21-04 (Chicago, IL: March 26, 2021); and RRB OIG, *Management Information Report: Railroad Retirement Board's Actions in Response to Pandemic Funding*, Report No. 22-06 (Chicago, IL: March 16, 2022).

though the RRB did not concur with five of the six 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.

A recent OIG audit determined that the RRB lacked comprehensive controls for the 12(o) lien process.[20] According to federal law, a railroad employee must reimburse the RRB for certain sickness benefits. The RRB refers to its right to reimbursement as a 12(o) lien. Specifically, Programs could not adequately determine the dollar value of sickness benefits that could potentially be recovered from 12(o) liens. In addition, the auditors determined that Programs did not ensure that 12(o) lien receivables information was entered into the RRB's financial management system timely. The auditors also determined that Programs' actions were not sufficient to ensure that all 12(o) liens were collected, since the auditors could not verify that all settled cases were transferred from the Railroad Unemployment Claims System, the system used to monitor ongoing cases, to the agency's financial management system, Financial Management Integrated System. The auditors made 21 recommendations and 5 of these recommendations were to address the payment accuracy weaknesses discussed in this section. The RRB did not concur with two recommendations, which included a recommendation discussed in payment transparency section in this challenge and a recommendation discussed in Challenge 6.

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. During our mandated payment integrity audit, we determined that the Railroad Medicare improper payment information was not transparent in HHS' Agency Financial Report (AFR) or the RRB's PAR.[21] As of August 31, 2022, the RRB is no longer responsible for reporting payment integrity information for Railroad Medicare because of a written agreement between HHS, CMS, and the RRB, which clarified that CMS will calculate and report Railroad Medicare program payment integrity data. However, Railroad Medicare improper payment information was not separately published in HHS' or CMS' AFR or on PaymentAccuracy.gov. In addition, Railroad Medicare improper payment information was not reported in HHS' 2022 Medicare Fee-for-Service Supplemental Improper Payment Data supplement to HHS' AFR. This was in direct opposition to OMB's intent for transparency and illustrated the failings and risk inherent with the extended enterprise (i.e., a smaller program being overshadowed by a larger program).

---

[20] RRB OIG, *The Railroad Retirement Board's 12(o) Lien Process Does Not Have Sufficient Controls to Identify, Monitor, and Collect Liens*, Report No. 23-05 (Chicago, IL: August 9, 2023).
[21] RRB OIG, *The Railroad Retirement Board Complied with the Payment Integrity Information Act for Fiscal Year 2022*, Report No. 23-04 (Chicago, IL: May 19, 2023).

My office is deeply concerned with the lack of transparency of a program that is reaching $1 billion in payments per year. Railroad Medicare should be considered as one program for improper payment reporting as its annual outlays are greater than $10 million and its improper payments have historically exceeded the statutory threshold deeming it susceptible to significant improper payments. We made five recommendations for this audit, and two of these recommendations were to address the weaknesses related to Railroad Medicare transparency of reporting.[22] RRB did not concur with the five recommendations. We continue to disagree with the RRB's position and maintain that RRB should include the improper payment rates and amounts in the payment integrity section of the PAR to inform their stakeholders of how the RRB's SMAC is performing in making payments. The five recommendations remain open.

As previously discussed, a recent OIG audit also determined that the information regarding the RRB's 12(o) lien program was not transparent.[23] Specifically, auditors determined that Programs did not know the financial magnitude of the 12(o) liens. As a result, the auditors determined that the entire total of all net sickness benefits paid during the scope of the audit, $358.8 million, could possibly have been eligible to be recovered as a 12(o) lien. In accordance with the IG Act, the $358.8 million is considered unsupported questioned costs.[24] The auditors made 21 recommendations and 3 of these recommendations were to address the payment transparency weakness discussed in this challenge. The RRB did not concur with two recommendations, which included a recommendation concerning the RRB's inability to determine the financial magnitude of the 12(o) liens. We continue to disagree with RRB's position and maintain that the RRB needs to track payments subject to recovery, to provide a better understanding of the financial magnitude of the 12(o) liens process. The 21 recommendations remain open.

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

Challenge 5 – Achieving a Clean Opinion on Agency Financial Statements and Internal Controls over Financial Reporting

Why is this a serious management challenge? RRB has not received an unmodified (clean) opinion on its annual agency wide financial statements since 2012.[25] For its fiscal year 2022 financial statements, the RRB received a disclaimer of opinion and separately received an additional disclaimer of opinion on its internal controls over

[22] RRB OIG, Report No. 23-04.
[23] RRB OIG, Report No. 23-05.
[24] The IG Act of 1978, revised December 27, 2022, Section 405(a)(4)(b) defines questioned cost. According to the Act, "[t] he term "questioned cost" means a cost that is questioned by the Office because of…(B) a finding that, at the time of the audit, the cost is not supported by adequate documentation…."
[25] In an unmodified opinion on the financial statements, the auditor concludes that the financial statements are presented fairly, in all material respects, as of the specified date in accordance with U.S. Generally Accepted Accounting Principles.

financial reporting for the first time.[26] Disclaimers are issued when the independent financial statement auditor cannot express an opinion. The primary reasons for the fiscal year 2022 disclaimers were due to the RRB's inability to provide sufficient appropriate evidential matter to the auditors. Overall, the RRB's fiscal year 2022 financial statement audit included nine material weaknesses and one instance of noncompliance that are discussed in this challenge.

RRB's financial management issues are prominent and may adversely affect the economy, efficiency, and effectiveness of its operations. Sound financial management practices and reliable, useful, timely financial and performance information would help improve RRB's accountability over its extensive resources, would support more efficient management of these resources, and ensure the railroad community continues to have access to its earned benefits.[27] As of September 30, 2022, the RRB's assets were approximately $31 billion. As of the same day, the RRB's obligations were reported at almost $17 billion according to USAspending.gov, ranking it 26th highest out of 112 listed agencies.[28]

At the time this statement was prepared, the RRB's fiscal year 2023 financial statements audit was in progress. Therefore, our discussion in the following sections does not include any recent developments that might be discussed in the Independent Auditor's Report that will be rendered in November 2023.

Nine Material Weaknesses

On November 15, 2022, a total of 15 new recommendations were made to address nine material weaknesses regarding scope limitations, IT environment, and financial reporting. RRB management did not concur with any of the new recommendations and all remained open at the time of this statement.

Scope Limitations

The financial statement auditor faced scope limitations due to lack of access to National Railroad Retirement Investment Trust (NRRIT) audit results, timeliness of evidential matter, and inadequate statement of assurance reporting. These three material weaknesses are described in the following paragraphs.

[26] The independent financial statement auditor issued its report on November 15, 2022.
[27] According to the RRB's 2023 Annual Report, the RRB paid benefits to about 528,000 beneficiaries and supported 477,000 active railroad community employees.
[28] USAspending.gov is the official source for spending data for the U.S. Government. Its mission is to show the American public what the federal government spends every year and how it spends the money. You can follow the money from the Congressional appropriations to the federal agencies and down to local communities and businesses.

