RAILROAD RETIREMENT BOARD

PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR 2021

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Railroad Retirement Board
Performance and Accountability Report
Fiscal Year 2021

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MESSAGE FROM THE BOARD MEMBERS

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Message from the Board Members

This fiscal year 2021 Performance and Accountability Report highlights the goals and accomplishments of the Railroad Retirement Board (RRB) in achieving its mission of administering the retirement, disability, and survivor benefit programs provided under the Railroad Retirement Act (RRA), and the unemployment and sickness insurance benefit programs provided under the Railroad Unemployment Insurance Act (RUIA). This report describes our continuing efforts to provide timely and useful information to RRB managers, the Office of Management and Budget (OMB), Congress, and our constituents. We are proud of the agency's dedicated employees whose achievements are reflected in this report.

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

We believe the performance and financial data presented in this report are complete and reliable in accordance with OMB guidance. The adequacy and effectiveness of our management controls and the compliance of our financial management systems with government-wide requirements are delineated in the Systems, Controls and Legal Compliance part of the Management's Discussion and Analysis section. That part also provides status of actions we are taking and progress we are making to correct internal control deficiencies identified by the Office of Inspector General (OIG). While we disagree that those deficiencies rise to the level of material weakness, we continue to strengthen 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, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

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 2021, the RRB trust funds realized a net of $4.2 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

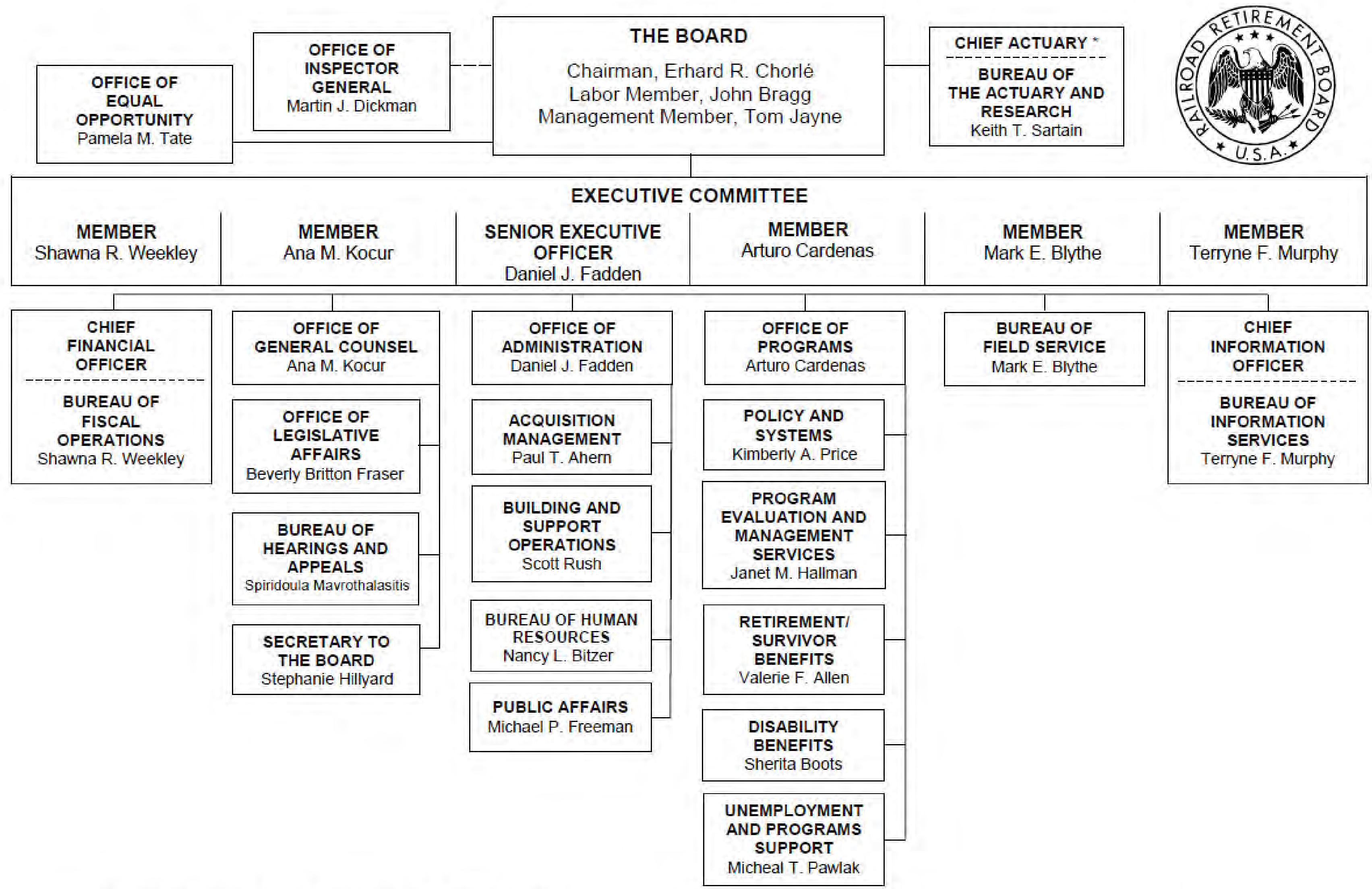
The RRB, as an independent agency in the executive branch of the U.S. Government, is responsible for administering the RRA and the RUIA. The financial statements include the accounts of all funds under the control of the RRB and the OIG. These funds consist of three administrative funds, four trust funds,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

RRB Organizational Structure

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

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

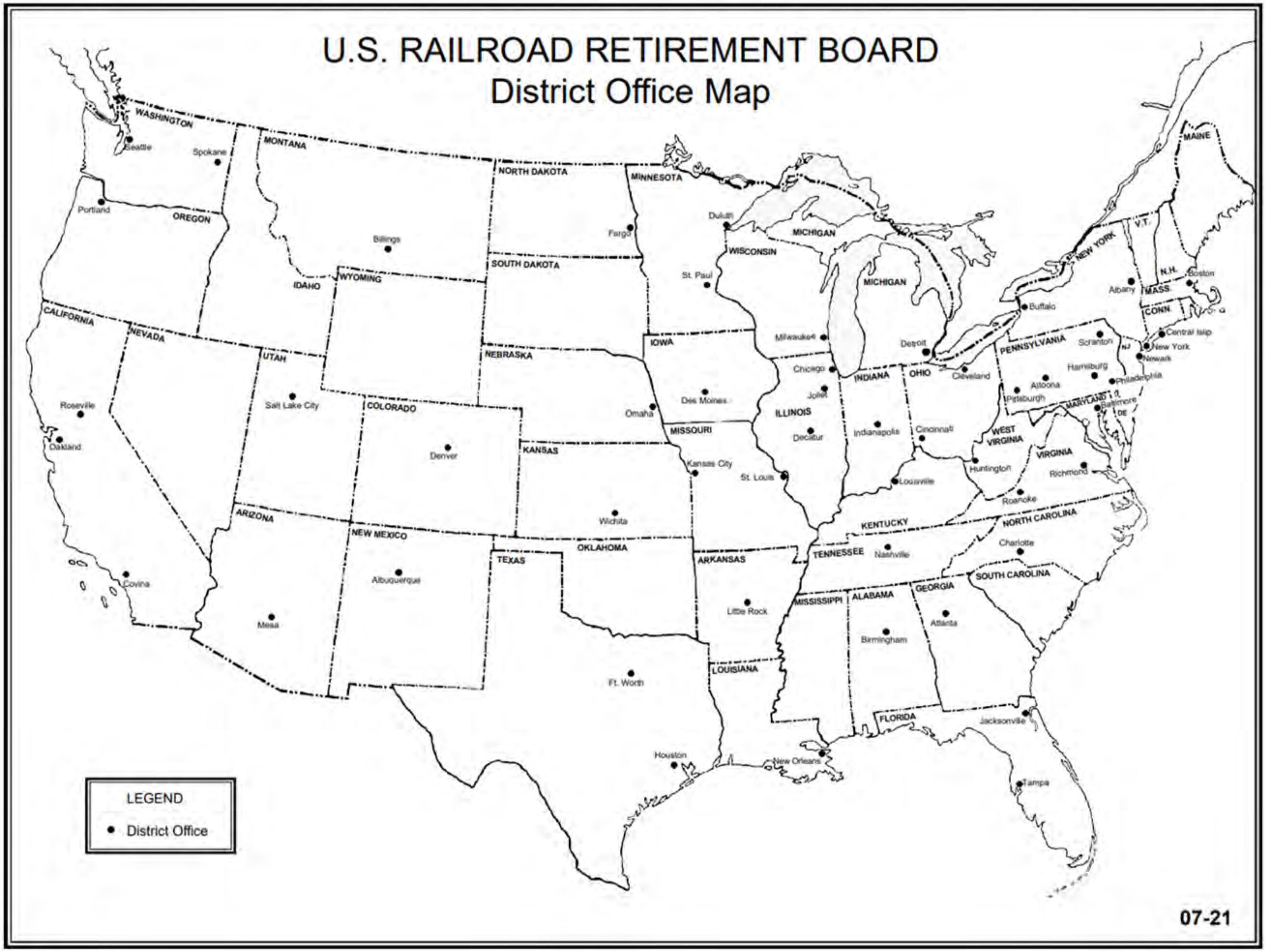
The RRB's headquarters is located at 844 North Rush Street in Chicago, Illinois. The RRB field structure is comprised of 53 offices located throughout the United States as shown on page 12.



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

* **Non-voting member of the Executive Committee**

September 2021


U.S. RAILROAD RETIREMENT BOARD
District Office Map
WASHINGTON
Seattle
Spokane
MONTANA
NORTH DAKOTA
MINNESOTA
Portland
OREGON
Billings
Fargo
Duluth
MICHIGAN
WISCONSIN
SOUTH DAKOTA
IDAHO
WYOMING
St. Paul
MICHIGAN
MAINE
NEW YORK
V.T.
N.H.
Albany
MASS.
Boston
Buffalo
CONN.
CALIFORNIA
NEVADA
UTAH
NEBRASKA
IOWA
Milwaukee
Detroit
PENNSYLVANIA
Scranton
Central Islip
New York
Newark
Chicago
INDIANA
OHIO
Cleveland
Harrisburg
Altoona
Philadelphia
Pittsburgh
MARYLAND
Baltimore
DE
Roseville
Salt Lake City
COLORADO
Des Moines
Joliet
Omaha
ILLINOIS
Indianapolis
Cincinnati
MISSOURI
WEST VIRGINIA
Oakland
Denver
KANSAS
Decatur
VIRGINIA
Kansas City
Huntington
Richmond
St. Louis
Louisville
Roanoke
Wichita
ARIZONA
KENTUCKY
NORTH CAROLINA
NEW MEXICO
OKLAHOMA
Charlotte
TENNESSEE
Nashville
TEXAS
ARKANSAS
Covina
Albuquerque
SOUTH CAROLINA
GEORGIA
MISSISSIPPI
ALABAMA
Little Rock
Atlanta
Mesa
Birmingham
LOUISIANA
Ft. Worth
FLORIDA
Jacksonville
Houston
New Orleans
Tampa
LEGEND
District Office
07-21

Performance Goals, Objectives, and Results

During fiscal year 2021 (ended September 30, 2021), benefit payments totaled $13.5 billion, net of recoveries and offsetting collections. Of this amount, benefit payments for the railroad retirement and survivor benefits program totaled $13.3 billion, for the railroad unemployment and sickness insurance benefits program totaled $156.9 million, for the CARES Act programs totaled $112.7 million, and vested dual benefits program totaled $11.7 million, net of recoveries and offsetting collections. During fiscal year 2021, the RRB also paid benefits on behalf of SSA (for which the RRB is reimbursed) amounting to $2.0 billion to about 127,000 beneficiaries.

In fiscal year 2021, 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 2021 included:

- Providing payments to about 519,000 retirement and survivor beneficiaries.
- Providing payments to about 17,200 unemployment insurance beneficiaries.
- Providing payments to about 24,500 sickness insurance beneficiaries.
- Providing payments to about 5,000 vested dual benefit beneficiaries.
- Processing 14,986 retirement, survivor, and disability applications for benefits (through April 30, 2021).
- Processing 142,321 applications and claims for unemployment and sickness insurance benefits (through April 30, 2021).
- Issuing 224,158 certificates of employee railroad service and compensation (mailed on June 11, 2021).

During fiscal year 2021, the RRB used 30 specific program performance objectives, including several with multiple indicators, to manage and track progress in meeting its long-term strategic plan goals. These objectives were accomplished with a direct appropriation of $123,500,000, where $114,500,000 was for ongoing administration of the RRB and $9,000,000 was for the agency's IT modernization program. (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 2021 were not available at the time this report was published. For those objectives, we reported part-year performance information for fiscal year 2021, if available. We also reported actual results from prior years, as applicable.

Summary of Achievement by Strategic Goal for Fiscal Year 2021

Strategic Goal I: Modernize Information Technology (IT) Operations to sustain mission essential services. For fiscal year 2021, we reorganized our efforts to accomplish the IT Modernization from seven distinct initiatives to a comprehensive three-phased approach. During fiscal year 2021, 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 2021, 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 2021**,** 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 2021, 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 2021 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.

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 2021 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 2021 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.

