



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

Fiscal Year 2005 Special Purpose Financial Statements Audit  
LETTER TO MANAGEMENT  
Report No. 06-02, November 17, 2005

To the Board Members:

We audited the special-purpose financial statements of the Railroad Retirement Board (RRB) and have issued our report thereon dated November 8, 2005 in which we rendered an unqualified opinion on fiscal year (FY) 2005 and a qualified opinion on FY 2004. We conducted our audit in accordance with U.S. generally accepted government auditing standards and the Office of Management and Budget's (OMB) audit guidance.

In planning and performing our audit of the special-purpose financial statements, we also considered the RRB's internal control over the financial reporting process for the special-purpose financial statements and compliance with the TFM Chapter 4700. Management is responsible for establishing and maintaining internal control over financial reporting, including Other Data, and for complying with laws and regulations, including compliance with the requirements of the U.S. Department of the Treasury's Financial Manual (TFM) Volume I, Part 2, Chapter 4700.

Our consideration of internal control over the financial reporting process for the special purpose financial statements would not necessarily disclose all matters in the internal control over the financial reporting process that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the RRB's ability to record, process, summarize, and report financial data consistent with the assertions made by management in the special-purpose financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the special-purpose financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our tests of internal control over the financial reporting process for the special-purpose financial statements did not disclose any material weaknesses or reportable conditions. Although not considered to be a material weakness or

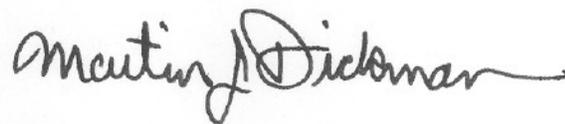
reportable conditions. Although not considered to be a material weakness or reportable condition, we noted a matter involving internal control and its operation, the details of which are included as an attachment to this letter. However, neither this letter, nor the attachment, modifies our report dated November 8, 2005, referred to in the first paragraph of this letter.

Our work was not conducted for the primary purpose of making detailed recommendations about the RRB's system of internal control. Had we done so, other matters might have come to our attention that we would have reported to you.

This report is intended solely for the information and use of the management of the RRB, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the many courtesies and cooperation extended to us during the audit.

Very truly yours,

A handwritten signature in black ink that reads "Martin J. Dickman". The signature is written in a cursive style with a long, sweeping underline.

Martin J. Dickman  
Inspector General

November 08, 2005

## **Ensuring Compliance with Requirements**

The special-purpose financial statements, accompanying notes and supplementary data contained in the special-purpose closing package provide financial information to the U.S. Department of the Treasury and U.S. Government Accountability Office for use in preparing and auditing the *Financial Report of the U.S. Government*. The form and content of the special-purpose financial statements and closing package is established by the U.S. Department of the Treasury's in its Financial Manual (TFM) Volume I, Part 2, Chapter 4700.

The TFM includes requirements with which an agency need comply only if applicable to their program or business operations. The RRB needs to ensure that the TFM requirements are formally reviewed for their applicability to this agency and document the final determination for each item. During our audit, we were unable to obtain assurance about the basis for management's decision to omit certain data from the "Other Data" section of the FY 2005 closing package.

- We recommend that the RRB review TFM requirements annually and document the basis for any determinations of non-applicability.

### Management' Response

Management agrees with the recommendation. The full text of management's response follows as attachment II.



UNITED STATES GOVERNMENT

**MEMORANDUM**

FORM G-1151 (1-92)

RAILROAD RETIREMENT BOARD

**NOV 17 2005**

**TO :** Henrietta B. Shaw  
Assistant Inspector General for Audit

**FROM:** Kenneth P. Boehne  
Chief Financial Officer

A handwritten signature in cursive script, appearing to read "Kenneth P. Boehne".

**SUBJECT:** FY 2005 Financial Statement Audit  
Letter to Management -- Special-Purpose Financial Statements

This is in response to your memorandum dated November 14, 2005, in which you requested management's comments on your office's draft Letter to Management, Special-Purpose Financial Statements. I provided the draft Letter to Management to the Board Members for review and our comments are as follows. We agree with the letter's one recommendation to annually review Treasury's Financial Manual requirements regarding the form and content of the special-purpose financial statements and to document the basis for any requirements we determine are not applicable to the RRB.

Thank you for the opportunity to comment on this matter and for your efforts in reviewing the agency's fiscal year 2005 special-purpose financial statements.

cc: The Board  
Executive Committee