Lack of Access to NRRIT Audit Results

As in the previous ten audits, the RRB financial statement auditors could not perform required American Institute of Certified Public Accountants (AICPA) audit procedures.[29] As a result, the audit scope over the fiscal year 2022 RRB's financial statements was materially limited by the RRB and the NRRIT. Even though RRB management continued to not concur with this finding, they agreed that, "[u]ntil additional guidance is issued this reported material weakness will exist due to an inability for the [RRB financial statement] auditors to perform the audit procedures required by AICPA AU-C Section 600B…." Further, the RRB explained that it has no authority to compel the NRRIT auditors to provide their work to RRB financial statement auditors. Even though RRB management continued to be vocal to auditor findings, they continued to remain inactive in regards to pursuing legislative change that would ensure compliance with AICPA requirements and provide transparency for approximately 74 percent of the assets reported on the RRB's Balance Sheet.[30]

Because the RRB has not taken corrective action for a 2015 recommendation and the same recommendation is applicable to this finding, no new recommendation was made.[31]

Timeliness of Evidential Matter

RRB was not able to provide the required and necessary evidential matter in a timely manner during the fiscal year 2022 audit engagement due to documentation delays regarding key drafts and reports, including but not limited to the trial balance and the financial statements. 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 financial statement auditor requests. In numerous instances, RRB requested due dates to be extended or did not provide the requested evidential matter timely, causing further delays. There were a significant number of overdue deliverables during the audit. A total of 62 requested documents were marked as overdue over the course of the audit. RRB management did not concur with this finding, stating that they substantially met all due dates.

---

[29] 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)* 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.

[30] Since fiscal year 2013, RRB OIG auditors and now an independent public accounting firm have rendered a disclaimer audit opinion on the RRB's financial statements because 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 2022 financial statements, the NRRIT held approximately $23 billion of the RRB's $31 billion (74 percent) in assets.

[31] Recommendation 8, RRB OIG, *Report on the Railroad Retirement Board's Fiscal Year 2014 Financial Statements,* Report No. 15-01 (Chicago, IL, November 17, 2014).

The financial statement auditor made four recommendations regarding this material weakness, they remain open.

Inadequate Statement of Assurance Reporting

Based on the financial statement auditor's procedures and observations, RRB management should have reported no assurance to the overall adequacy and effectiveness of internal control within the agency related to operations, reporting, and compliance.[32] In contrast, the RRB reported a modified statement of assurance due to one material weakness related to the net asset value of the NRRIT.[33] As noted in the remaining material weaknesses, there are additional control deficiencies outside of the NRRIT that are significant enough for management to provide no assurance in its required reporting.

According to the MOU between RRB, NRRIT, the Department of the Treasury, and OMB entered into in 2002, the NRRIT's internal control environment is beyond RRB's authority. Thus, RRB is not able to assess that the internal control environment was designed, implemented, and operating effectively, for 74 percent of the railroad community's assets reported on the RRB's Balance Sheet.

RRB management did not concur with the finding, stating its inability to obtain NRRIT's evidential matter to support NRRIT financial information that is reported within RRB's financial statements as their reasoning. Auditors agree with management that the inability to provide support for NRRIT is a material weakness as previously mentioned. However, this material weakness is related to the inappropriate reporting of modified assurance based solely on the NRRIT issue.

The financial statement auditor made one recommendation regarding this material weakness, which remains open.

<u>Information Technology Environment</u>

The financial statement auditor included the RRB's ineffective IT internal controls over financial reporting as one material weakness in its independent auditor's report. RRB's IT policies and documentation were formalized but not consistently implemented in the areas of Security Management, Access Controls, Configuration Management, Segregation of Duties, and Contingency Planning. 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. RRB management did not concur with our finding, stating the auditors relied on the FISMA work as support for this finding. FISMA

---

[32] Statement of no assurance means there are no processes in place or pervasive material weaknesses exist.
[33] Modified statement of assurance means one or more material weaknesses exist or lack of compliance has been reported.

is another required annual audit as described in Challenge 2. In Challenge 2, we explain that the RRB did not comply with FISMA legislation or OMB guidance for the last five years.

The financial statement auditor made one recommendation regarding this material weakness, which remains open.

Financial Reporting

The financial statement auditor determined that five material weaknesses exist regarding the RRB’s financial reporting, including issues with preparing and reviewing financial reports, the lack of corrective action plans, untimely reviews of open obligations, unsupported journal entries, lack of detailed financial statement analysis. These five material weaknesses are described in the following paragraphs.

Preparing and Reviewing Financial Reports

RRB management did not establish or maintain internal controls to achieve reliable financial reporting. RRB's process for compiling its annual PAR, as well as preparing and reviewing its financial statements needs improvement. Financial statement auditors observed that the RRB's financial data, financial statements, and accompanying notes had:

- prior year balances that did not agree with the reported prior year financial statements,
- balances that did not agree with provided evidential matter,
- note disclosures that were missing, incomplete, inaccurate, and/or misleading,
- mathematical errors, and
- formatting consistencies and/or errors.

RRB management did not concur with our finding, explaining that the financial statements were still subject to review and revision up through November 15th. This statement is very misleading and concerning. RRB is required to submit its **audited** financial statements on November 15th. For example, the RRB is required to submit its upcoming fiscal year 2023 **audited** financial statements before 6pm on November 15th as shown in Figure 1.

Figure 1. Fiscal Year 2023 Year-end Closing Bulletin

Final audited financial statements are due to MAX.gov and by email to GAO. Please contact Fiscal Service if there are any adjustments after November 15, 2023.	Email to **USCFS@gao.gov** and upload to MAX.gov	November 15, 2023, by 6 p.m. ET

Source: Department of Treasury's website for official publication of policies, procedures, and instructions concerning financial management in the federal government (accessed https://tfm.fiscal.treasury.gov/v1/bull/23-09 on October 4, 2023).

For fiscal year 2022 reporting, the RRB was also required to submit a complete draft of the PAR to OMB no later than 10 business days before November 15, 2022. This draft PAR would have included its unaudited financial statements. For fiscal year 2023, RRB must submit a complete draft PAR, including its unaudited financial statements, to OMB by October 31, 2023.

The financial statement auditor made three recommendations regarding this material weakness, they remain open.

Lack of Corrective Action Plans

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

The financial statement auditor made one recommendation regarding this material weakness, it remains open.

Untimely Reviews of Open Obligations

The RRB does not have the ability to review its open obligation balances in a timely manner.[34] This may result in material transactions being recorded after financial reporting deadlines have passed for the corresponding fiscal year. Financial statement auditors determined that the required due date for the review does not allow sufficient time for RRB management to review, approve, and process any potential adjustments to its obligations. RRB management did not concur with our finding, stating that the third

[34] Open obligations support the accounting accuracy of the budgetary process, as such their timely review is critical.

quarter review of open obligations is sufficient for adjusting the year-end balances. As reported above, the due dates do not allow sufficient time for analysis of fourth quarter obligations.

The financial statement auditor made one recommendation regarding this material weakness, it remains open.