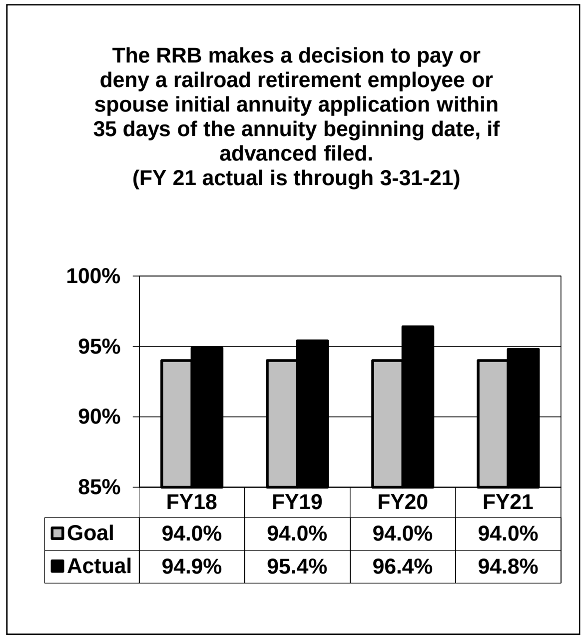
<u>Key performance indicator 1:</u> Timeliness of initial railroad retirement annuity payments, when advanced filed (Objective II-A-1)

FY 2021 goal: 94.0%
Our FY 2021 performance: 94.8% through the 2nd quarter

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

FY 2020 goal: 94.0%
Our FY 2020 performance: 96.4%

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



	FY18	FY19	FY20	FY21
Goal	94.0%	94.0%	94.0%	94.0%
Actual	94.9%	95.4%	96.4%	94.8%

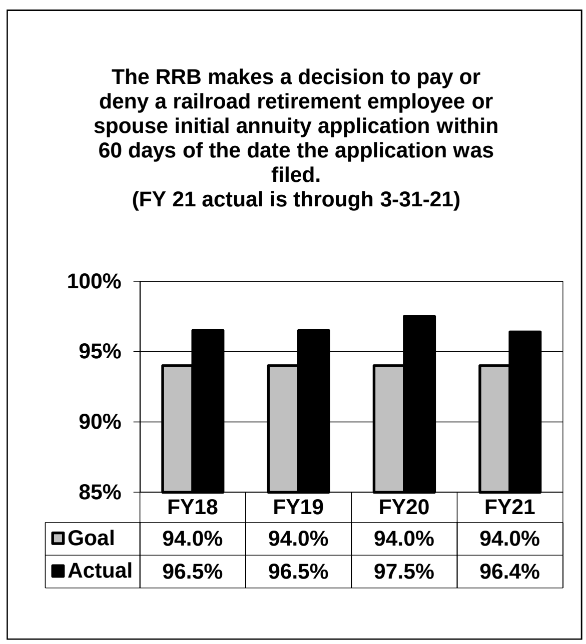
<u>Key performance indicator 2:</u> Timeliness of initial railroad retirement annuity payments, if not advanced filed (Objective II-A-2)

FY 2021 goal: 94.0%
Our FY 2021 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 2020 goal: 94.0%
Our FY 2020 performance: 97.5%

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



	FY18	FY19	FY20	FY21
Goal	94.0%	94.0%	94.0%	94.0%
Actual	96.5%	96.5%	97.5%	96.4%

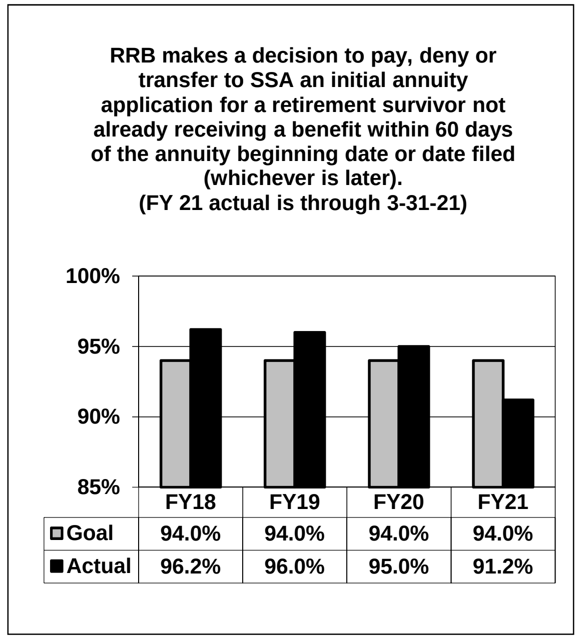
Key performance indicator 3: Timeliness of new survivor benefit payments (Objective II-A-3)

FY 2021 goal: 94.0%
Our FY 2021 performance: 91.2% through the 2nd quarter

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

FY 2020 goal: 94.0%
Our FY 2020 performance: 95.0%

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



	FY18	FY19	FY20	FY21
Goal	94.0%	94.0%	94.0%	94.0%
Actual	96.2%	96.0%	95.0%	91.2%

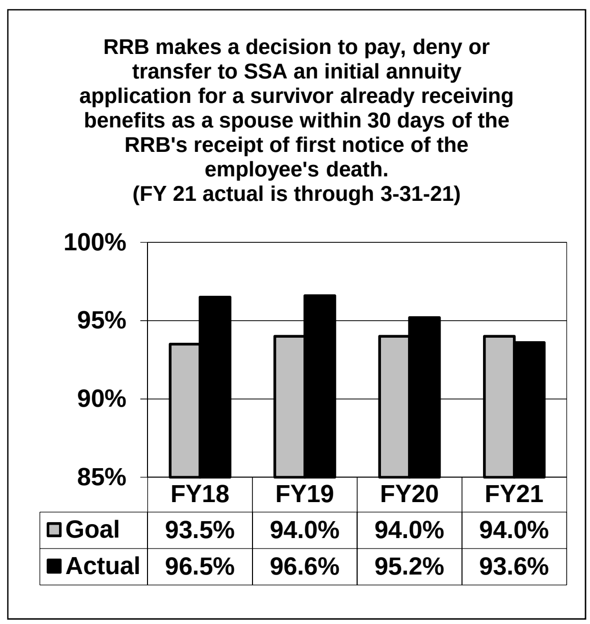
Key performance indicator 4: Timeliness of spouse to survivor benefit payment conversions (Objective II-A-4)

FY 2021 goal: 94.0%
Our FY 2021 performance: 93.6% through the 2nd quarter

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

FY 2020 goal: 94.0%
Our FY 2020 performance: 95.2%

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



	FY18	FY19	FY20	FY21
Goal	93.5%	94.0%	94.0%	94.0%
Actual	96.5%	96.6%	95.2%	93.6%

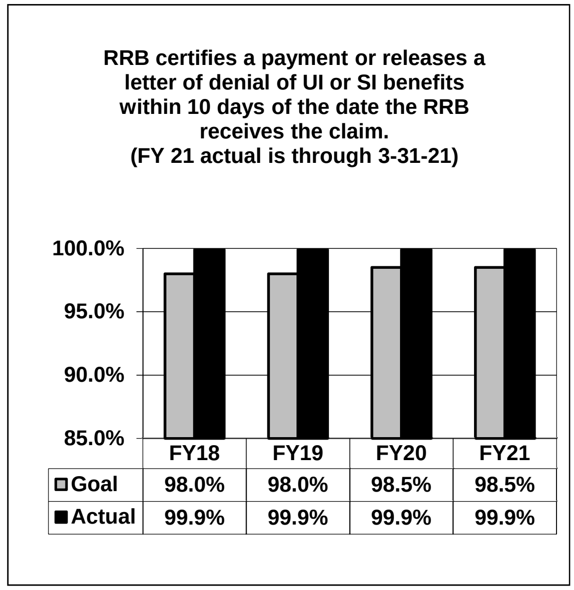
<u>Key performance indicator 5:</u> Timeliness of unemployment or sickness insurance payments (Objective II-A-6)

FY 2021 goal: 98.5%
Our FY 2021 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 2020 goal: 98.5%
Our FY 2020 performance: 99.9%

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



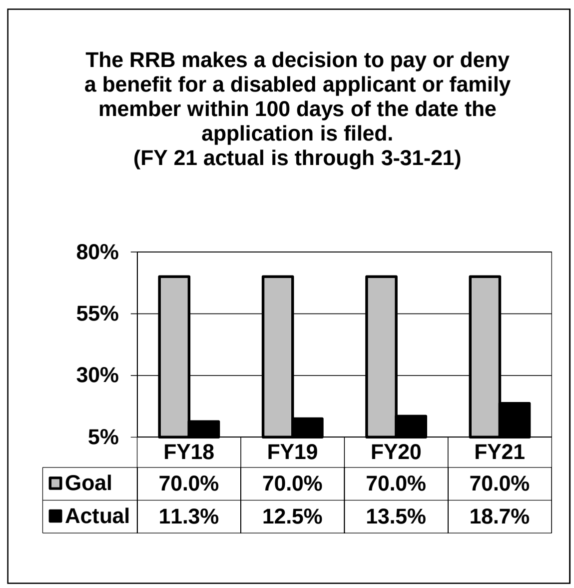
	FY18	FY19	FY20	FY21
Goal	98.0%	98.0%	98.5%	98.5%
Actual	99.9%	99.9%	99.9%	99.9%

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

FY 2021 goal: 70.0%
Our FY 2021 performance: 18.7% through the 2nd quarter

We are not achieving our goal.

FY 2020 goal: 70.0%
Our FY 2020 performance: 13.5%



	FY18	FY19	FY20	FY21
Goal	70.0%	70.0%	70.0%	70.0%
Actual	11.3%	12.5%	13.5%	18.7%

Initial disability decision timeliness performance was below the goal of 70% within 100 days for multiple reasons, including a continued effort in the Disability Benefits Division (DBD) to finalize decisions on cases that were greater than 2 years old. At the start of Fiscal Year 2019, cases with filing dates 2018 and earlier was 29.6% of the total workload balance. At the end of the fiscal year, this balance was significantly reduced to less than 9% of the pending work, a 73% reduction. At the start of FY 2020, there were approximately 1,950 cases pending, which is a 7% workload reduction compared to FY 2019. In addition, at the end of FY 2020, the total pending balance decreased by another 10% with nearly 60% of the cases pending having 2020 filing dates.

In an effort to reduce the number of pending cases and improve timeliness, DBD hired additional initial claims examiners. The initial training phase took approximately 8 months. The new hires began production in FY 2020. As they continue to increase production, they will improve the Division’s overall performance.

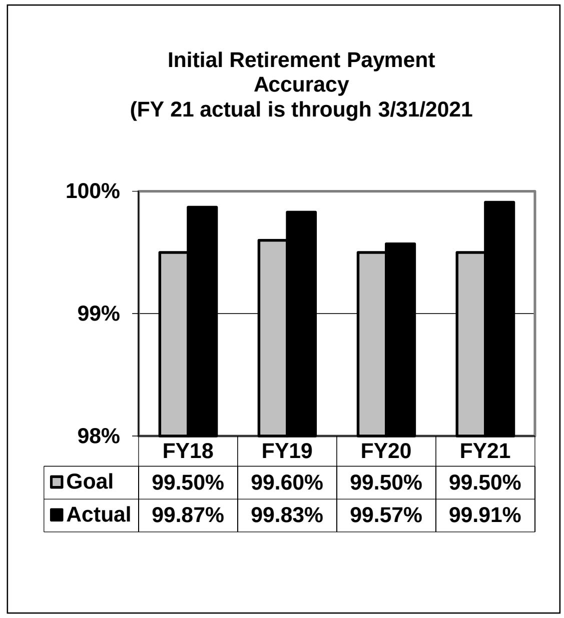
Data Definition: This goal is included in the RRB Customer Service Plan.

Key performance indicator 7: 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 2021 goal: 99.50%
Our FY 2021 performance: 99.91%

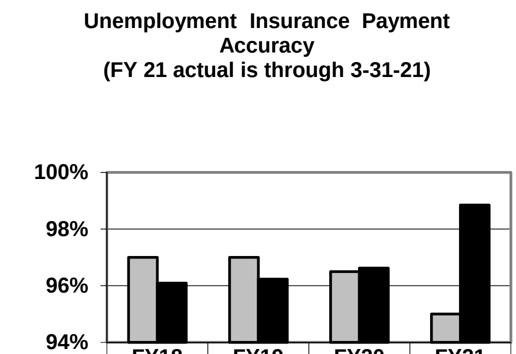
FY 2020 goal: 99.50%
Our FY 2020 performance: 99.57%



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.

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



	FY18	FY19	FY20	FY21
Goal	97.00%	97.00%	96.50%	95.00%
Actual	96.09%	96.23%	96.62%	98.85%

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

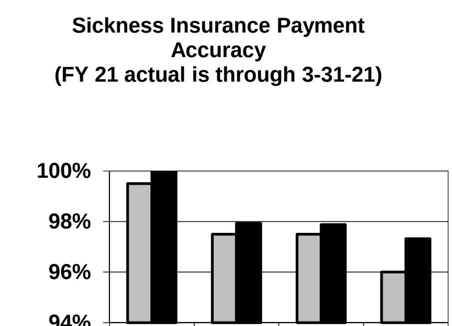
FY 2021 goal: 95.00%
Our FY 2021 performance: 98.85% through the 2nd quarter

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

FY 2020 goal: 96.50%
Our FY 2020 performance: 96.62%

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

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



	FY18	FY19	FY20	FY21
Goal	99.50%	97.50%	97.50%	96.00%
Actual	100.00%	97.93%	97.88%	97.32%

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

FY 2021 goal: 96.00%
Our FY 2021 performance: 97.32% through the 2nd quarter

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

FY 2020 goal: 97.50%
Our FY 2020 performance: 97.88%

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.

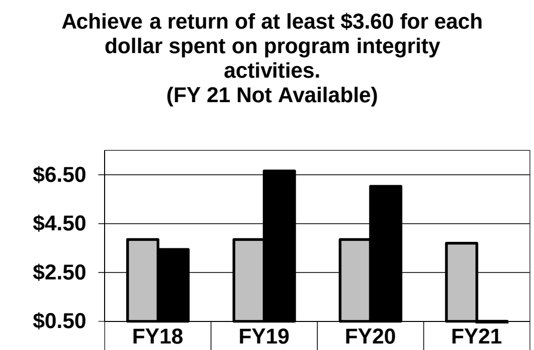
<u>Key performance indicator 10:</u> Return on investment in program integrity activities (Objective III-B-5)

FY 2021 goal: $ 3.70: $1
Our FY 2021 performance: Not Available

FY 2020 goal: $3.85: $1
Our FY 2020 performance: $6.03: $1

We achieved our goal.

Our fiscal year 2020 goal was to achieve a return of $3.85 for each dollar spent on program integrity activities. We achieved a rate of return of $6.03 for each dollar spent.