Unsupported Journal Entries

RRB does not have adequate processes in place to ensure its journal entries are properly supported with sufficient and appropriate documentation. For example, RRB did not provide documentation to support:

- eliminating entries posted in the third quarter of fiscal year 2022. There were approximately 60 eliminating entries totaling approximately $2 billion, and
- a total of $654 million in journal vouchers relating to disbursements and budget authority.

RRB management did not concur with the 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. In that meeting, RRB management directed the financial statement auditors to the agency's standard operating procedures in lieu of supporting documentation for the individual transactions. For the $654 million in journal vouchers, the only support provided or contained was a system edit check showing that the trial balance had a fatal flaw prior to adjustment. There was no analysis documented to identify the root cause of why such entries were required.

The financial statement auditor made two recommendations regarding this material weakness, they remain open.

Financial Statement Analysis

During the financial statement audit, the RRB's process related to its financial statement fluctuation analysis did 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.

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.

The financial statement auditor made two recommendations regarding this material weakness, they remain open.

Compliance with Laws and Regulations

In connection with the audit of the financial statements, tests were performed of RRB's 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. The results of the financial statement auditor's tests disclosed one instance of noncompliance with the RRA/RUIA.

Controls Over Railroad Service and Compensation

The RRB's Audit and Compliance Section (ACS) did not complete any Class 1 railroad audits during fiscal year 2022. ACS audits should determine whether the railroad community's employers have accurately reported credible service and compensation to the RRB in a timely manner.[35] Failure to monitor railroad employers effectively through ACS conducted railroad audits may lead to the inaccurate reporting of creditable service and taxable compensation, which directly impacts the value of the railroad community's retirement funds and sustainability of the railroad retirement system. RRB management did not concur with the finding, explaining they have mitigating controls in place to identify potential discrepancies and were also required to shift resources to federally mandated work.

RRB's mitigating controls were explained as reconciliation of unaudited and employer self-reported information. Using unaudited credible service and compensation numbers and reconciling them against employer self-reported data or other unaudited information is risky and concerning. The RRB cannot be sure that information manipulation did not occur or attest to the reliability or accuracy of the information obtained from the employers. This puts the railroad community's retirement system at risk to be underfunded or overfunded. Underfunding could potentially cause the railroad's retirement system to fail prematurely, while overfunding could potentially reduce railroad employers' available capital and reduce railroad employees' net pay due to increased railroad employer and employee payroll taxes. Ultimately, such overfunding could foster a decline in railroad employment and potentially weaken the nation's economy.

The financial statement auditors did not make a recommendation regarding this finding because recommendation 4 in OIG Report No. 20-02 was written with the intent that the RRB ensure that a sufficient quantity of railroad audits, including Class 1 railroads, are

---

[35] Section 7 of the RRA and Section12 of the RUIA provide authority for the RRB to conduct audits of the railroad community's employers. According to the April 30, 1993 Board Approval Memo, Functional Statement, RRB's Audit and Compliance Section is responsible for conducting external audits of railroad employers to determine and ensure compliance with the financial reporting requirements of the RRA and RUIA; determining whether employers are properly reporting creditable compensation and whether all reports are filed in an accurate and timely manner; and reviewing 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.

conducted to establish and maintain an appropriate level of oversight. At the time of this statement, the RRB's Bureau of Fiscal Operations has not taken corrective action for that recommendation. In addition and since 1993, the RRB's OIG is not allowed to conduct audits of the railroads.[36]

Due to these audit concerns, the lack of corrective actions for these recommendations, and unimplemented corrective actions for prior reports regarding this subject, agency action is needed to address this challenge.[37]

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 and semiannual reporting 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.

Sickness Benefits

According to federal law, a railroad employee must reimburse the RRB for certain sickness benefits obtained. RRB refers to its right to reimbursement as a 12(o) lien. In addition, RRB must implement, establish, and maintain an effective internal control system over its programs and processes. As discussed in Challenge 4, a recent RRB OIG audit determined that the 12(o) lien process needed improvement as applicable to payment and transparency concerns.[38] In this challenge, noncompliance with federal regulations and internal controls as covered by GAO's *Standards for Internal Control in the Federal Government* is discussed.[39]

During the audit of the RRB's 12(o) lien process, auditors determined that: 1) RRB's process to identify, monitor, and collect all 12(o) liens did not comply with federal regulations, 2) RRB did not have sufficient policies or procedures over its liens, 3) RRB did not ensure all 12(o) lien information was entered into its financial management

[36] Burlington Northern Railroad Company v. OIG, RRB, 983 F.2d 631, 642 (5th Cir. 1993).
[37] The financial statement auditor made 15 new recommendations, 32 prior year recommendations remained open of which RRB management concurred with 26 recommendations, partially concurred with 2 recommendations, and did not concur with 4 recommendations, for a total of 47 open recommendations.
[38] RRB OIG, Report No. 23-05.
[39] GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington D.C.: September 2014).

system in a timely manner, and 4) RRB did not ensure all liens were collected. These issues occurred because RRB lacked comprehensive controls to identify, monitor, and collect all 12(o) liens. The findings detailed in the audit report are similar to a prior audit conducted in 2012. In particular, we recommended that RRB implement a comprehensive tracking system for 12(o) liens. Though this recommendation was closed in 2013, the condition returned during the 2023 audit.

Auditors made 21 recommendations, 13 were to address the noncompliance issues discussed in this challenge and 8 were to address the payment transparency issues discussed in Challenge 4. In August 2023, the RRB concurred with 19 recommendations and did not concur with 2 recommendations, which included 1 of the noncompliance recommendations. We continue to disagree with RRB's position for this recommendation, and the RRB should implement this recommendation to ensure compliance with federal standards for internal control. The 21 recommendations remain open.

Records and Information Management Program

Another recent RRB OIG audit determined that the RRB was not fully compliant with OMB and National Archives and Records Administration (NARA) requirements concerning records and information management.[40] Even though the RRB was taking steps to ensure compliance with meeting the June 30, 2024 deadline of transitioning to electronic records. RRB: 1) did not fully ensure that agency records were maintained and preserved per federal statutes and regulations, 2) had not fully implemented its records and information management program process improvements as identified in its fiscal year 2021 Federal Manager's Financial Integrity Act report, and 3) had not fully implemented audit recommendations from 2017. Additionally, auditors determined that some of the internal controls were not implemented or operating effectively as required by RRB's policies and procedures. RRB OIG Report No.17-08 first identified some of these issues, which continued to exist during fiscal years 2018 through 2022.[41]

Noncompliance with OMB and NARA guidance led to delays in implementing comprehensive policies and procedures, prevented full compliance with federal records management requirements, and increased the risk of RRB records being unlawfully or accidentally removed, defaced, altered, or destroyed. Additionally, noncompliance with OMB and NARA guidance may contribute to an inefficient and untimely reduction in the number of records, increasing data storage costs.

The auditors made seven recommendations to address weaknesses identified during the audit. RRB management concurred with all seven recommendations that were issued in September 2023.

---

[40] RRB OIG, *Audit of the Railroad Retirement Board's Records and Information Management Program*, Report No. 23-06 (Chicago, IL: September 27, 2023).
[41] RRB OIG, *Railroad Retirement Board Must Take Further Action to be Compliant with Federal Records Management Directives*, Report No. 17-08 (Chicago, IL: September 28, 2017).

Timely Implementation of Audit Recommendations

RRB's efforts to implement audit recommendations in a timely manner is discussed in this challenge. In conjunction with GAO and OMB requirements, OMB reminded managers that agency management has the responsibility to complete corrective action, in a timely manner, on audit recommendations on which agreement with the OIG has been reached. Management must make a resolution regarding OIG audit recommendations within a maximum of six-month period after issuance of the audit report and implement management's decision within one year to the extent practicable.[42]

As of October 2, 2023, the number of recommendations that remained open for which agreement with the OIG was reached was 264. At the time this statement was prepared, there were 62 recommendations out of the 264 that corresponded to 1 or more of the 6 management challenges facing the agency. The primary areas where the recommendations remain a challenge for the RRB to close cover Pandemic Relief Acts, Payment Integrity, Information Technology Security, Disability Program Integrity, and Railroad Medicare. For each of these areas, we continue to see the need for these recommendations to be implemented and recognize that timely implementation of OIG recommendations was a compliance challenge for fiscal year 2023.

Pandemic Relief Acts

As discussed in Challenge 4, we issued multiple reports regarding the Pandemic Relief Acts. These reports were issued in 2020 through 2022 and presented recommendations on issues raised during our oversight of RRB's actions while implementing the CARES Act and the subsequent related laws.[43] As of October 2, 2023, six recommendations have not been implemented or closed. The RRB concurred with one of the six.

Previous Improper Payment and Payment Integrity Reporting Recommendations

We determined the RRB was compliant with the last payment integrity audit.[44] However, during our previous mandated payment integrity audits, we determined the RRB was noncompliant with the Payment Integrity Information Act of 2019 because the RRB did not disclose Railroad Medicare payment integrity information or the performance of the RRB's SMAC to the public, the President, and Congress. In response to the prior audits and as discussed in Challenge 3, 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

[42] GAO, Principle 17.06, GAO-14-704G; Office of Management and Budget, *Audit Followup*, Circular No. A-50 Revised (Washington, D.C.: September 1982); and OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Circular A-123, M-16-17 (Washington D.C.: July 15, 2016).
[43] RRB OIG, Report No. 20-08; RRB OIG, Report No. 21-04; and RRB OIG, Report No. 22-06.
[44] RRB OIG, Report No. 23-04.

information for the performance of RRB's SMAC. Conversely, the MOU did not identify who was responsible for addressing recommendations prior to August 31, 2022.

At the 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. RRB management has the responsibility to request closure of these impacted recommendations. As of October 2, 2023, 53 recommendations have not been implemented or closed. The RRB concurred with 7 of the 53.

Information Technology Security

As discussed in Challenge 2, the RRB has been noncompliant with FISMA legislation and OMB guidance for five consecutive years.[45] Although agency management acknowledged the need for improvement, corrective actions have only been made for 36 of the 83 recommendations issued in the FISMA reports for fiscal years 2018 through 2022. 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. As of October 2, 2023, 47 recommendations have not been implemented or closed. The RRB concurred with 46 of the 47.

Disability Program Integrity

As discussed in Challenge 1, the RRB has not taken timely corrective actions for six prior RRB OIG disability audits.[46] The six RRB OIG reports presented valuable recommendations on disability program integrity issues. As of October 2, 2023, 20 recommendations have not been implemented or closed. The RRB concurred with 6 of the 20.

Railroad Medicare

As discussed in Challenge 3, prior RRB OIG audit recommendations regarding Railroad Medicare have continued to raise issues of concern. Two RRB OIG Railroad Medicare reports have 50 open recommendations that should be addressed to strengthen the integrity of the Medicare program, as a whole. As of October 2, 2023, these

[45] RRB OIG, Report No. 23-02; RRB OIG, Report No. 22-04; RRB OIG, Report No. 21-03; RRB OIG, Report No. 20-04; and RRB OIG, Report No. 19-03.
[46] RRB OIG, Report No. 13-02; RRB OIG, Report No. 16-05; RRB OIG, Report No. 19-15; RRB OIG, Report No. 19-16; RRB OIG, Report No. 19-17; and RRB OIG, Report No. 21-07.

50 recommendations have not been implemented or closed.[47] The RRB concurred with 2 of the 50.

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 16, 2023

[47] 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); and RRB OIG, *Railroad Medicare Controls Over Evaluation and Management Services Were Not Fully Adequate,* Report No. 19-10 (Chicago, IL: August 5, 2019).

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 for 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 for 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, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2022*, Report No. 23-02 (Chicago, IL: January 18, 2023).

Improve Transparency and Management of Railroad Medicare

- 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, *Report on the Railroad Retirement Board's Financial Statements Fiscal Year 2022*, Report No. 23-01 (Chicago, IL: November 15, 2022).
- RRB OIG, *The Railroad Retirement Board Complied with the Payment Integrity Information Act for Fiscal Year 2022*, Report No. 23-04 (Chicago, IL: May 19, 2023).

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 No. 21-04 (Chicago, IL: March 26, 2021).
- 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, *The Railroad Retirement Board Complied with the Payment Integrity Information Act for Fiscal Year 2022,* Report No. 23-04 (Chicago, IL: May 19, 2023).
- RRB OIG, *The Railroad Retirement Board's 12(o) Lien Process Does Not Have Sufficient Controls to Identify, Monitor, and Collect Liens,* Report No. 23-05 (Chicago, IL: August 9, 2023).

Achieving a Clean Opinion on Agency Financial Statements and Internal Controls over Financial Reporting

- RRB OIG, *Report on the Railroad Retirement Board's Financial Statements Fiscal Year 2022*, Report No. 23-01 (Chicago, IL: November 15, 2022).

Compliance Concerns Identified

- RRB 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, *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, *Railroad Retirement Board Must Take Further Action to be Compliant with Federal Records Management Directives*, Report No. 17-08 (Chicago, IL: September 28, 2017).

- 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, *Railroad Medicare Controls Over Evaluation and Management Services Were Not Fully Adequate,* Report No. 19-10 (Chicago, IL: August 5, 2019).
- 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, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2019,* Report No. 20-04 (Chicago, IL: December 18, 2019).
- 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 for 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 No. 21-04 (Chicago, IL: March 26, 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, *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, *Management Information Report: Railroad Retirement Board's Actions in Response to Pandemic Funding*, Report No. 22-06 (Chicago, IL: March 16, 2022).
- RRB OIG, *Performance Audit of RRB’s Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2022*, Report No. 23-02 (Chicago, IL: January 18, 2023).
- RRB OIG, *The Railroad Retirement Board Complied with the Payment Integrity Information Act for Fiscal Year 2022*, Report No. 23-04 (Chicago, IL: May 19, 2023).
- RRB OIG, *The Railroad Retirement Board's 12(o) Lien Process Does Not Have Sufficient Controls to Identify, Monitor, and Collect Liens,* Report No. 23-05 (Chicago, IL: August 9, 2023).
- RRB OIG, *Audit of the Railroad Retirement Board's Records and Information Management Program*, Report No. 23-06 (Chicago, IL: September 27, 2023).