	FY18	FY19	FY20	FY21
Goal	$3.85	$3.85	$3.85	$3.70
Actual	$3.44	$6.66	$6.03	$0.00

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

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

<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
(In millions)

	2021	2020
NET POSITION AT SEPTEMBER 30		
Social Security Equivalent Benefit Account	$426.0	$662.4
Railroad Retirement Account 1/	28,973.0	24,686.9
Railroad Retirement Administrative Fund	44.3	47.1
Railroad Unemployment Insurance Trust Fund -		
Benefit Payments	(69.9)	(7.9)
Administrative Expenses	6.8	11.7
Limitation on the Office of Inspector General	8.5	7.2
Dual Benefits Payments Account	7.7	7.6
Federal Payments to the Railroad Retirement Accounts	0.9	0.9
American Recovery and Reinvestment Act of 2009		
Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act (no year dollars)	9.7	9.7
Worker, Homeownership, and Business Assistance Act of 2009		
Administrative Expenses, Railroad Unemployment Insurance Extended Benefit Payments	-	-
Coronavirus Aid, Relief, and Economic Security Act of 2020		
Railroad Unemployment Insurance Extended Benefits (no year dollars) 1a/	84.7	120.7
Railroad Unemployment Insurance Enhanced Benefit Payments (no year dollars)	222.7	289.8
Railroad Unemployment Insurance Waiver of 7 Day Period	36.8	43.9
Payment to Limitation on Administration	1.8	4.0
Administrative Expenses	-	-
American Rescue Plan Act of 2021		
Payment to Limitation on the Office of Inspector General	-	-
Limitation on the Office of Inspector General	0.5	-
Administrative Expenses	25.7	-
Total	**$29,779.2**	**$25,884.0**
FINANCING SOURCES FOR FISCAL YEAR		
Social Security Equivalent Benefit Account	$7,395.5	$7,535.0
Railroad Retirement Account 2/	9,912.9	4,804.0
Railroad Retirement Administrative Trust Fund	149.6	146.0
Railroad Unemployment Insurance Trust Fund -		
Benefit Payments	99.4	63.5
Administrative Expenses	(4.8)	2.5
Limitation on the Office of Inspector General	11.8	11.0
Dual Benefits Payments Account	10.7	14.1
Federal Payments to the Railroad Retirement Accounts 3/		-
American Recovery and Reinvestment Act of 2009		
Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act (no year dollars)	-	-
Worker, Homeownership, and Business Assistance Act of 2009		
Administrative Expenses, Railroad Unemployment Insurance Extended Benefit Payments	-	-
Coronavirus Aid, Relief, and Economic Security Act		
Railroad Unemployment Insurance Extended Benefits (no year dollars) 1a/	38.0	13.6
Railroad Unemployment Insurance Enhanced Benefit Payments (no year dollars)	67.1	135.2
Railroad Unemployment Insurance Waiver of 7 Day Period	7.1	6.1
Payment to Limitation on Administration	2.3	5.9
American Rescue Plan Act of 2021		
Payment to Limitation on the Office of Inspector General	-	-
Limitation on the Office of Inspector General	-	-
Administrative Expenses	1.9	-
Total	$17,691.5	$12,736.9
BENEFIT PAYMENTS FOR FISCAL YEAR 4/		
Social Security Equivalent Benefit Account	$7,631.8	$7,645.0

Railroad Retirement Account	5,633.9	5,598.9
Railroad Unemployment Insurance Trust Fund -		
Unemployment Insurance	75.9	131.4
Sickness Insurance	81.0	67.5
Dual Benefits Payments Account	11.7	14.1
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/	38.1	13.5
Railroad Unemployment Insurance Enhanced Benefit Payments (no year dollars)	67.5	135.2
Railroad Unemployment Insurance Waiver of 7 Day Period	7.1	6.1
Payment to Limitation on Administration	-	-
Administrative Expenses	-	-
Total	$13,547.0	$13,611.7

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

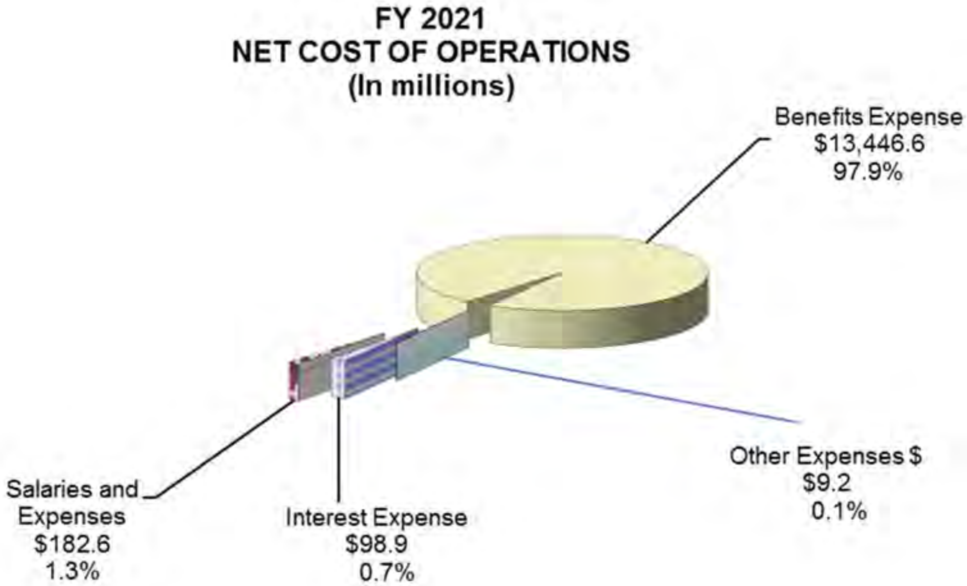
The RRB's financial statements are comprised of: Balance Sheet and Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Social Insurance, Changes in Social Insurance Amounts, and notes which are an integral part of the statements. We also present, as required supplementary information,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

Comparison of Net Cost of Operations and Financing Sources

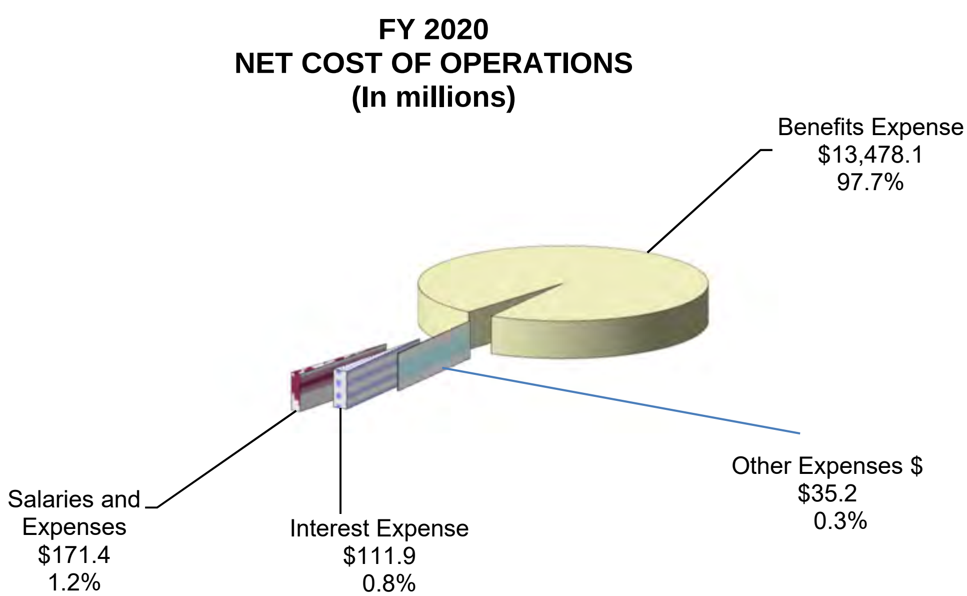
The net cost of operations for fiscal years 2021 and 2020 was $13,708.6 million and $13,767.0 million, respectively. The details of the net cost of operations by type, amount, increase or decrease, and percentage change from fiscal year 2020 to fiscal year 2021 are shown below. Additional information regarding the net cost of operations and financing sources for fiscal years 2021 and 2020 is shown on the following pages.

NET COST OF OPERATIONS
(In millions)

	FY 2021	FY 2020	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Interest expense – Treasury borrowing	$98.9	$111.9	$(13.0)	(11.6)%
Salaries and expenses	182.6	171.4	11.2	6.5%
Benefits expense	13,446.6	13,478.1	(31.5)	(0.2)%
Other expenses	9.2	35.2	(26.0)	(73.9)%
Subtotal	**13,737.4**	**13,796.6**	**(59.20)**	**(0.4)%**
Less: Earned revenues	(28.8)	(29.6)	0.8	(2.7)%
Net cost of operations	**$13,708.6**	**$13,767.0**	**$(58.4)**	**(0.4)%**



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



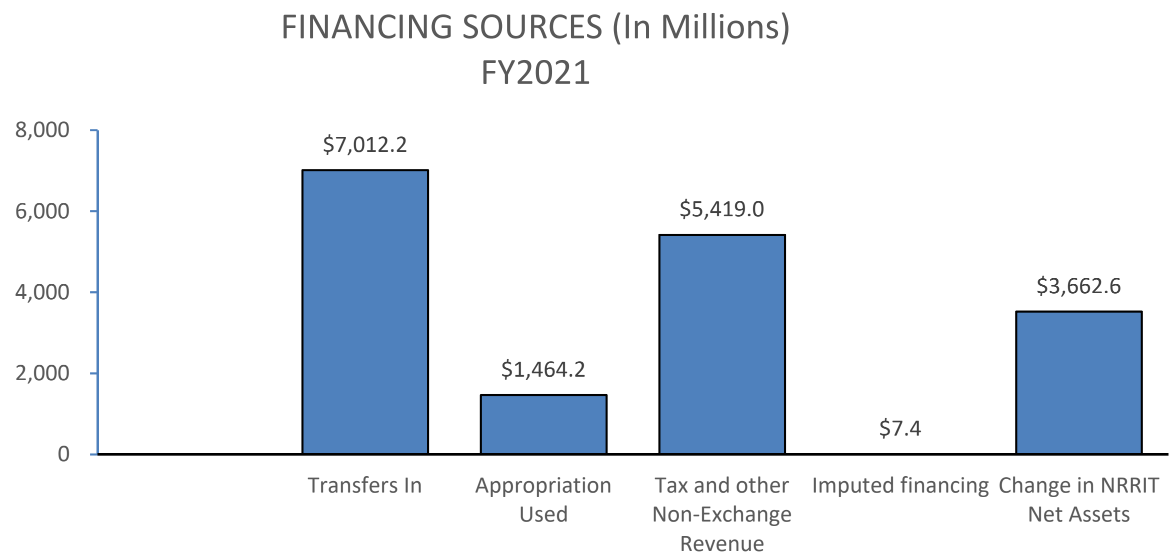
Totals $13,796.6 million, excluding reimbursements, and earned revenues of $(29.6) million.

The following table shows financing sources (excluding changes in unexpended appropriations) by type, amount, increase or decrease, and percentage change from fiscal year 2020 to fiscal year 2021.

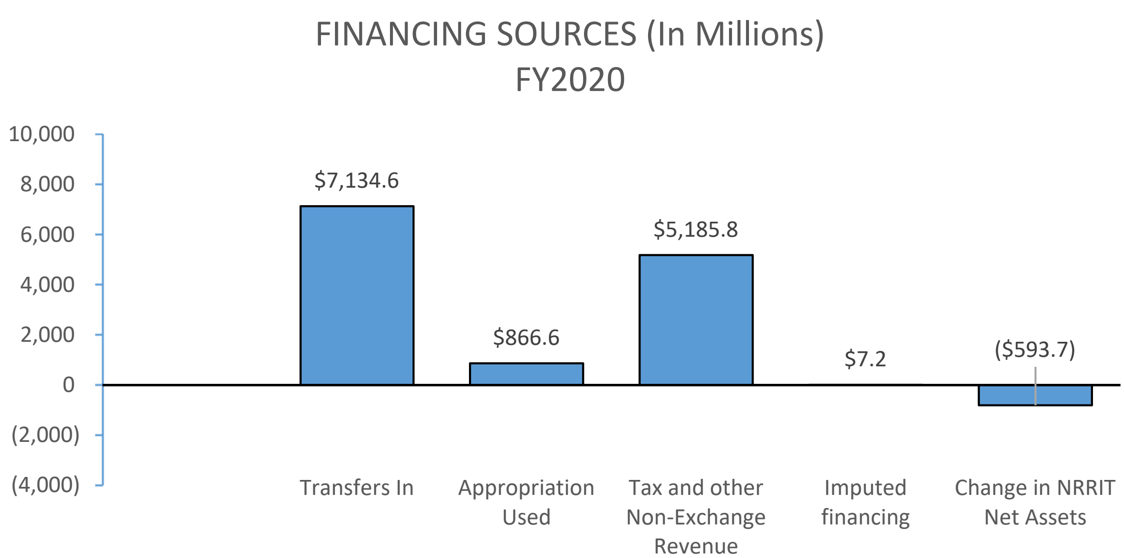
FINANCING SOURCES
(in millions)

	FY 2021	FY 2020	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Budgetary Financing Sources:				
Appropriations used	$1,464.2	$866.6	$597.6	69%
Taxes and other non-exchange revenues:				
Payroll taxes	5,306.6	5,172.9	133.7	2.6%
Interest revenue and other income	37.9	35.1	2.8	7.9%
Carriers refunds – principal	(37.6)	(104.8)	67.2	(64.1)%
Railroad Unemployment Insurance (RUI) Revenue	112.1	82.7	29.4	35.5%
Subtotal	**$6,883.2**	**$6,052.5**	**$830.7**	**13.72%**
Transfers in:				
Financial Interchange, net	4,174.2	4,854.6	(680.4)	(14.0)%
NRRIT	2,838.0	2,280.0	558.0	24.5%
Subtotal	**$7,012.2**	**$7,134.6**	**$(122.4)**	**(1.7)%**
TOTAL BUDGETARY FINANCING SOURCES	**$13,895.4**	**$13,187.1**	**$708.3**	**5.4%**
Other Financing Sources :				
Imputed financing	7.4	7.2	0.2	3.4%
Change in NRRIT net assets	3,662.6	(593.7)	4,256.3	716.9%
Gain/(Loss) in Contingency	123.1	136.3	(13.1)	(9.6)%
TOTAL OTHER FINANCING SOURCES	**3,793.1**	**(450.2)**	**4,243.5**	**942.4%**
TOTAL FINANCING SOURCES	**$17,688.6**	**$12,736.9**	**$4,951.7**	**38.9%**

The most significant difference between the RRB's financial statements for fiscal year 2020 and fiscal year 2021 was the change in NRRIT net assets and decrease in Payroll Taxes. The increase in NRRIT net assets of about $3,662.6 million is 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 2020 and 2021 are shown in the RRB's Financial Section of this publication.



Total Financing Sources $17,565.5 million, excluding $123.1 million gain contingency.



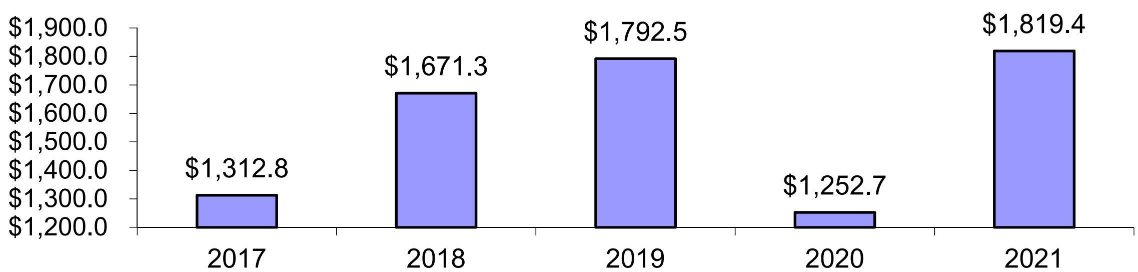
Total Financing Sources $12,600.6 million, excluding $136.3 million gain contingency.

Railroad Retirement Investments at Treasury

The book value of all railroad retirement investments, including accrued interest, increased to $1,819.4 million as of September 30, 2021, from $1,252.7 million on September 30, 2020 (excludes NRRIT net assets). The graph below reflects the book value of the railroad retirement investments from September 30, 2017, through September 30, 2021.