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 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 rejected only after extensive analysis of regulations and statutes.

The Long Island Rail Road (LIRR) investigation is not reflective of the entire Disability program, nor has a similar fraud scheme been uncovered. Contrary to the OIG's opinion, RRB's culture is not focused on approving benefits but rather 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. As stated to the OIG numerous times, it is not the role of RRB management, nor the OIG, 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."[1] Such responsibility requires a focus on the RRB's programs as they exist today. Yet the OIG again references a 2009 audit performed by the Government Accountability

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

Office (GAO).[2] That report, now almost 15 years 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.” Notably, 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. Furthermore, most annuities are awarded under the occupational program, and the approval rate, which has remained steady since the inception of the program in the 1940s, is more a reflection of those statutory requirements for approval than a measure of program integrity. Program design, the statutory criteria for eligibility, is a legislative issue and not part of the mission of the RRB. The RRB administers a disability program for railroad employees who are either totally or occupationally disabled and those who are occupationally disabled are awarded disability annuities if they cannot perform their regular railroad occupation.

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 will not impact the disability approval rate.

RRB works 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 raised by OIG reflect the average adjudication time. However, more than 60% of the cases adjudicated were adjudicated in less time than the average adjudication, and the minority of delayed cases exponentially impact the average overall. The OIG asserts that the potential for fraud, abuse, and mismanagement in the RRB’s disability program remains high. RRB disagrees with OIG’s proposition and notes no systemic fraud, nor abuse, has been found in recent years.

OIG’s outline of the continuing disability review (CDR) generalizes the process to simply include assessing medical improvement to determine recovery leading to cessation of a disability annuity. However, conducting a CDR includes assessing medical improvement as well as vocational factors, which may or may not result in cessation of disability benefits. Furthermore, GAO’s cited CDR study recommended the cessation of the high-risk reviews and instead a focus on earnings reviews.[3] RRB implemented GAO’s recommendations and as a result nearly 90% of the CDR reviews that resulted in changes in entitlement were earnings related. In addition, OIG’s cited CDR data does not account for monitoring earnings that may result in payment changes before termination. We routinely review earnings and develop all work through adjudication to minimize future overpayments. GAO’s recommendation for RRB to have access to the National Directory of New Hires continues to require congressional action.

OIG’s discussion of the challenges facing the RRB recognizes the agency’s response, hiring plan, and reduced staffing. RRB increased staffing in FY23 to address the pending cases cited as backlogs by OIG. After the post examiners team was reduced due to promotions and attrition, RRB tripled the post examining staff responsible for CDRs. The additional examiners will complete training and assist in the quality review of continued eligibility by third quarter of FY24. In addition, RRB increased the number of initial examiners who make initial annuity and early Medicare decisions. By increasing the number of examiners to complete early Medicare

---

[2] 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).
[3] GAO, Railroad Retirement Board: *Actions Needed to Improve the Effectiveness and Oversight of Continuing Disability Reviews,* GAO-18-287, (Washington, D.C.: February 21, 2018).

decisions, RRB increases time available for post examiners to focus on earning CDRs as recommended by GAO.

Finally, OIG states that "RRB must not ignore Congressional concerns from the past. 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 dollars in unwarranted expenses are not paid to ineligible beneficiaries." RRB not only advocates for the railroad community as suggested but adheres to the regulations and statutes that apply to both the Railroad Retirement Act and Social Security Act. The railroad community is crucial to the fulfilment of the mission.

Contrary to the OIG's statement, RRB's culture is not focused on paying benefits at a high approval rate. Rather, it is determined to fulfill its mission to accurately and timely administer retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the RRA and the RUIA. RRB's Disability Benefit Division (DBD) is not the only component responsible for finalizing disability determinations. It is imperative to note that DBD's denial determinations are reviewed and, at times, upheld through higher levels of appeal. All RRB employees are dedicated to carrying out our mission to 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.

CHALLENGE 2 – IMPROVE INFORMATION TECHNOLOGY SECURITY AND COMPLETE 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.

During FY 2023, the RRB continued to build upon its successes in improving the security posture of the agency. In a condensed FY 2023 FISMA Audit, the RRB improved its scores across eight areas to Level 3 -- Consistently Implemented, demonstrating notable continued progress from previous years' FISMA audits. The RRB continues to make significant progress in accordance with cybersecurity standards and guidelines, partnering with Department of Homeland Security and Department of Justice to ensure compliance and depth of security across the RRB enterprise. In FY 2023, the RRB completed and is executing according to its Zero Trust Journey Map to illustrate its plans to comply with federal zero trust standards and guidelines. The RRB continues to improve its overall security posture as it modernizes its enterprise to ensure current security guidelines are architected into its solutions and applications. To that end, the RRB hired application security expertise to ensure its modernization of legacy applications is secure and reliable. The RRB continues to consume federal cybersecurity shared services to not only secure its enterprise but to also manage its Risk Management Framework.

Through these efforts, we addressed and closed 27 OIG findings during FY 2023. As the RRB continues to develop and implement its IT modernization initiatives, we will proactively address the remaining findings and recommendations to improve the agency's security posture and to sustain at acceptable levels. The RRB will continue to work to maximize its performance against the measured controls as it continues to modernize its enterprise and continue to make incremental steps to reach the overall maturity goal of Level 4 – Managed and Measurable.

CHALLENGE 3 – IMPROVE TRANSPARENCY AND MANAGEMENT OF RAILROAD MEDICARE

The RRB has consistently acknowledged its responsibilities under the Social Security Act to administer certain provisions of the Medicare program for the railroad, including the administration of the Specialty Medicare Administrative Contractor (SMAC) contract 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), oversees the Medicare program.

The OIG states that, over the years, RRB management and the OIG disagree on which Medicare responsibilities belonged to the RRB, Palmetto, and/or CMS. The RRB agrees with this assessment. To continue to clearly define the roles of both the RRB and the CMS, both agencies worked together to update the Memorandum of Understanding (MOU). On August 31, 2022, a finalized MOU (MOU-22-191) was executed and signed by both agencies.[4] This updated MOU addresses the changes that have occurred and the roles and responsibilities of each agency. It also defines which agency has responsibilities under the SMAC contract to provide specified health insurance benefit administration. MOU 22-191 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 22-191 dictates that while the RRB will assess the SMAC performance, CMS will provide overall program guidance.

The RRB is responsible for making benefit payments to eligible beneficiaries under the Railroad Retirement Act and the Railroad Unemployment Insurance Act, as well as extended, enhanced, or other unemployment benefits payments authorized under supplemental appropriations. 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 agencies including reimbursement to the RRB for its specified Medicare administrative responsibilities and 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, contrary to the OIG's assertion. In prior audits related to improper payments, CMS confirmed that Palmetto GBA, LLC had claims sampled and reviewed in the calculation of the Medicare FFS improper payment rate, where said improper payment rate was reported in CMS' financial report. Note that CMS categorizes

[4] *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).