INVESTMENT BALANCES HELD AT TREASURY (AT BOOK VALUE)
AT SEPTEMBER 30, 2017 - 2021

(In millions, excluding NRRIT net assets)

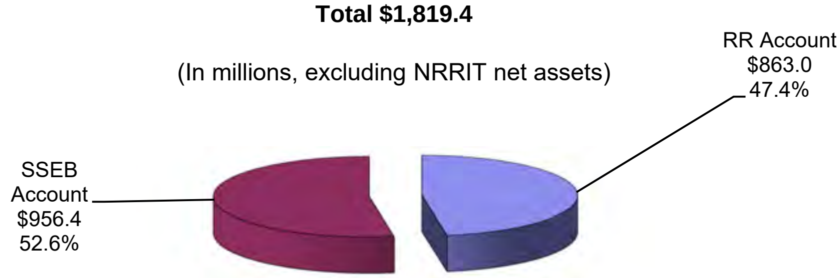


The following chart shows the portfolio of the railroad retirement investments as of September 30, 2021

RAILROAD RETIREMENT INVESTMENTS HELD AT TREASURY
AS OF SEPTEMBER 30, 2021

AT BOOK VALUE
Total $1,819.4

(In millions, excluding NRRIT net assets)



Railroad Retirement Account: On September 30, 2021 and 2020, the book values of the RR Account investments, excluding NRRIT assets, including accrued interest, totaled $862,954,512 and $307,323,788, respectively. The balance on September 30, 2021, consisted of $861,767,000 in 3.000 percent par value specials (with market value equal to face value) maturing on October 1, 2021, and $1,187,512 in accrued interest. The balance on September 30, 2020, consisted of $306,847,000 in 3.000 percent par value specials (with market value equal to face value) maturing on October 1, 2020, and $476,788 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, 2021 and 2020, the book values of the SSEB Account investments, including accrued interest, totaled $956,400,134 and $945,386,040, respectively. The balance on September 30, 2021, consisted of $955,174,000 in 3.000 percent par value specials maturing on October 1, 2021, and $1,226,134 in accrued interest. The balance on September 30, 2020, consisted of $944,036,000 in 3.000 percent par value specials maturing on October 1, 2020, and $1,350,040 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 2021 are $36.2 billion, a 12.6 percent increase over last year. Of the total assets, $28.5 billion relates to funds held by the NRRIT. The net asset value of funds held by the NRRIT increased from fiscal year 2020 by 14.8 percent. Our investments totaled $1.8 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 27. Total liabilities for fiscal year 2021 are $6.5 billion. Liabilities increased by $146.1 million or 2.3 percent in fiscal year 2021. Also, benefits due increased by $16.1 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 2021, our net cost of operations was $13.7 billion, a decrease over last year of $58.5 million, or 0.4 percent. A table for the net cost of operations for fiscal years 2021 and 2020 can be found on page 23.

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 2021 is $29.8 billion. The statement shows an increase in the net position of the agency of $3.9 billion attributable to the change in cumulative results of operations. Total financing sources for 2021 are $17.7 billion. A table for financing sources for fiscal years 2021 and 2020 can be found on page 25.

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 $26.0 billion as of September 30, 2019 to $24.7 billion as of September 30, 2020, a net change in the open group measure of ($1.3) 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 2020-2094 to fiscal years 2021-2095) resulted in a change of $(1.3) billion in the open group measure. There were changes in the demographic assumptions as well as updates to demographic data. Changes in demographic data, assumptions, and methods resulted in a change of $(0.2) billion in the open group measure. Ultimate and 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 about $(0.1) billion is due to changes in economic data, assumptions, and methods. A change in methodology for determining Present Values was made to use the long-term investment return assumption for the quarter ending 12/31/2020 rather than using the actual investment return for the quarter, which had been used in prior years. The NPV includes an explicit adjustment for the asset experience gain/(loss) during the period 10/1/2020-12/31/2020. This change in methodology resulted in a change of $0.3 billion in the open group measure. This year there were no changes 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 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				
Dollars in Millions	**As reported in FY 2021**	**As reported in FY 2020**	**Increase / $**	**(Decrease) %**
COSTS				
Total Financing Sources	$17,688.6	$12,736.9	4,951.7	38.8%
Less: Net Cost	$13,708.6	$13,767.0	(58.4)	(0.4)%
Net Change of Cumulative Results of Operations	**$3,980.0**	**$(1,030.1)**	**4,893.2**	**475.0%**
NET POSITION				
Assets	$36,229.5	$32,188.3	4,041.2	12.6%
Liabilities	$6,450.3	$6,304.3	146.0	2.3%
Net Position (Assets minus Liabilities)	**$29,779.2**	**$25,884.0**	**3,895.2**	**15.5%**

Dollars in Billions	10/1/2020	10/1/2019	Increase / $	(Decrease) %
SOCIAL INSURANCE				
Social Insurance Net Expenditures (Open Group)[1]	$24.7	$26.0	($1.3)	(4.9)

[1]Source: Statement of Social Insurance (SOSI). In prior years, social insurance amounts covered calendar year timeframes January 1 through December 31. Beginning in 2016, social insurance amounts are on a fiscal year basis, from October 1 through September 30. Amounts equal estimated present value of projected revenues 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 as of 10/1/2020 is the Asset Experience Gain/(Loss) for the period 10/1-12/31 as of 9/30. 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 is includes 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, currently 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 is the latest act the agency is currently administering:

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

All of 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. As of September 30, 2021, the RRB has implemented Sections 2112, 2113 and 2114.

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.

Analysis of Systems, Controls and Legal Compliance

Management Assurances

As of September 30, 2021, the Railroad Retirement Board states and assures that, to the best of our knowledge:

1. In accordance with OMB Circular No. A-123, *Management's Responsibility for Internal Control,* Section VI, we are issuing a modified statement of assurance as the Office of Inspector General (OIG) has asserted material weaknesses exist as described in paragraph 6. Except as indicated under paragraph 6, we provide reasonable assurance that this agency's system of internal control is functioning and sufficient to ensure the: efficiency and effectiveness of programs and operations; reliability of financial and performance information; and compliance with laws and regulations. These controls satisfy the requirements of the *Federal Managers' Financial Integrity Act of 1982 (FMFIA)* §2.

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

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

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

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

6. For fiscal year 2021, the OIG has asserted that material weaknesses existed in (1) financial reporting and that the agency has (2) deficient internal controls at the agency-wide level. We disagree that the asserted deficiencies rise to the level of material weakness. These matters are discussed further in the Financial Statement Audit portion of this section.

Original signed by:

Erhard R. Chorlé, Chairman
John Bragg, Labor Member
Thomas Jayne, Management Member

Management Control Review Program

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

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

Financial Statement Audit

For fiscal year 2021, the Office of Inspector General (OIG) will again render a disclaimer of opinion on the RRB's financial statements, as has been done since fiscal year 2013. As a basis for the disclaimer of opinion, the OIG contends that they require access to the National Railroad Retirement Investment Trust's auditor in order to comply with American Institute of Certified Public Accountants (AICPA) group financial statement auditing standards.

The Agency will continue to cooperate with the OIG and provide all NRRIT related information within its possession which the OIG requests. The RRB does not have the authority to compel the NRRIT auditors to provide their work papers to, or speak with the OIG. We have provided the OIG access to NRRIT related information in accordance with the 2002 Memorandum of Understanding between the RRB, NRRIT, Department of the Treasury and the Office of Management and Budget[1] and all other information related to NRRIT in our possession and control that the OIG requested in support of its audit. Additionally, the NRRIT and the United States Government Accountability Office (GAO) entered into a Memorandum of Understanding (MOU) giving GAO access to information necessary to support inclusion of NRRIT's financial information in the government-wide financial statements.[2] Therefore, the RRB continues to disagree with the OIG's inclusion of this matter as both a basis for a disclaimer of opinion and as a financial reporting material weakness.

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1 MOU for the *Budgetary, Accounting, and Financial Reporting Responsibilities Respecting Assets Held by the National Retirement Investment Trust* entered into by the RRB, NRRIT, Department of the Treasury (Treasury), Office of Management and Budget (OMB), October 2002 (on file at RRB).

2 MOU for the *NRRIT Inclusion in Government-Wide financial Statements and GAO Access to Information,* entered into by the National Railroad Retirement Investment Trust (NRRIT) and the U.S. Government Accountability Office (GAO), dated October 31, 2018 (on file at RRB).

For fiscal year 2021, the OIG asserts that two material weaknesses exist; the first relates to financial reporting and centers upon the OIG's lack of communication with NRRIT's auditor as discussed and addressed above. The second material weakness relates to deficient internal controls at the agency wide level. In fiscal year 2018, the OIG asserted this material weakness existed because four of the five components of internal control were not assessed by the RRB in conformance with GAO and OMB requirements at the agency wide level. In fiscal years 2019 thru 2021, the OIG expanded this material weakness to include information technology security and financial reporting controls; compliance with indirect laws, regulations, contracts, treaties, and international agreements; compliance with Railroad Retirement Act benefit payment provisions; and controls over railroad service compensation.[2]

We continued making strides in implementing Enterprise Risk Management (ERM) at the RRB by leveraging the Management Control Review (MCR) infrastructure already in place and building upon efforts accomplished in fiscal year 2020. Specifically in fiscal year 2020, we incorporated an ERM based reporting structure into the MCR guide aimed at enhancing our ability to identify potential events that may affect the agency and manage the related risks within our risk appetite. In fiscal year 2021, we fully implemented ERM into the MCR reporting process with risk assessments based on likelihood, impact, and control effectiveness along with training of responsible officials on the new process. In fiscal year 2022, we will continue to refine ERM reporting and utilize the information reported to assist the decision making process at the RRB. We continue to be committed to strong internal controls and will move forward with the next phase of ERM implementation.

Federal Information Security Modernization Act

The *Federal Information Security Management Act of 2002* (FISMA), as amended by the *Federal Information Security Modernization Act of 2014,* requires agencies to ensure adequate security protections for Federal information systems and information. Preliminary audit results for the FY 2021 FISMA audit indicate that Kearney & Company will assess our overall maturity at Level 2 – *Defined*, maintaining the rating from 2020. The RRB realized nine significant improvements across each of the eight domains, improving several lower level ratings of Ad Hoc to Defined and continuing to improve the FISMA level goal towards the Level 4 – *Managed and Measurable* measurement. Additionally, for the Risk Management and Contingency Planning domains, the Agency improved from Level 1 – *Ad-Hoc* to Level 2 – *Defined* this year.

The preliminary FY 2021 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. The RRB will continue to make incremental steps to reach the overall maturity goal of Level 4 – *Managed and Measurable*.

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[2] Memorandum from Debra Stringfellow-Wheat, Assistant Inspector General for Audit, OIG to Shawna Weekley, Chief Financial Officer, RRB, August 26, 2021 (on file at the RRB).

Financial Management Systems Strategy

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

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

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

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

Forward-Looking Information

Information Technology Modernization

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

In fiscal year 2021, we took a new strategic direction and transitioned the RRB's computer mainframe operations, located at RRB's Data Center and disaster recovery site to IBM operations on the IBM zCloud for Government. The transition provides RRB optimization of mainframe operations and enables further Information Technology Modernization and Application Modernization. We have also initiated in FY21 and will complete in Q1 FY22, the migration to cloud email through Microsoft's cloud solution, M365, with the capability to expand collaboration tools such as Teams, SharePoint Online, etc., and the completion of remaining infrastructure components for the stabilize phase.

In fiscal year 2022, the RRB will continue to further stabilize and secure our legacy infrastructures by implementing additional cloud services. These cloud architectures provide us with the avenue to quickly provide enhanced and modernized services. The RRB will also be procuring services to begin the modernization of our mainframe. This effort will start with obtaining the tools and services needed to begin to modernize our benefits processing system. These enhancements will provide the RRB with the opportunity to more efficiently and effectively carry out its mission and serve our citizens.

Human Capital Management

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

Summary of Actuarial Forecast

The Statement of Social Insurance (SOSI) presents an actuarial analysis of the financial position of the railroad retirement system as of October 1, 2020, under our intermediate employment assumption. The Required Supplementary Information presents sensitivity analyses showing the impact of changes in employment and investment return assumptions. Although under our intermediate assumption no cash flow problems arise during fiscal years 2021-2095, the sensitivity analyses show that, under the current financing structure, actual levels of railroad employment and investment return over the coming years will determine whether additional corrective action is necessary.

Section 7105 of the Technical and Miscellaneous Revenue Act of 1988 requires the RRB to submit an annual report to Congress on the financial status of the railroad unemployment insurance system. Projections were made for the various components of income and outgo under each of three employment assumptions for the 11 fiscal years 2021-2031. The results indicate that, except for small short-term cash flow problems that require loans in fiscal year

2021 under all employment assumptions and in fiscal year 2022 under the pessimistic assumption, the Railroad Unemployment Insurance (RUI) Account will be solvent during the 11-year projection period.

Due to the pandemic and its impact on unemployment and sickness claims, the Railroad Retirement Account extended $120 million in loans to the Railroad Unemployment Insurance Account 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 account taxes are collected through a combination of experience rating surcharges and lower unemployment/sickness benefits. Based on the May 2021 Section 7105 Report, these outstanding loans and any additional loans predicted under the pessimistic assumptions are expected to be repaid by the end of 2022, although experience may be worse than projected.

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.

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PERFORMANCE SECTION

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PERFORMANCE SECTION

Government Performance and Results Act Report

The following performance report is based on the major goals and objectives for fiscal year 2021 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 2018 through March 31, 2021 (except as noted), followed by a discussion of our unmet performance goals and objectives for fiscal year 2020. At the time this report was prepared, actual fiscal year 2021 information was unavailable. Unmet fiscal year 2021 goals and indicators will be presented in next year's report. This performance report was prepared by RRB employees.