Palmetto GBA, LLC as a Medicare Administrative Contractor (MAC) rather than a SMAC.[5] 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, 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 OIG 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 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 accompanying materials required under the guidance of the Office of Management and Budget [31 USC 3351(2)(A)]." As such, RRB's maintains 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. This data is then utilized 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. As a result of the protest, the RRB established a Medicare bridge contract with Palmetto GBA, LLC. The RRB anticipates that the evaluation and award process for a new SMAC will be completed by the end of FY 2024.

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 Office of Management and Budget (OMB) Circular A-123, to determine susceptibility to potential payment risks,
- Continue using Comprehensive Error Rate Testing (CERT) improper payment information to prepare annual medical review strategies,
- Continue working with the SMAC to submit an Improper Payment Activities Report (IPAR) after 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

[5] Centers for Medicare and Medicaid Services web page, entitled "Who are the MACs" https://www.cms.gov/Medicare/Medicare-Contracting/Medicare-Administrative-Contractors/Who-are-the-MACs#MapsandLists

- Continue providing performance data and other data to CMS, when requested, 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.

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.

1. **Payment Accuracy:**

   a. **CARES Act**: Regarding 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 FY 2022, RRB generated and provided the OMB with information concerning the $5 million CARES Act funds on a monthly basis via the OMB Outlay Report. Given the OMB's shift from weekly to monthly CARES Act reporting, the Bureau of Fiscal Operations (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 $5 million 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 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 describes 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 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. **12(o) Lien Process:** The OIG asserts that the RRB lacked comprehensive controls for the 12(o) lien process. The RRB has consistently recognized its responsibilities under the statutes and regulations. The 12(o) lien process is a highly technical workload with manual controls, as well as an "experience rating system" that naturally incentivizes railroad employer participation in controlling the recovery of liens.

The RUIA provides sickness benefits to qualified railroad employees who are unable to work due to any physical or mental illness or injury including pregnancy, miscarriage, or the birth of a child, where working would be injurious to the employee's health. In most sickness benefit cases, rail employees claim sickness benefits for ordinary injuries or illnesses that will not result in litigation. For instance, a worker who contracts the flu is unlikely to sue the railroad for personal injury damages. The OIG's analysis does not recognize this important factor in the 12(o) lien process.

Section 12(o) of the RUIA requires that a railroad reimburse the RRB for any sickness benefits that the RRB paid to an employee from any personal injury settlement or damages paid due to liability for the injury or infirmities claimed. Because the RRB cannot monitor every personal injury lawsuit in the United States (under the Federal Employers' Liability Act), it has developed a lien request practice to assist the RRB in recovering outstanding 12(o) liens from railroad settlements and court awards. In the small number of cases where damages are paid by a non-railroad third party, the RRB uses a manual monitoring system to detect the liability payment and recover the 12(o) lien.

The 12(o) lien process works like this: the RRB initially flags all claims where the employee indicates they were injured on duty or asserts liability for their injury or illness. Accordingly, while it is true any sickness benefit could *theoretically* be subject to 12(o) recovery, in reality most sickness benefits will never be subject to 12(o) liability-related recovery. Consequently, the agency has focused its limited resources on these flagged claims and relies on employer reporting as a check on the system. By regulation, employers are required to report any injury/sickness liability-related settlements or damages to the RRB, and then when they are preparing to satisfy a judgment or finalize a settlement, the railroad employer contacts the RRB to obtain the final amount of the 12(o) lien, which is the total amount of sickness benefits paid to the rail employee as a result of the same injury or illness for which damages are paid.

The OIG has not given much consideration to the railroad compliance incentives that "experience rating" provides to the 12(o) lien process. Section 8(a) of the Railroad Unemployment Insurance Act (RUIA) provides that every employer pay contributions based on their experience to, or "usage of" the RUI Account to support the payment of unemployment and sickness benefits to their employees. Under an experience rating system such as the RRB's, employers pay tax rates that range from 0.65 to 12.50 percent to fund the unemployment and sickness benefit program. To determine an employer's tax rate, the RRB charges an employer for each claim paid to one of their employees during the benefit charge year. Likewise, the RRB credits the employer in the quarter when it recovers the benefits for any reason, including satisfaction of a 12(o) lien.

In this way, experience rating contributions provided by the rail industry are sufficient to finance all RUIA benefits. No general funds are utilized to fund sickness nor unemployment benefits and it is a closed system funded solely by the railroads. Repayment of a 12(o) lien reduces a railroad's experience rating taxes. Further, the only way a railroad can accurately calculate a personal injury settlement and minimize expenses is by contacting RRB first to assess benefits paid.

2. Transparency:

a. Medicare: The OIG determined the RRB was noncompliant with the Payment Integrity Information Act of 2019 because the RRB did not disclose Railroad Medicare payment integrity information or the performance of the RRB's SMAC. The RRB disagrees because it did not identify any separately reported SMAC/MACs upon review of HHS' 2022 Improper Payment Dataset via PaymentAccuracy.gov. which supports RRB's position that all SMAC/MAC improper payments were compiled and reported by HHS. Further, the OIG acknowledges that the RRB obtained a new MOU with CMS regarding Railroad Medicare responsibilities, signed on August 31, 2022, which indicated that CMS is responsible for calculating and reporting improper payment, via HHS, as discussed in Challenge 3.

a. 12(o) Liens: The auditors, RMA associates, erroneously concluded that $358.8 million in net sickness benefits paid between FY 2016 and FY 2021 were questioned costs because RRB could not calculate the portion of sickness benefits paid that were eligible for recovery thru 12(o) liens. The $358.8 million referenced in the OIG Audit report, however, represents the net amount of sickness benefits paid for FY 2016 through 2021, to injured and sick railroad workers, not the portion of sickness benefits eligible for 12(o) lien recovery.

Rather, the total amount of sickness benefits paid for the same period was $477.2 million, but the RRB recovered $58.4 million of sickness benefits paid in accordance with Section 12(o). During FY 2016 through 2021, approximately 80% of all sickness benefit applicants were not injured on the job and did not hold anyone liable for their infirmity. Accordingly, it was erroneous to conclude that $358.8 million were questioned costs.

CHALLENGE 5 – ACHIEVING A CLEAN OPINION ON AGENCY FINANCIAL STATEMENTS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The agency will never achieve a clean opinion on the agency's financial statements and internal controls over its financial reporting if the OIG continues to site disclaimers, in part, because they want access to financial information outside of what the Railroad Retirement and Survivors' Improvement Act of 2001 (the Act) allows. For its FY 2022 financial statements, the RRB received a disclaimer of opinion and separately received an additional Disclaimer of Opinion on Internal Control over Financial Reporting (ICOFR) for the first time. The contract auditor's basis for Disclaimer of Opinion on RRB's FY 2022 financial statements as of and for the year ended September 30, 2022, was due to lack of access to 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, the contract auditor's basis for the ICOFR is due, in part to, the same matter and other materials weaknesses that the contract auditor states reportedly exist.