Railroad Retirement Board Fiscal Year 2021 Performance Plan	**2018 Actual (At $123.5m)**	**2019 Actual (At $123.5m 2/)**	**2020 Actual (At $123.5m 3/6/)**	**2021 Planned 1/ (At $123.5m 4/)**	**2021 Actual 1/ (At $123.5m 4/)**
STRATEGIC GOAL I: Modernize Information Technology (IT) Operations to Sustain Mission Essential Services					
Strategic Objective: Legacy Systems Modernization Goal leader: Terryne F. Murphy, Chief Information Officer					
I-A-1. Prepare to consolidate and rationalize applications to improve the effectiveness and efficiency of mission essential functions.	New Goal for FY 2021	New Goal for FY2021	New Goal for FY 2021	100%	50%
I-A-2. Evaluate the results of the customer surveys obtained through the LSMS re-engineering assessment contract deliverable to identify and deliver a broader range of online citizen centric services that will specifically address our customer's expectations and improve overall customer service.	New Goal for FY 2021	New Goal for FY 2021	New Goal for FY 2021	100%	100%
I-A-3. Transition Mission Essential Programs from the End-of-Life Mainframe hardware.	New Goal for FY 2021	New Goal for FY 2021	New Goal for FY 2021	75%	75%

Railroad Retirement Board Fiscal Year 2021 Performance Plan	**2018 Actual (At $123.5m)**	**2019 Actual (At $123.5m [2/])**	**2020 Actual (At $123.5m [3/6/])**	**2021 Planned [1/] (At $123.5m [4/])**	**2021 Actual [1/] (At $123.5m [4/])**
I-A-4. Evaluate the re-engineering assessment contract deliverable and determine a modernization path forward consistent with agency priorities and within available funding to address mission critical functions	New Goal for FY2021	New Goal for FY 2021	New Goal for FY 2021	75%	30%
I-A-5. Enhance infrastructure components to stabilize the information systems and the related ecosystems to prepare for the modernize phase.	New Goal For FY 2021	New Goal for FY2021	New Goal for FY2021	75%	50%

Railroad Retirement Board Fiscal Year 2021 Performance Plan	**2018 Actual (At $123.5m)**	**2019 Actual (At $123.5m [2/])**	**2020 Actual (At $123.5m [3/6/])**	**2021 Planned [1/] (At $123.5m [4/])**	**2021 Actual [1/] (At $123.5m [4/])**
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					
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)	94.9%	95.4%	96.4%	94.0%	94.8%
II-A-2. RRB makes a decision to pay or deny a railroad retirement employee or spouse initial annuity application within 60 days of the date the application was filed. (Measure: % ≤ 60 days)	96.5%	96.5%	97.5%	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)	96.2%	96.0%	95.0%	94.0%	91.2%

Railroad Retirement Board Fiscal Year 2021 Performance Plan	2018 Actual (At $123.5m)	2019 Actual (At $123.5m [2])	2020 Actual (At $123.5m [3/6])	2021 Planned [1] (At $123.5m [4])	2021 Actual [1] (At $123.5m [4])
II-A-4. RRB makes a decision to pay, deny or transfer to SSA an initial annuity application for a railroad retirement survivor already receiving benefits as a spouse within 30 days of the RRB's receipt of first notice of the employee's death. (Measure: % ≤ 30 days)	96.5%	96.6%	95.2%	94.0%	93.6%
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)	98.2%	97.3%	97.3%	96.0%	94.9%
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)	11.3%	12.5%	13.5%	70.0%	18.7%
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)	91.5%	85.2%	88.5%	92.0%	87.8%
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)	217	207	205	210	218 [7]
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

Railroad Retirement Board **Fiscal Year 2021 Performance Plan**		**2018 Actual (At $123.5m)**	**2019 Actual (At $123.5m [2/])**	**2020 Actual (At $123.5m [3/6/])**	**2021 Planned [1/] (At $123.5m [4/])**	**2021 Actual [1/] (At $123.5m [4/])**
II-B-2. Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act.	a) Employers using ERS:	99.3%	99.2%	98.9%	99.0%	99.3%
(Measures: percentage of employers who use the on-line ERS; number of services available through electronic media)	b) Internet services:	30 Internet services available	30 Internet services available	30 Internet services available	30 Internet services available	30 Internet services available

Railroad Retirement Board Fiscal Year 2021 Performance Plan		2018 Actual (At $123.5m)	2019 Actual (At $123.5m [2/])	2020 Actual (At $123.5m [3/6/])	2021 Planned [1/] (At $123.5m [4/])	2021 Actual [1/] (At $123.5m [4/])
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.)		91.70%	91.70%	95.18%	85.00%	90.68%
Strategic Objective: Ensure the accuracy and integrity of benefit programs. Goal leader III-B-1(a)(b) and III-B-3, 4, and 5: Arturo Cardenas, Director of Programs Goal leader III-B-2a: Mark Blythe, Director of Field Service Goal leader III-B-2b: Micheal Pawlak, Director of Unemployment Payment Support Division						
III-B-1. Achieve a railroad retirement benefit payment accuracy rate [5/] of at least 99%. (Measure: percent accuracy rate)	a) Initial payment	99.87%	99.83%	99.57%	99.50%	99.91%
	b) Sample post recurring payments	99.56%	99.97%	Not Applicable Post Study Canceled	99.50%	99.97%
III-B-2. Achieve a railroad unemployment/sickness insurance benefit payment accuracy rate [5/] of at least 99%. (Measure: percent accuracy rate)	a) Unemployment	96.09%	96.23%	96.62%	95.00%	98.85%
	b) Sickness	100.00%	97.93%	97.88%	96.00%	97.32%
III-B-3. Overall Initial Disability Determination Accuracy. (Measure: % of Case Accuracy)		94.40%	73.60%	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	Not Applicable Reporting Relief	Not Applicable Reporting Relief	Not Applicable Reporting Relief	Not Applicable Reporting Relief

Railroad Retirement Board Fiscal Year 2021 Performance Plan		2018 Actual (At $123.5m)	2019 Actual (At $123.5m [2/])	2020 Actual (At $123.5m [3/6/])	2021 Planned [1/] (At $123.5m [4/])	2021 Actual [1/] (At $123.5m [4/])
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)		$3.44:$1.00	$6.66: $1.00	$6.03: $1.00	$3.70: $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	See Strategic Goals I-A-1-5	See Strategic Goals I-A-1-5
III-C-2. Deliver – Deliver on Budget. Percent of IT Projects costs within 10% of budgeted costs.		85%	100%	100%	85%	100%
III-C-3. Deliver – Meet Customer Expectations. RRB.gov online services, continuous availability experienced by end users.	a. Continuous availability target	98.92%	98.99%	99.31%	99.00%	99.03%
	b. Hours of outage allowed per month	7.77 hours	7.38 hours	4.83 hours	7 hours	7.16 hours
III-C-4. Innovate – Design for Modularity. Strategy for Continuity of Operations Improvements.		Yes. Completed applying HTTPS-only standard to www.rrb.gov.	Cloud based enterprise test lab: No.	Cloud based enterprise test lab: No.	Microsoft Azure Cloud: Yes.	Microsoft Azure Cloud: Yes.
III-C-5. Innovate – Adopt New Technologies. Percentage of investments that evaluated cloud alternatives.		99.93%	100%	100%	100%	100%

Railroad Retirement Board Fiscal Year 2021 Performance Plan	2018 Actual (At $123.5m)	2019 Actual (At $123.5m [2/])	2020 Actual (At $123.5m [3/6/])	2021 Planned [1/] (At $123.5m [4/])	2021 Actual [1/] (At $123.5m [4/])
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.	99.93%	100%	100%	99%	100%
III-C-7. Protect – Percentage of agency employees required to use a Personal Identity Verification card to authenticate.	77%	73%	Unprivileged Users > 66% Privileged Users ≥ 63%	Unprivileged Users ≥ 85% Privileged Users 100%	Unprivileged Users ≥ 58% Privileged Users 75%
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 2021 performance targets shown in the RRB's Congressional Justification of Budget Estimates, released on May 28, 2021. Unless otherwise noted, actual results represent status as of March 31, 2021, and as reported in the RRB's FY 2023 Budget Submission, dated September 13, 2021.

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

6/ The amounts reported in the 2020 Performance and Accountability Report for 2020 Actual results were reported as of March 31, 2020 unless otherwise noted.

7/ Fiscal year 2021 actual results represents status as of June 30, 2021, with the exception of I-A-3, I-A-4, and I-A-5 which represents status as of September 30, 2021.

. Discussion of Unmet Performance Goals and Indicators for Fiscal Year 2020

INDICATOR	*DISCUSSION OF VARIANCE*
Performance Indicator I-A-2. Deliver online retirement forms (AA-1, AA-3) as citizen-centric digital solutions.	We originally planned on completing the Form AA-3 (100%) in FY 19. We have now decided to move the completion of the forms to the Modernized phase of the overall IT Modernization project in order to take advantage of the integration with other modernized benefit processes and the enhanced customer experience.
Performance Indicator II-A-7 - The 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 2020 goal was 70.0%, and the actual was 13.5%.	DBD did not reach its goal of 70% initial filings rated within 100 days due to DBD's significant reduction of cases with older filing dates. At the start of the fiscal year there were nearly 37% of the pending had filing dates 2018 and earlier. At the end of the fiscal year, there was an 81.2% decrease in cases pending with filing dates 2018 and earlier. DBD did increase the percentage of cases rated within 100 days in FY20 compared to FY19. FY 2021 is starting with 56% of pending applications having current year filing date. As adjudication of current filing dates continues to increase, the percentage rated within 100 days will continue to improve
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: % ≤ 25 days) Our fiscal year 2020 goal was 94.0% and the actual was 88.5%.	This payment goal is shared by both RBD and SBD. The survivor disability initial application volume represents on average approximately 10% of the initial disability applications received annually. Because the SBD volume is small one missed payment can lower the overall payment percentage. SBD missed approximately 24 cases or 15% of the initial survivor disability payment cases paid during FY 2020. Effective May 2019 both RBD and SBD began new post training classes. The post trainees were inexperienced in authorizing initial RBD and SBD disability cases. This resulted in a larger mix of inexperienced retirement and survivor post claims examiners responsible for adjudicating these cases. We also continue to experience delays and need assistance with initial disability applications involving Legal Partitions. Legal partition/garnishment adjustments also have a direct impact on RBD's ability to award initial disability payments timely because they require additional processing that cannot be handled by a GS-8 initial retirement claims examiner. Due to the nature of the legal partition/garnishment work it's processed in the RBD Legal Partition/Garnishment Unit. The Legal Partition/Garnishment Unit in RBD remains understaffed. During fiscal year 2020, one newly promoted Legal Partition Group claims examiner received a promotion leaving this section with only two experienced examiners.

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 2020 goal was 22 services available and the actual was 19 services available.	Policy and Systems did not reach the projected goal of 22 internet services available for FY 2020 due to higher priority projects including CARES Act, re-platforming and re-engineering.
Performance Indicator II-B-2a - Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act. (Measure: percentage of employers who use the on-line ERS) Our fiscal year 2020 goal was 99.0% services available and the actual was 98.9%.	Goal II-B-2a is a measurement of how well the RRB is doing in enabling employers to use the internet to conduct business with our Agency. The measurement is calculated by dividing the number of employers that use the internet to file annual reports by the total number of employers that filed annual reports. By mid-year, we had 668 employers that filed their annual reports of which 8 employers filed their reports using a method other than the internet. Therefore, at fiscal mid-year our Performance Percentage measure was at 98.80%. By fiscal year end, we had a total of 760 employers that filed annual reports, of which all remaining 64 employers, through the efforts of RRB, filed their annual reports through the internet. This brought our Performance Percentage measure up to 98.91%. Had we been able to convince one additional employer to file their annual report through the internet prior to fiscal mid-year, we would have exceeded our goal with a Performance Percentage measure of 99.04%. We acknowledge that we did not meet our goal by .09%; however, we also see the value of the employers still having the ability to file their annual reports through a means that may still be most convenient for them in this digital age.
Performance Indicator II-B-2b - Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act. (Measure: number of services available through electronic media) Our fiscal year 2020 goal was 31 internet services available and the actual was 30 internet services available.	Policy and Systems did not reach the projected goal of 31 internet services available for FY 2020 due to higher priority projects including CARES Act, re-platforming and re-engineering.

INDICATOR	*DISCUSSION OF VARIANCE*
Performance Indicator III-C-4. Innovate – Design for Modularity. Strategy for Continuity of Operations Improvements. Our fiscal year 2020 goal was: Cloud based enterprise test lab: Yes Our fiscal year 2020 actual was: No	Although the goal was unmet for the fiscal year, work had started in the fiscal year with Microsoft to establish the RRB's own government tenant within the Microsoft Azure Government Cloud. Once the governance of the RRB's Microsoft Azure Government presence was established, work then could proceed with establishing a test lab in Microsoft Azure – Government. The RRB established its Azure Cloud test lab in fiscal year 2021.
Performance Indicator III-C-7. Protect – Percentage of agency employees required to use a Personal Identity Verification (PIV) card to authenticate. Our fiscal year 2020 goal was: Unprivileged Users > 85%; Privileged Users 100% Our fiscal year 2020 actual was: Unprivileged Users > 66%; Privileged Users > 63%	Variance due to unforeseen challenges due to the pandemic and employees ability to visit a credentialing center as before the pandemic started. These challenges caused some of our users to be un-enforced, which dropped the unprivileged network users to 66%. We have now started using a different solution called CyberArk for tracking and protecting the network for both privileged and unprivileged network users. We anticipate to be on track for the next reporting period to meet or exceed the goals.

Program Evaluations

PROGRAM EVALUATION	*RESULTS IN FISCAL YEAR 2021*
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 2021, concludes that, barring a sudden, unanticipated, large drop in railroad employment or substantial investment losses, the railroad retirement program will experience no cash flow problems during the 75 years of the projection period under employment assumptions I and II and not until 2055 under employment assumption III. 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	This report, which was released in June 2021, addresses the 11 fiscal year period 2021 through 2031. The report indicated that even as maximum benefit rates are expected to increase 41 percent from 2020 to 2031, except for small, short-term cash flow problems in fiscal year 2021 under all three employment assumptions and in fiscal year 2022 under the pessimistic employment assumption, experience-based contribution rates are expected to keep the unemployment insurance system solvent. The report did not include any recommendations for financing changes at this time.
Customer service performance reports	The RRB continuously monitors the timeliness and accuracy of our performance in managing program workloads. These results are reflected in the performance objectives shown in the charts within this Performance Section, and published on our website at www.RRB.gov.

Program integrity report	Our most recent program integrity report was for fiscal year 2020. It showed that program integrity activities resulted in the establishment of about $9.9 million in recoverables, benefit savings of $2.1 million, and 25 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 2021*
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.
PROGRAM EVALUATION	*RESULTS IN FISCAL YEAR 2021*
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 2021, there were several enhancements to existing applications, which are intended to incrementally improve the services provided to the US Railroad Industry.

In FY 2021, 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. 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 and will be re-instated following the Presidential declaration of the end of the national emergency caused by the same.

Strategic Management of Human Capital

Like many agencies, the RRB has an aging workforce. Nearly 38 percent of our employees have 20 or more years of service and almost 25 percent of the current workforce will be eligible for retirement by fiscal year 2021. To prepare for the expected turnover, the agency is placing increased emphasis on strategic management of human capital. We have a succession plan in place which includes a workforce analysis that identifies historical data, trends and projected attrition to evaluate and prioritize future needs and vacancies in our workforce. The results from the workforce analysis form the basis for formulating specific strategies, hiring plans and initiatives that support the agency's succession plan. A methodology for measuring skill gaps continues to be developed. Once final, RRB will utilize our Learning Management System (LMS) to implement the methodology. We have developed a job analysis procedure and outputs to identify critical competencies for every agency position. Competencies will be organized using a newly developed competency model framework that identifies RRB core, technical/position, supervisor/leadership, and executive competencies, and proficiency levels for incumbent job performer success. This process will allow the RRB to continuously and accurately identify skill gaps at the individual level and take the necessary training and development steps to address skill deficiencies.

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

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

Information Security Program

We continue to make progress towards a compliant Information Security program to improve the RRB's security posture. RRB has implemented an Information Security Continuous Monitoring (ISCM) Strategy as outlined in OMB Memorandum M-20-04, *Fiscal Year 2019-2020 Guidance on Federal Information Security and Privacy Management Requirements*. This strategy addressed the gaps in the Information Security program. We partnered with the Department of Homeland Security (DHS) in the Continuous Diagnostic and Mitigation (CDM) program and continue by participating the CDM Dynamic and Evolving Federal Enterprise Network Defense (DEFEND) program. This partnership with DHS will further improve 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.

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 two 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

    - The RRB will implement these two phases of CDM DEFEND during fiscal year 2021

        - 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).

FINANCIAL SECTION

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RAILROAD RETIREMENT BOARD
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2021 AND 2020
(in dollars)

	FY 2021	FY 2020
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$546,221,190	$646,502,184
Investments (Note 4)	1,819,354,646	1,252,709,829
Accounts Receivable (Note 6)	5,313,763,039	5,406,228,945
Other	928,585	782,709
Total Intragovernmental	**7,680,267,460**	**7,306,223,667**
Other Than Intragovernmental		
Accounts Receivable, Net (Note 6)	62,549,100	57,475,334
General Property, Plant and Equipment, Net (Note 7)	1,769,709	2,275,201
NRRIT Net Assets (Note 5)	28,484,929,000	24,822,289,000
Other	1,354	27,650
Total Other Than Intragovernmental	28,549,249,163	24,882,067,185
TOTAL ASSETS	**$36,229,516,623**	**$32,188,290,852**
LIABILITIES (Note 8)		
Intragovernmental:		
Accounts Payable	$541,940,000	$476,600,000
Debt	4,605,140,569	4,423,225,807
Other Liabilities	1,671,920	1,173,013
Total Intragovernmental	**5,148,752,489**	**4,900,998,820**
Other than intragovernmental/with the public		
Accounts Payable	6,227,750	2,164,134
Federal Employee Benefits Payable	9,057,555	8,817,580
Benefits Due and Payable	1,173,362,943	1,157,299,611
Other Liabilities	112,915,141	234,963,232
Total Other Than Intragovernmental/with the public	**1,301,563,389**	**1,403,244,557**
TOTAL LIABILITIES	**$6,450,315,878**	**$6,304,243,377**
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET POSITION		
Unexpended Appropriations - Funds from Dedicated Collections (Note 16)	$912,351	$908,778
Unexpended Appropriations - Funds from Other than Dedicated Collections	384,027,969	466,890,837
Total Unexpended Appropriations (Combined or Consolidated Totals)	384,940,320	467,799,615
Cumulative Results of Operations - Funds from Dedicated Collections (Note 16)	29,388,686,214	25,407,345,556
Cumulative results of operations - Funds from Other than Dedicated Collections	5,574,211	8,902,304
Total Cumulative Results of Operations (Combined or Consolidated)	29,394,260,425	25,416,247,860
TOTAL NET POSITION	**29,779,200,745**	**25,884,047,475**
TOTAL LIABILITIES AND NET POSITION	**$36,229,516,623**	**$32,188,290,852**

The accompanying notes are an integral part of these statements.

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(in dollars)

	FY 2021	FY 2020
Gross Program Costs:		
Railroad Retirement Program		
Gross Costs	$13,428,744,358	$13,405,939,255
Less: Earned Revenue	15,214,248	15,440,772
Net Program Costs	13,413,530,110	13,390,498,483
Railroad Unemployment and Sickness Insurance Program		
Gross Costs	308,628,262	390,648,490
Less: Earned Revenue	13,534,783	14,063,718
Net Program Costs	295,093,479	376,584,772
Costs Not Assigned to Programs		
Less: Earned Revenues Not Attributed to Programs	58,989	62,251
NET COST OF OPERATIONS	**$13,708,564,600**	**$13,767,021,004**

The accompanying notes are an integral part of these statements.

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

FY 2021

	Funds from Dedicated Collections	Funds from other than Dedicated Collections	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$908,778	$468,892,067		$469,800,845
Appropriations received	1,337,154,770	43,483,300		1,380,638,070
Appropriations transferred in/out	0	0		0
Other Adjustments	(142,034)	(1,199,319)		(1,341,353)
Appropriations used	(1,337,009,163)	(127,148,079)		(1,464,157,242)
Change in Unexpended Appropriations	3,573	(84,864,098)		(84,860,525)
Total Unexpended Appropriations:Ending Balance	**$912,351**	**$384,027,969**		**$384,940,320**
Cumulative Results from Operations:				
Beginning Balances	$25,407,345,556	$6,901,074		$25,414,246,630
Appropriations used	1,337,009,163	127,148,079		1,464,157,242
Nonexchange revenue (Note 25)	5,421,897,316	55,215	(2,909,897)	5,419,042,634
Transfers in from NRRIT (Note 10)	2,838,000,000			2,838,000,000
Transfers in/out without reimbursement	4,174,198,028			4,174,198,028
Imputed financing	7,396,829			7,396,829
Change in NRRIT assets	3,662,640,000			3,662,640,000
Gain/(Loss) contingency	123,143,659			123,143,659
Net Cost of Operations	13,582,944,337	128,530,157	(2,909,897)	13,708,564,597
Net Change in Cumulative Results of Operations	**3,981,340,658**	**(1,326,863)**	**0**	**3,980,013,795**
Cumulative Results of Operations: Ending	**29,388,686,214**	**5,574,211**		**29,394,260,425**
Net Position	**$29,389,598,565**	**$389,602,180**		**$29,779,200,745**

The accompanying notes are an integral part of these statements.

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(in dollars)

FY 2020

	Funds from Dedicated Collections	Funds from other than Dedicated Collections	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$895,391	$147,544,183		$148,439,574
Appropriations received	691,873,006	496,000,000		1,187,873,006
Appropriations transferred in/out	0	0		0
Other Adjustments	(126,747)	(1,798,504)		(1,925,251)
Appropriations used	(691,732,872)	(174,854,842)		(866,587,714)
Change in Unexpended Appropriations	13,387	319,346,654		319,360,041
Total Unexpended Appropriations:Ending Balance	**$908,778**	**$466,890,837**		**$467,799,615**
Cumulative Results from Operations:				
Beginning Balances	$26,442,457,823	$3,905,154		$26,446,362,977
Appropriations used	691,732,872	174,854,842		866,587,714
Nonexchange revenue (Note 25)	5,185,853,589	58,398	(9,866)	5,185,902,121
Transfers in from NRRIT (Note 10)	2,280,000,000			2,280,000,000
Transfers in/out without reimbursement	4,854,687,357			4,854,687,357
Imputed financing	7,152,527			7,152,527
Change in NRRIT assets	(593,675,974)			(593,675,974)
Gain/(Loss) contingency	136,252,142			136,252,142
Net Cost of Operations	13,597,114,780	169,916,090	(9,866)	13,767,021,004
Net Change in Cumulative Results of Operations	**(1,035,112,267)**	**4,997,150**	**0**	**(1,030,115,117)**
Cumulative Results of Operations: Ending	**25,407,345,556**	**8,902,304**		**25,416,247,860**
Net Position	**$25,408,254,334**	**$475,793,141**		**$25,884,047,475**

The accompanying notes are an integral part of these statements.

RAILROAD RETIREMENT BOARD
COMBINED STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(in dollars)

	FY 2021	FY 2020
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$512,219,620	$182,245,726
Appropriations (discretionary and mandatory)	9,934,906,053	9,955,876,628
Borrowing authority (discretionary and mandatory) Note 18	5,028,800,000	4,752,400,000
Spending authority from offsetting collections (discretionary and mandatory	184,795,226	185,297,130
Total budgetary resources	**$15,660,720,899**	**$15,075,819,484**
Status of budgetary resources		
New obligations and upward adjustments (total)	$15,250,326,726	$14,573,641,372
Unobligated balance, end of year		
Apportioned, unexpired accounts	381,509,228	464,702,756
Unapportioned, unexpired accounts	11,880,161	21,874,330
Unexpired unobligated balance, end of year	393,389,389	486,577,086
Expired, unobligated balance, end of year	17,004,784	15,601,026
Unobligated balance, end of year (total)	410,394,173	502,178,112
Total budgetary resources	**$15,660,720,899**	**$15,075,819,484**
Outlays, net		
Outlays, net (total) (discretionary and mandatory)	$15,030,176,234	$14,464,228,377
Distributed offsetting receipts (-)	(4,941,048,871)	(5,530,321,006)
Agency outlays, net (discretionary and mandatory)	**$10,089,127,633**	**$8,933,907,371**

The accompanying notes are an integral part of these statements.

Railroad Retirement Board

Statement of Social Insurance (Note 13, Note 15)

Actuarial Surplus or (Deficiency)

75-year Projection as of October 1, 2020

(Present values in billions of dollars)

	10/1/2020	10/1/2019	10/1/2018	10/1/2017	10/1/2016
Current participants who have attained retirement age:					
Contributions and earmarked taxes	$94.1	$92.3	$98.4	$87.6	$88.2
Expenditures for scheduled future benefits	144.8	142.6	151.7	134.6	135.7
Present Value of future revenue less future expenditures	(50.7)	(50.3)	(53.3)	(47.0)	(47.5)
Current participants not yet having attained retirement age:					
Contributions and earmarked taxes	95.5	92.5	100.2	87.3	91.1
Expenditures for scheduled future benefits	103.3	96.3	104.8	92.3	97.5
Present Value of future revenue less future expenditures	(7.8)	(3.8)	(4.6)	(5.0)	(6.5)
Present value of future revenue less future expenditures for current participants	(58.6)	(54.1)	(57.9)	(52.0)	(54.0)
Plus: Asset Experience Gain/(Loss) for following quarter ending 12/31	2.1	N/A	N/A	N/A	N/A
Net present value for current participants (closed group measure)	(56.5)	(54.1)	(57.9)	(52.0)	(54.0)
Plus: Treasury securities and assets held by the program	26.2	27.3	28.3	27.9	26.6
Closed group surplus/(unfunded obligation)	($30.3)	($26.9)	($29.5)	($24.2)	($27.5)
Future participants:					
Contributions and earmarked taxes	$68.4	$55.3	$63.2	$52.9	$61.0
Expenditures for scheduled future benefits	36.7	27.2	32.3	27.5	31.9
Present Value of future revenue less future expenditures	31.7	28.1	31.0	25.4	29.2
Present value of future revenue less future expenditures for current and future participants	(26.8)	(26.0)	(26.9)	(26.6)	(24.9)
Plus: Asset Experience Gain/(Loss) for following quarter ending 12/31	2.1	N/A	N/A	N/A	N/A
Net present value for current and future participants (open group measure)	(24.7)	(26.0)	(26.9)	(26.6)	(24.9)
Plus: Treasury securities and assets held by the program	26.2	27.3	28.3	27.9	26.6
Open group surplus/(unfunded obligation)	$1.4	$1.3	$1.4	$1.2	$1.7

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, 2020

(dollars in billions)

Net Present Value beginning of year 2019	$	(26.9)
Reasons for changes in the NPV during 2019:		
Changes in valuation period[1]		2.8
Changes in demographic data, assumptions, and methods[2]		(0.2)
Changes in economic data, assumptions, and methods[3]		(1.7)
Changes in law or policy[4]		NA
Changes in methodology and programmatic data[5]		NA
Changes in Medicare healthcare and other healthcare assumptions[6]		NA
Other changes		NA
Net change during 2019		0.9
Net Present Value end of year 2019/beginning of year 2020	$	(26.0)
Reasons for changes in the NPV during 2020:		
Changes in valuation period[1]		1.3
Changes in demographic data, assumptions, and methods[2]		0.2
Changes in economic data, assumptions, and methods[3]		0.1
Changes in law or policy[4]		NA
Changes in methodology and programmatic data[5]		(0.3)
Changes in Medicare healthcare and other healthcare assumptions[6]		NA
Other changes		NA
Net change during 2020		1.3
Net Present Value end of year 2020	$	(24.7)

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 12/31/2020, 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.

<u>Notes to the Financial Statements</u>: Fiscal Years Ended September 30, 2021 and 2020

1. Summary of Significant Accounting Policies

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 2021 are to be submitted to the President, the Congress, and the Director of OMB by November 15, 2021. 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, 2021, for release of the RRB's financial statements. The prior year balance sheet NRRIT amount is audited. The prior year balance sheet audited NRRIT amount was used in the computations for the SOSI.

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

B. *Reporting Entity*

The railroad retirement and the railroad unemployment and sickness insurance programs are financed through the following accounts:

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

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

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

- Federal Payments to the Railroad Retirement Accounts, 60 0113, a two year fund, is used as payment for interest on uncashed checks appropriated in fiscal year 2021, by P.

L. 115-245, Further Consolidated Appropriations Act, 2020.. Account 60 0113 is considered a fund from dedicated collections

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

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

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

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

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

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

- Limitation on the Office of Inspector General, 60 8018, was established to fund the administration of the Inspector General's Office. Account 60 8018 is considered a fund from dedicated collections. Our authority to use these collections is Public Law 116-260.

- 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 Fund other than fund from dedicated collections.

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

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

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

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

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

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

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

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

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

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

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 2021 and 2020, net payroll taxes transferred to the RRB by Treasury were $5.3 billion and $5.1billion, 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 2021 and 2020, investments, including accrued interest, totaled $1.8 billion and $1.3 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 2021 due to the financial interchange advances during fiscal year 2020 included principal of $4.9 billion and interest of $99.9 million. The amount paid by the RRB to Treasury in fiscal year 2020 due to the financial interchange advances during fiscal year 2019 included principal of $4.3 billion and interest of $121.4 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 year 2021, the RRB trust funds realized $2.0 billion through the financial interchange.

  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 $2.0 billion for fiscal year 2021 and $2.0 billion for fiscal year 2020.

- CMS participates in the annual financial interchange in the same manner as described for SSA. The RRB transferred $568 million and $606 million to CMS in fiscal years 2021 and 2020, 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 2021 and 2020 were $15.2 million and $14.2 million, respectively. The fiscal year 2021 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 $3.7 million for fiscal year 2021 and $3.0 million for fiscal year 2020.