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 OIG and its contract auditors and provide all requested NRRIT-related information within its possession. The RRB does not have the authority to compel the NRRIT auditors to provide their work papers to RMA. We have provided RMA access to NRRIT-related information in accordance with the 2002 Memorandum of Understanding between the RRB, NRRIT, Department of the Treasury, and the OMB.

We strongly disagree with the reported material weakness, and the response below reiterates the key points provided in response to the OIG and its contract auditors and published within RRB's FY 2022 Performance and Accountability Report. Specific comments are included below:

1. **Material Weaknesses:**

   a. **Lack of Access to NRRIT Audit Results**: With respect to the inability of the OIG to audit NRRIT, the OIG states that "even though RRB management continued to be vocal to auditor findings, they continued to remain inactive in regard to pursuing legislative change that would ensure compliance with AICPA requirements and provide transparency for approximately 74 percent of the assets reported on the RRB's Balance Sheet."

      NRRIT was created more than 21 years ago with the cooperation of rail labor and rail management and audit provisions were built into the statute. The statutory design created by Congress did not include a provision for an inspector general, and none of the enabling legislation covering the OIG changes that. As we have explained to the OIG multiple times, there is no legal basis or requirements for the NRRIT to provide financial information to another party outside of that which is specified in the Act. The Act requires NRRIT management to annually engage an independent public accountant to audit its financial statement and submit an annual management report to the Congress that contains findings and results from that audit. NRRIT's management has engaged KPMG, LLP, an independent public accounting firm, for the purposes of conducting the annual financial statement audit. Further, in October 2018, the GAO, serving as the Federal Government's auditor, entered into a Memorandum of Understanding (MOU) with the NRRIT 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.[6] To pursue legislative change to allow the OIG's auditors access to the same information currently accessed by the GAO would be duplicative and a waste of government resources.

b. **Timeliness of Evidential Matter:** RRB management disagreed with the contract auditor's assertion that RRB was not able to provide the required and necessary evidential matter in a timely manner during the audit engagement. The contract auditor 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 OIG performed the audit of RRB's consolidated financial statements. For fiscal year 2022, the OIG contracted out its financial statement audit services, where the base period for the OIG's contract with the contractor began on May 23, 2022, and the RRB received notice of this contracted audit on May 24, 2022. Further, the contract auditor 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 RRB 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 the contract auditor's due dates. The established due dates may not have provided the auditors 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 was between the contract auditor and the OIG. RRB management has no control over the terms of OIG's contract with the contract auditor but did provide substantially all PBC/PBA deliverables per RMA's requested due dates.

c. **Inadequate Statement of Assurance Reporting:** As communicated to the OIG in response to the FY 2022 financial statement audit report, we believe that the OIG's contract auditors' recommendation to provide a "statement of no assurance" was based primarily upon the lack of access to NRRIT's auditors as addressed in paragraph 1a. above. We also reiterate that the RRB disagreed and non-concurred with the material weaknesses that the OIG's contract auditor reportedly state existed as of September 30, 2022, for numerous reasons as documented in RRB's formal

[6] 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).

response as published in the RRB's FY 2022 Performance and Accountability Report. Accordingly, RRB stands firm and will continue to provide 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 the specific reporting period.

d. **Information Technology Environment:** The RRB continues 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) and is separate and distinct from the agency's internally managed Agency Enterprise General Information Systems, Benefit Payment Operations and Financial Interchange system. 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.

Additionally, after review of the open recommendations associated with the FY 2018, FY 2019, FY 2020, FY2021, FY 2022 FISMA audits as well as consideration of the preliminary FY 2023 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 2023 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.

e. **Financial Reporting:** The RRB categorically disagrees that five findings and related recommendations pertaining to preparing and reviewing financial reports, the lack of corrective action plans, untimely reviews of open obligations, unsupported journal entries, and lack of detailed financial statement analysis rise to the level of five separate and distinct material weaknesses.

i. *Preparing and Reviewing Financial Reports:* RRB disagrees with the contract auditor's assertion that RRB management did not establish and maintain internal controls to achieve, among other objectives, reliable financial reporting. Furthermore, it is RRB's management 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. To date the RRB has not received any feedback from OMB or Treasury on its draft PAR submissions to indicate that RRB was non-compliant with federal requirements.

ii. *Lack of Corrective Action Plans:* RRB disagrees the contract auditor'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 if a material weakness was identified through an external audit, where management concurs with the reported material weakness. RRB management continues to disagree and non-concur with the material weaknesses that the OIG and its contractor auditors state reportedly exist.

iii. *Untimely Reviews of Open Obligations*: As communicated to the auditors in response to the FY 2022 audit report, RRB management non-concurred with the RMA's assertion that open obligations were not timely reviewed. In the audit report, RMA failed 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.

iv. *Unsupported Journal Entries:* As communicated to the auditors in response to the FY 2022 audit report, RRB management non-concurred with the RMA's assertion that the RRB did not have adequate processes in place to ensure its journal entries are properly supported. Furthermore, RRB management refuted 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-concurred with the RMA's assertion that the RRB did 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 relating to disbursements and budget authority and may not be able to adequately support an additional $30 million, and did 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 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.

v. *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 (Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and Statement of Budgetary Resources) 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.

f. **<u>Compliance with Laws and Regulations:</u>** In regard to *Controls Over Railroad Service and Compensation,* RRB initiated a Class 1 employer compliance audit toward the end of FY 2022, however, persistent staffing issues hindered significant progress. In past reports, the OIG has acknowledged that the lack of completed audits by ACS was due to insufficient staffing and funding. As a result of external hires onboarded during FY 2023, RRB is better positioned to finalize and release a Class 1 audit report in FY 2024.

<u>CHALLENGE 6 – COMPLIANCE CONCERNS IDENTIFIED</u>

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.

1. **<u>Sickness Benefits:</u>** In this challenge, auditors determined that: 1) RRB's process to identify, monitor, and collect all 12(o) liens did not comply with federal regulations, 2) RRB did not have sufficient policies or procedures over its liens, 3) RRB did not ensure all 12(o) lien information was entered into its financial management system in a timely manner, and 4) RRB did not ensure all liens were collected.

   The RRB acknowledges its responsibilities under the 12(o) lien process. We are preparing to initiate a total system modernization to our old legacy computer systems. Modernization is not re-engineering a particular application or system, but rather a holistic approach to building an information infrastructure to support the RRB's mission critical business processes.

   Over the last few years, the agency has taken significant strategic steps to improve computer processes. The RRB's current IT system allows us to earmark cases in which we receive information from the claimant and/or railroad employer indicating that an employee was either injured on-duty or is holding the railroad or a 3rd party liable. On those earmarked cases, we ensure that a notification ("Notice of Lien") is sent to the alleged liable party. This notification protects the RRB's right to reimbursement and in most cases does not require human intervention. The "Notice of Lien" is one of the first notifications that a potential liable party receives. We agreed to work with the data that we are currently collecting in our existing environment and make the necessary modifications to store and retrieve this data on a regular basis to take additional follow-up actions to validate the continued existence of a potential recoverable.