- The Department of Labor invests RUIA contributions. Accounts receivable with the Department of Labor amounted to $28.5 million and $10 million for fiscal years 2021 and 2020, respectively.

- NRRIT transfers funds to the RRB for payment of railroad retirement benefits. During fiscal years 2021 and 2020, the NRRIT transferred $2,838 million and $2,280 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

Fund balances with Treasury at September 30 consisted of:

	2021	2020
1. Status of Fund Balance with Treasury		
(1) Unobligated Balance		
(a) Available	$ 381,509,228	$464,702,756
(b) Unavailable	11,880,161	21,874,330
(2) Obligated Balance not yet Disbursed	152,831,801	159,925,099
(3) Non-Budgetary FBWT	-	-
Total	**$546,221,190**	**$646,502,184**
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

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

	Amounts for Balance Sheet Reporting		
	Cost	Interest Receivable	Investments Net
Intragovernmental Securities:			
Non Marketable Par Value 2021	$1,816,941,000	$2,413,646	$1,819,354,646
Non Marketable Par Value 2020	$1,250,883,000	$1,826,829	$1,252,709,829

The balance on September 30, 2021, consisted of investments in 3.000 percent par value specials (with market value equal to face value) maturing on October 1, 2021. The balance on September 30, 2020, consisted of investments in 3.000 percent par value specials (with market value equal to face value) maturing on October 1, 2020. 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

The balance sheet amounts represent the net asset value of NRRIT assets, at fair value, as of September 30, 2021 and 2020. These figures were provided to the RRB by the NRRIT for the fiscal years ended September 30, 2021 and 2020.

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

- *Intragovernmental*

Accounts receivable - Intragovernmental at September 30 consisted of:

	2021	2020
Financial Interchange – Principal	$5,197,500,000	$5,311,600,000
Financial Interchange – Interest	87,800,000	84,700,000
Department of Labor	28,463,039	9,928,945
Total	**$5,313,763,039**	**$5,406,228,945**

- *Accounts Receivable, Net*

Accounts receivable, net at September 30 consisted of:

	2021	2020
Accounts receivable – Benefit overpayments	$57,208,926	$50,220,742
Accounts receivable – Past due RUI contributions and taxes	292,563	135,467
Accounts receivable – Interest, penalty & administrative costs	7,750,617	7,340,769
Accounts receivable - Criminal Restitution	13,664,221	14,370,275
Sub-Total	**$78,916,327**	**$72,067,253**
Accounts receivable - Criminal Restitution - Long Island Railroad	296,676,434	297,187,347
Total Gross Receivables	**$375,592,761**	**$369,254,600**
Less: Allowances for doubtful accounts	15,234,725	13,252,711
Less: Allowances for doubtful accounts-Criminal Restitution	4,099,266	4,311,083
Less: Allowances for doubtful accounts-Criminal Restitution - Long Island Railroad	293,709,670	294,215,472
Total Net Receivables	**$62,549,100**	**$57,475,334**

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

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

7. General Property, Plant and Equipment

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

		At September 30, 2021		
Classes of Fixed Assets	**Service Lives**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Structures, facilities and leasehold improvements	15 years	$2,723,793	$2,723,793	$0
IT software	5 years	28,854,099	28,373,417	480,681
Equipment	5-10 years	7,042,673	7,024,632	18,041
Internal-Use Software in Development		1,270,987		1,270,987
Total		**$37,167,758**	**$35,398,049**	**$1,769,709**

Classes of Fixed Assets	Service Lives	Cost	At September 30, 2020 Accumulated Depreciation	Net Book Value
Structures, facilities and leasehold improvements	15 years	$2,723,793	$2,723,793	$0
IT software	5 years	28,681,752	27,391,563	1,290,189
Equipment	5-10 years	6,747,644	6,692,147	55,497
Internal-Use Software in Development		929,515		929,515
Total		**$39,082,704**	**$36,807,503**	**$2,275,201**

8. <u>Liabilities</u>

Liabilities at September 30 consisted of:

	2021	2020
A. Intragovernmental:		
(1) Other – Unfunded Federal Employees Compensation Act (FECA) Liability	$787,124	$134,946
B. Public:		
(1) Other – Accrued Unfunded Leave	8,561,736	8,034,502
Total Liabilities Not Covered by Budgetary Resources	**$9,348,860**	**$8,169,448**
Total Liabilities Covered by Budgetary Resources	6,437,196,694	6,293,416,000
Total Liabilities Not Requiring Budgetary Resources	3,770,324	2,657,929
Total Liabilities	**$6,450,315,878**	**$6,304,243,377**

- *Federal Debt and Interest Payable*

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

	2021	2020
Beginning Balance, Principal	$4,384,400,000	$3,933,900,000
New Borrowing	5,034,600,000	4,787,300,000
Repayments	(4,851,700,000)	(4,336,800,000)
Ending Balance, Principal	**$4,567,300,000**	**$4,384,400,000**
Accrued Interest	37,840,569	38,825,807
Total	**$4,605,140,569**	**$4,423,225,807**

- *Benefits Due and Payable*

Benefits due and payable are accrued for all benefits to which recipients are entitled for the month of September, which, by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing, such as benefit payments due but not paid. The amounts include uncashed checks of $16,732,442 and $15,902,818, at September 30, 2021 and 2020, 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 10,622 benefit cases, estimated at $5.3 million, has been identified and will be processed over the next few years.

- *Other Liabilities*

Other liabilities at September 30 consisted of:

	Non-Current	Current	2021 Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable		$1,440,907	$1,440,907
Unfunded FECA Liability		231,014	231,014
Total Intragovernmental		**$1,671,920**	**$1,671,920**
Accrued Payroll		4,438,226	4,438,227
Contingent Liability (see Note 9 for details)	$91,660,866		91,660,866
Other		16,816,049	16,816,049
Total Other Liabilities	**$91,660,866**	**$22,926,195**	**$114,857,061**

	Non-Current	Current	2020 Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable		$1,038,067	$1,038,067
Unfunded FECA Liability		134,946	134,946
Total Intragovernmental		**$1,173,013**	**$1,173,013**
Other Liabilities With Related Budgetary Obligations		1,980	1,980
Accrued Payroll		3,966,271	3,966,271
Withholdings Payable		27,749	27,749
Contingent Liability (see Note 9 for details)	$214,804,525		214,804,525
Other		16,162,706	16,162,706
Total Other Liabilities	**$214,804,525**	**$21,331,720**	**$236,136,245**

9. Commitments and Contingencies

The RRB is involved in the following actions:

Legal Contingencies:

- Several Class I railroads have filed claims for refund of taxes with the Internal Revenue Service (IRS). Of the $22.2 million in claims, the RRB's legal counsel has determined that it is probable that the RR and SSEB Accounts are contingently liable for $22.2 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 $4.4 million for tax on stock transferred to its employees upon the exercise of non-qualified stock options and the vesting of performance stock or restricted stock units. The refund request also includes tax on relocation benefits for the railroad employees and their families. The RRB's general counsel has determined that the likelihood of loss is probable.

Other Contingencies: We also recorded a contingent liability in the amount of $65.1 million, for forthcoming adjustments to the financial interchange for military service credits due SSA.

Commitments: As of September 30, 2021, the RRB had contractual arrangements which may result in future financial obligations of $56.2 million.

Contingent Loss Table

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

FY 2020	Accrued Liabilities	Estimated Range of Loss Lower End	Upper End
Legal Contingencies:			
Probable	$35,604,525	$35,604,525	$35,604,525
Reasonably Possible	$0	$0	$0
Other Contingencies:			
Probable	$179,200,000	$179,200,000	$179,200,000
Reasonably Possible	$0	$0	$0

10. Transfers To/From NRRIT

The RRB received a total of $2,838 million and $2,280 million from the NRRIT during fiscal years 2021 and 2020, respectively. These funds were received into the RR Account. Transfers were to fund the payment of benefits.

11. Undelivered Orders at the End of the Period

	2021	**2020**
Federal Undelivered Orders	$0	$0
Non-Federal Undelivered Orders	38,305,869	34,301,979
Total Federal/Non-Federal Undelivered Orders	**$38,305,869**	**$34,301,979**
Paid Undelivered Orders	$0	$0
Unpaid Undelivered Orders	38,305,869	34,301,979
Total Paid/Unpaid Undelivered Orders	**$38,305,869**	**$34,301,979**
Total Undelivered Orders	**$38,305,869**	**$34,301,979**

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

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, 2020, to amounts included in the Budget of the United States Government. A reconciliation was not performed for the period ended September 30, 2021, since the RRB's Performance and Accountability Report is published in November 2021, 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 FY2021 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 2020 (in millions)	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
1.	Combined Statement of Budgetary Resources – September 30, 2020	$15,076	$14,574	$5,530	$8,934
2.	Expenditure Transfers from Trust Funds	(135)			
3.	Unobligated Balance, Brought Forward October 1, 2019 as adjusted	(176)			
4.	Recoveries of Prior Year Unpaid Obligations	(0.2)			
5.	Sickness Insurance Benefit Recoveries	(14)			
6.	Administrative Expense Reimbursement	(36)			
7.	Interfund Transfers: Federal Payment Obligations – Income Taxes Collected on Benefits (0113), Payment to Limitation on Administration (0121)	(697)			
8.	Intrafund Transfers: Receipts from the Old-Age and Survivors Insurance (OASI) Trust Fund	(4,844)			
9.	Intrafund Transfers: Receipts from the Disability Insurance (DI) Trust Fund	(150)			
	FINANCIAL INTERCHANGE				
10.	Accrued Receipts from the OASI and DI Trust Funds			(344)	344
11.	Accrued Transfers to the Federal Hospital Insurance Trust Fund			494	(494)
	NRRIT				
12.	NRRIT Obligations / Outlays	2,341	2,341		2,341
13.	Intrafund Transfers: NRRIT Transfer to RRA	(2,280)		2,280	(2,280)
14.	Proprietary Receipts: NRRIT – Gains and Losses	(1,070)		1,070	(1,070)
15.	Proprietary Receipts: NRRIT – Interest and Dividends	(326)		326	(326)
16.	Rounding		(3)	5	(3)
17.	**Budget of the United States Government FY 2020 Actuals**	**$7,689**	**$16,912**	**$9,361**	**$7,446**

13. Social Insurance

- 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 1/1/2020, whereas present values are as of 10/1/2020.

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

- Statement of Changes in Social Insurance Amounts:

  - Changes in valuation period:

    - ***Between 10/1/2018 and 10/1/2019:*** Changes in the valuation period from fiscal years 2019-2093 to fiscal years 2020-2094 resulted in a change of about $2.8 billion in the open group measure between 10/1/2018 and 10/1/2019.

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

  - Changes in demographic data, assumptions, and methods:

    - ***Between 10/1/2018 and 10/1/2019:*** Demographic assumptions were not changed between the Statement of Social Insurance as of 10/1/2018 and the Statement of Social Insurance as of 10/1/2019. Changes in demographic data resulted in a change of about $(0.2) billion in the open group measure between 10/1/2018 and 10/1/2019.

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

  - Changes in economic data, assumptions, and methods:

- ***Between 10/1/2018 and 10/1/2019:*** Ultimate economic assumptions were not changed between the Statement of Social Insurance as of 10/1/2018 and the Statement of Social Insurance as of 10/1/2019, but there were changes in select economic assumptions. The actual COLA of 1.6% was used for 2020 in place of the 1.4% COLA assumed for 2020 in the prior year's report. A 0.5% COLA was assumed for 2021 instead of a 2.0% COLA, and a 1.5% COLA was assumed for 2022 instead of a 2.6% COLA. A 2.0% wage increase assumption was used for 2020 instead of a 3.6% wage increase assumption. The actual rate of investment return for the quarter ending 12/31/2019 was 5.3%. Finally, a 0% investment return was assumed for 2020 instead of the 7% ultimate investment return used in all other years of the projection period. Changes in economic data and assumptions resulted in a change about $(1.7) billion in the open group measure from 10/1/2018 to 10/1/2019.

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

- There were no changes in law or policy.

- Changes in methodology and programmatic data:

    - ***Between 10/1/2018 and 10/1/2019:*** There were no changes in methodology and programmatic data.

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

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

(in $billions)	Prior Method	New Method	Change	%
PV of Expenditures	$258.5	$284.8	$26.3	10%
PV of Income	$234.1	$258.0	$23.9	10%
Asset Experience Gain / (Loss)	n/a	$2.1		
Net Present Value (open group measure)	$(24.4)	$(24.7)	$(0.3)	1%
Value of Assets	$26.2	$26.2		
Open Group Surplus (resources over expenditures)	$1.7	$1.4	$(0.3)	-17%

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

(in $billions)	Prior Method	New Method	Change	%
FY 2020 NPV	$(24.4)	$(24.7)	$(0.3)	1%
Open Group Surplus	$1.7	$1.4	$(0.3)	-17%
FY 2019 NPV	$(26.0)	$(26.2)	$(0.2)	1%
Open Group Surplus	$1.3	$1.1	$(0.2)	-15%
FY 2018 NPV	$(26.9)	$(27.1)	$(0.2)	1%
Open Group Surplus	$1.4	$1.2	$(0.2)	-16%
FY 2017 NPV	$(26.6)	$(26.6)	$0.0	0%
Open Group Surplus	$1.2	$1.2	$0.0	0%
FY 2016 NPV	$(24.9)	$(25.0)	$(0.1)	1%
Open Group Surplus	$1.7	$1.6	$(0.1)	-8%

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

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

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

- Medicare healthcare and other healthcare assumptions are not applicable to the Railroad Retirement program.

14. <u>Sustainability Financial Statements Disclosure</u>

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

In calculating the 75-year projections of income and expenditures for the Statement of Social Insurance as of 10/1/2019, the actual rate of return for the period 10/1/2019-12/31/2019 was used rather than the long-term investment return assumption. The actual rate of return for this period is a significant fact that was taken into account, as it was known at the time the projections were calculated. Beginning with the Statement of Social Insurance as of 10/1/2020, the Net Present Value includes an explicit adjustment for the asset experience gain/(loss) during the period 10/1/2020-12/31/2020.

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

15. Significant Assumptions

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.

The employment assumption for the SOSI is employment assumption II, the intermediate employment assumption, as used in the 28th Actuarial Valuation . Under employment assumption II, (1) railroad passenger employment is assumed to remain level at 46,000, and (2) the employment base, excluding passenger employment, is assumed to decline at a constant annual rate of 1.5 percent for 25 years, at a reducing rate over the next 25 years, and remain level thereafter.

Instead of projecting future employment levels based on the 2020 average employment of 197,300 that had been reduced by the COVID-19 pandemic, we started with the pre-pandemic 205,000 average employment from the first quarter of 2020 and applied the employment assumption for future periods. The projection phased into this pre-pandemic employment level over the next three years, reflecting an expectation that employment levels will gradually recover as the pandemic is mitigated. The remainder of the projection reflected this pre-pandemic level of employment.