The RRB did not concur with OIG's Audit Recommendation #3 (Develop a system that calculates and tracks the portion of sickness payments subject to be recovered from potential 12(o) liens). Audit Recommendation #3 would require us to develop a new application and significantly change data collection and storage mechanisms. We will soon be initiating our IT modernization process and are attempting to maximize our RRB staff and IT funding to make significant changes to the entire RRB process. It would not be prudent to create a new standalone application when we are about to begin work on basic integrated applications that will be our future state.

The RRB agreed with Audit Recommendation 4, which requires the RRB to update policies and procedures for determining the correct lien for cases with multiple and/or concurrent medical conditions. Because the RRB does not have clear procedure for handling these types of lien calculations, the RMA auditors were unable to determine if the RRB's lien calculation is accurate. Although this scenario affects a relatively small number of 12(o) lien cases, the RRB agreed that it would be beneficial to have clear procedure for adjudicating and documenting the lien calculation in such cases.

Calculating a lien amount often requires human intervention. Many times, the information provided by the claimant does not exactly match the information that the potential liable party has, and these discrepancies need to be resolved. The 12(o) lien process is a very complicated business process and requires staff to make determinations on lien amounts. The RRB believes that we can better utilize the data that we have collected and as we move forward in our IT modernization, make additional improvements to minimize reliance on manual staff intervention and streamline processes for making status determinations.

Our efforts will reduce unnecessary or redundant activities, improve accuracy and security of our systems and their transactions, make the systems more user-friendly for agency employees and our customers, improve interoperability and flexibility of systems, and improve ability to collaborate with agency partners.

2. **Records and Information Management Program**

The RRB has taken significant steps to address OIG recommendations for an additional audit performed in FY 2023, Records Management. A lingering setback to address older recommendations was a staffing challenge, but in FY 2023, the RRB filled critical vacancies with appropriate skills sets for electronic records management and continued its use of new cloud technologies to meet records management requirements highlighted in audit reports. The RRB is already working to close one finding by January 2024.The RRB concurred with three of five of the findings from the Records Management audit and expects to address remaining open recommendations from this audit in FY 2024.

3. **Timely Implementation of Audit Recommendations**

   a. **Pandemic Relief Acts:** This response reiterates the RRB's response to the FY 2022 OIG challenge on this topic. The RRB continues to disagree 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.

b. **Previous Improper Payment and Payment Integrity Reporting Recommendations:** The OIG determined the RRB was noncompliant with the Payment Integrity Information Act of 2019 because the RRB did not disclose Railroad Medicare payment integrity information or the performance of the RRB's SMAC. The OIG also acknowledges that the RRB obtained a new MOU with CMS regarding Railroad Medicare responsibilities, signed on August 31, 2022, which indicated that CMS is responsible for calculating and reporting improper payment. Years prior to signing the MOU, we were informed by CMS that all Medicare FFS program improper payment rates would be reported via HHS' AFR. The 2022 MOU was a codification of our established business process with CMS, delineating roles and responsibilities prospectively, not retroactively. As noted, the related 53 recommendations noted by OIG were non-concurred by the RRB. We recommend that OIG close the non-concurred recommendations without implementation.

c. **Information Technology Security:** As discussed above in response to Challenge 2, preliminary audit results for the FY 2023 FISMA audit indicate that the RRB continued to build upon its successes in improving the security posture of the agency. In a condensed FY 2023 FISMA Audit, the RRB improved its scores across eight areas to Level 3 -- Consistently Implemented, demonstrating notable continued progress from previous years' FISMA audits.

d. **Disability Program Integrity**: As mentioned in Challenge 1, RRB has been responsive to numerous concurred disability-related recommendations made by the OIG and its contractors to include second review of all initial decisions, additional forms to document decisions including employer medical, revised vocational forms, and earnings queries in all cases prior to adjudication including both Social Security Administration records and a third-party, The Work Number. The fact that only some of the recommendations remain open is evidence that the RRB has been receptive and responsive to OIG recommendations to improve program integrity. A decision not to implement a recommendation as suggested, after a detailed evaluation which includes an analysis of laws and regulations relevant to the recommendation, does not reflect a reticence to implement changes. 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.

e. **Railroad Medicare:** The OIG continues to refer to prior OIG "Railroad Medicare" reports and 50 "open recommendations" related to them. We established years ago with Centers for Medicare & Medicaid Services (CMS) that CMS is responsible for reporting the Medicare FFS program improper payment rate and as a component of HHS, that HHS consolidates CMS' financial results and related Medicare improper payment information into its annual Agency Financial Report (AFR). The HHS AFR reports the estimated improper payments and related information for the Medicare FFS program, to include the results of all MACs including the SMAC. The Medicare FFS improper payment rate is reported 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. The RRB did not and does not concur with the 50 recommendations. Concurrence would lead to inaccurate Medicare improper payment reporting government wide. We suggest the OIG close all 50 recommendations without implementation, as we non-concurred to all of them.

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. Due to program changes implemented as a result of the Coronavirus Aid, Relief, and Economic Security Act, a risk assessment was conducted for the RUIA program in FY 2021. Additionally, due to further program changes implemented due to the Continued Assistance to Rail Workers Act of 2020 and the American Rescue Plan Act, another risk assessment was conducted for the RUIA program in FY 2022. 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).

Since the RUIA program did not experience any significant changes in legislation and/or a significant increase in funding levels during FY 2022, the program is now in a three-year Risk Assessment cycle. The next RUIA Risk Assessment is scheduled for FY 2025, unless significant changes and/or a significant increase in funding levels direct an earlier assessment. The RRA program is on schedule to have a Risk Assessment conducted this fiscal year. 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 this fiscal year. 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	0
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
Unsupported Railroad Retirement Act Annuity Payments		1			1
Internal Control Environment		1			1
Outdated Accounting Procedure Guides		1			1
Non-Compliance with Treasury United States Standard General Ledger (USSGL)		1			1
Total Material Weaknesses	9	4		1	12

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		0
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
Unsupported Railroad Retirement Act Annuity Payments		1				1
Internal Control Environment		1				1
Outdated Accounting Procedure Guides		1				1
Non-Compliance with Treasury United States Standard General Ledger (USSGL)		1				1
Total Material Weaknesses	**9**	**4**		**1**		**12**
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 2023 civil monetary penalty inflation adjustment on December 27, 2022 (87 Fed. Reg. 79376). The maximum civil penalty under the Program Fraud Civil Remedies Act was increased to $13,508, and the penalty range under the False Claims Act was increased to a minimum penalty of $13,508 and a maximum penalty of $27,018.

PAGE INTENTIONALLY LEFT BLANK

APPENDICES

PAGE INTENTIONALLY LEFT BLANK

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 (RRB)
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 Operations	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

For additional copies of this report, please contact:

Railroad Retirement Board
Bureau of Fiscal Operations
844 North Rush Street, 5th Floor
Chicago, Illinois 60611-1275
Telephone: (312) 751-4930
Available online at: www.RRB.gov