The actuarial valuation 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 than expected.

Actuarial assumptions 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-Seventh 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

Note 16 Funds from Dedicated Collections*

	8010 SSEB	8011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	8237 Limitation on Administration	8051.002 RUIA Admin Expenses	8018 Limitation on OIG	Total Funds from Dedicated Collections	Eliminations between Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet as of September 30, 2021										
Intragovernmental										
Fund Balance with Treasury	$24,096,524	$34,557,628	$18,893,952	$855,056	$62,217,962	$3,258,234	$8,757,357	$152,636,712		$152,636,712
Investments, net	956,400,134	862,954,512						1,819,354,646		1,819,354,646
Accounts receivable, net	5,285,300,000		25,106,577		2	3,356,463	(0)	5,313,763,041	0	5,313,763,041
Loans Receivable, net		105,399,085						105,399,085	(105,399,085)	0
Other intragovernmental assets					62,564		866,022	-	0	928,585
Total intragovernmental assets	**6,285,796,658**	**1,002,911,225**	**44,000,529**	**855,056**	**62,280,528**	**6,614,697**	**9,623,379**	**7,392,082,071**	**(105,399,085)**	**7,286,682,986**
Other than intragovernmental										
Accounts receivable, net		49,244,411	11,620,058		42,262		42,262	60,910,358		60,910,358
General property, plant, and equipment, net					1,769,708		1	1,769,709		1,769,709
NRRIT Net Invested Assets		28,484,929,000						28,484,929,000		28,484,929,000
Other assets					1,354			1,354		1,354
Total other than intragovernmental	0	28,534,173,411	11,620,058	0	1,813,324	0	3,627	28,547,610,421	0	28,547,610,421
Total assets	**$6,285,796,658**	**$29,537,084,636**	**$55,620,587**	**$855,056**	**$64,093,852**	**$6,614,697**	**$9,627,006**	**$35,939,692,481**	**($105,399,085)**	**$35,834,293,406**
Intragovernmental										
Accounts Payable	$541,254,671	$919,793	-$6,529		$0	($227,937)	$0	$541,939,999	$0	$541,939,999
Debt	4,605,140,569	0	105,399,085					4,710,539,654	(105,399,085)	4,605,140,569
Other liabilities					1,378,052		293,869	1,671,920		1,671,920
Total intragovernmental liabilities	5,146,395,240	919,793	105,392,556		1,378,052	(227,937)	293,869	5,254,151,573	(105,399,085)	5,148,752,488
Accounts Payable	0	0			5,528,789		190,361	5,719,150		5,719,150
Federal employee benefits payable					8,755,859		301,696	9,057,555		9,057,555
Benefits Due and Payable	628,320,370	519,780,718	20,149,417					1,168,250,505		1,168,250,505
Other liabilities	65,100,000	43,376,915			4,115,422		322,804	112,915,142		112,915,142
Total other than intragovernmental	693,420,370	563,157,634	20,149,417		18,400,069		814,862	1,295,942,352		1,295,942,352
Total liabilities	5,839,815,610	564,077,427	125,541,973		19,778,121	(227,937)	1,108,731	6,550,093,925		6,444,694,840
Unexpended Appropriations				855,056	57,296			912,351		912,351
Cumulative Results of Operations	425,981,048	28,973,007,209	(69,921,386)		44,258,435	6,842,633	8,518,274	29,388,686,214		29,388,686,214
Total Liabilities and Net Position	**$6,265,796,658**	**$29,537,084,836**	**$55,620,587**	**$855,056**	**$64,093,852**	**$6,614,697**	**$9,627,006**	**$35,839,692,481**	**($105,399,085)**	**$35,834,292,406**
Statement of Net Cost for the Period Ended September 30, 2021										
Gross Program Costs	$7,631,837,651	$5,626,827,969	$175,023,451	$10,813	$166,309,395	$0	$12,176,380	$13,612,185,661	($3,334,894)	$13,608,850,765
Less Earned Revenues	0	(975)	13,543,086		13,898,347		1,741,876	29,182,334	(425,000)	28,757,335
Net Program Costs	**7,631,837,651**	**5,626,828,944**	**161,480,365**	**10,813**	**152,411,048**	**(1)**	**10,434,504**	**13,583,003,326**	**(2,909,894)**	**13,580,093,430**
Costs Not Attributable to Program Costs										0
Less Earned Revenues Not Attributable to Program Costs					58,989			58,989		58,989
Net Cost of Operations	**$7,631,837,651**	**$5,626,828,944**	**$161,480,365**	**$10,813**	**$152,352,060**	**($1)**	**$10,434,504**	**$13,582,944,336**	**($2,909,894)**	**$13,580,034,442**
Statement of Changes in Net Position for the Period Ended September 30, 2021										
Unexpended Appropriations										
Beginning Balance				$857,902	$50,875			$908,777		$908,777
Corrections of errors (+/-)										
Beginning Balance, as Adjusted	0	0	0	857,902	50,876	0	0	908,778	0	908,778
Other Adjustments				(142,033.43)				(142,033)		(142,033)
Appropriations received				1,337,154,771				1,337,154,771		1,337,154,771
Apropriations used				(1,337,015,584)	6,421			(1,337,009,163)		(1,337,009,163)
Total unexpended appropriations				$855,056	$57,296			$912,351		$912,351
Cumulative Results of Operations										
Beginning Balance	$662,364,905	$24,686,932,391	($7,881,697)		$47,052,616	$11,690,525	$7,186,816	$25,407,345,556		$25,407,345,556
Corrections of errors (+/-)										
Beginning Balance, as Adjusted	662,364,905	24,686,932,391	(7,881,697)	0	47,052,616	11,690,525	7,186,816	25,407,345,556		25,407,345,556
Appropriations Used				1,337,015,584	(6,421)			1,337,009,163		1,337,009,163
Non-federal non-exchange revenue	2,417,719,769	2,892,097,991	89,498,658			22,580,898		5,421,897,316		5,418,987,422
Miscellaneous taxes and receipts										0
Total non-federal non-exchange revenue		2,892,097,991	89,498,658			22,580,898		5,421,897,316	(2,909,894)	5,418,987,422
Federal non-exchange revenue	0	0	0			0		0	0	0
Transfers in From NRRIT		2,838,000,000						2,838,000,000		2,838,000,000
Change in NRRIT Assets		3,662,640,000						3,662,640,000		3,662,640,000
Transfers-in/out without reimbursement	4,863,634,026	511,122,112	9,942,019	(1,337,004,771)	142,602,028	(27,428,790)	11,331,404	4,174,198,028		4,174,198,028
Imputed financing					6,962,271		434,558	7,396,829		7,396,829
Other	114,100,000	9,043,659						123,143,659		123,143,659
Net Cost of Operations	(7,631,837,651)	(5,626,828,944)	(161,480,365)	(10,813)	(152,352,060)	0	(10,434,504)	(13,582,944,337)	2,909,894	(13,580,034,443)
Net Change and Cumulative Results of Operations	(236,383,856)	4,286,074,818	(62,039,689)	0	(2,794,181)	(4,847,892)	1,331,458	3,981,340,658	0	3,981,340,658
Cumulative Results of Operations: Ending	$425,981,048	$28,973,007,209	($69,921,386)	$0	$44,258,435	$6,842,633	$8,518,274	$29,388,686,214	$0	$29,388,686,214
Net position, end of period	$425,981,048	$28,973,007,209	($69,921,386)	$855,056	$44,315,731	$6,842,633	$8,518,274	$29,389,598,566	$0	$29,389,598,566

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

Note 16 Funds from Dedicated Collections*

	8010 SSEB	8011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	8237 Limitation on Administration	8051.002 RUIA Admin Expenses	8018 Limitation on OIG	Total Funds from Dedicated Collections	Eliminations between Dedicated Collections	Total Funds from Deicated Collections (Consolidated)
Balance Sheet as of September 30, 2020										
Intragovermental										
Fund Balance with Treasury	$29,859,506	$43,454,421	$24,867,509	$857,902	$59,469,976	$3,333,582	$7,470,885	$169,313,781		$169,313,781
Investments, net	945,386,040	307,323,788						1,252,709,829		1,252,709,829
Accounts receivable, net	5,396,300,000		1,799,935		2	8,129,007	(3)	5,406,228,940	1	5,406,228,941
Loans Receivable, net		22,000,000						22,000,000	(22,000,000.00)	0
Other intragovernmental assets					1,142		781,567	-	0	782,709
Total intragovernmental assets	6,371,545,546	372,778,209	26,667,444	857,902	59,471,120	11,462,588	8,252,449	6,851,035,259	(21,999,999)	6,829,035,260
Other than intragovernmental										
Accounts receivable, net		43,327,042	12,857,075		41,086		41,086	56,228,296		56,228,296
General property, plant, and equipment, net					2,275,201		1	2,275,201		2,275,201
NRRIT Net Invested Assets		24,822,289,000						24,822,289,000		24,822,289,000
Other assets					27,650			27,650		27,650
Total other than intragovernmental	0	24,865,616,042	12,857,075	0	2,343,936	0	3,094	24,880,820,148	0	24,880,820,148
Total assets	6,371,545,546	25,238,394,251	39,524,519	857,902	61,815,057	11,462,588	8,255,544	31,731,855,407	(21,999,999)	31,709,855,408
Intragovernmental										
Accounts Payable	475,914,671	919,793	(6,529)		0	(227,937)	0	476,599,999	1	476,600,000
Debt	4,423,227,237	(1,430)	22,000,000					4,445,225,807	(22,000,000)	4,423,225,807
Other liabilities					853,781		319,231	1,173,013		1,173,013
Total Intragovernmental liabilities	4,899,141,908	918,364	21,993,471		853,781	(227,937)	319,231	4,922,998,819	(21,999,999)	4,900,998,820
Accounts Payable	1,640	1,430			1,703,638		90,061	1,796,769		1,796,769
Federal employee benefits payable					8,457,137		360,443	8,817,580		8,817,580
Benefits Due and Payable	630,837,093	498,774,836	25,412,745					1,155,024,674		1,155,024,674
Other liabilities	179,200,000	51,767,231			3,697,009		298,992	234,963,232		234,963,232
Total other than intragovernmental	810,038,733	550,543,496	25,412,745		13,857,784		749,496	1,400,602,255		1,400,602,255
Total liabilities	5,709,180,641	551,461,860	47,406,217		14,711,565	(227,937)	1,068,727	6,323,601,074		6,301,601,075
Unexpended Appropriations				857,902	50,875			908,777		908,777
Cumulative Results of Operations	662,364,905	24,686,932,391	(7,881,697)		47,052,616	11,690,525	7,186,816	25,407,345,556		25,407,345,556
Total Liabilities and Net Position	$6,371,545,546	$25,238,394,251	$39,524,519	$857,902	$61,815,057	$11,462,588	$8,255,543	$31,731,855,407	($21,999,999)	$31,709,854,410
Statement of Net Cost for the Period Ended September 30, 2020										
Gross Program Costs	$7,645,028,649	$5,598,358,284	$212,774,592	$9,866	$159,399,175	$0	$11,527,299	$13,627,097,867	($434,866)	$13,626,663,000
Less Earned Revenues	0	12,262	14,055,063		14,006,758		1,846,752	$29,920,835	($425,000)	29,495,835
Net Program Costs	7,645,028,649	5,598,346,023	198,719,529	9,866	145,392,417	0	9,680,547	13,597,177,032	(9,866)	13,597,167,165
Costs Not Attributable to Program Costs										0
Less Earned Revenues Not Attributable to Program Costs					59,541			62,251		62,251
Net Cost of Operations	$7,645,028,649	$5,598,343,313	$198,719,529	$9,866	$145,332,877	$0	$9,680,547	$13,597,114,780	($9,866)	$13,597,104,914
Statement of Changes in Net Position for the Period Ended September 30, 2020										
Unexpended Appropriations										
Beginning Balance				$844,516	$50,875			$895,391		$895,391
Appropriations received				691,873,006				691,873,006		691,873,006
Apropriations used				(691,732,872)				(691,732,872)		(691,732,872)
Total unexpended appropriations				$857,903	$50,875			$908,778		$908,778
Cumulative Results of Operations										
Beginning Balance	$772,382,486	$25,481,269,458	$127,356,432		$46,439,256	$9,157,905	$5,852,286	$26,442,457,823		$26,442,457,823
Corrections of errors (+/-)										
Beginning Balance, as Adjusted	772,382,486	25,481,269,458	127,356,432	-	46,439,256	9,157,905	5,852,286	26,442,457,823		26,442,457,823
Appropriations Used				691,732,872				691,732,872		691,732,872
Non-federal non-exchange revenue	2,353,347,928	2,749,876,320	55,443,539			27,185,803		5,185,853,589	(9,866)	5,185,843,724
Transfers In From NRRIT		2,280,000,000						2,280,000,000		2,280,000,000
Change in NRRIT Assets		(377,009,349)						(377,009,349)		(377,009,349)
Transfers-in/out without reimbursement	5,181,163,139	232,053,757	8,037,861	(691,723,006)	139,175,806	(24,653,183)	10,632,981	4,854,687,357		4,854,687,357
Imputed financing					6,770,431		382,096	7,152,527		7,152,527
Other		(80,914,483)						(80,414,483)		(80,414,483)
Net Cost of Operations	(7,645,028,649)	(5,598,343,313)	(198,719,529)	(9,866)	(145,332,877)	0	(9,680,547)	(13,597,114,780)	9,866	(13,597,104,914)
Net Change and Cumulative Results of Operations	(110,517,581)	(794,337,067)	(135,238,129)	(0)	613,360	2,532,620	1,334,531	(1,035,112,266)		(1,035,112,266)
Cumulative Results of Operations: Ending	662,364,905	24,686,932,390	(7,881,697)	(136,614)	47,052,616	11,690,525	7,186,816	25,407,345,556		25,407,345,556
Net position, end of period	$662,364,905	$24,686,932,390	($7,881,697)	$721,289	$47,103,492	$11,690,525	$7,186,816	$25,408,254,334		$25,408,254,334

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

17. Terms of Borrowing Authority Used

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

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

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

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

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

18. Available Borrowing Authority, End of the Period

The amount of RRB available borrowing authority at the end of the period associated with financial interchange advances is $5,028,800,000.

19. Legal Arrangements Affecting Use of Unobligated Balances

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

There was an increase of $3,662.6 million in NRRIT net assets from the SOSI, October 1, 2020, valuation date and the September 30, 2021, balance sheet date. Other than this event, no other material events or transactions have occurred subsequent to September 30, 2021 of which we are aware. We have evaluated subsequent events through November 15, 2021, the date the financial statements were released.

21. Permanent Indefinite Appropriations

In fiscal year 2021, 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

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 decrease in net cost over the previous year is due to lower benefit payments in Fiscal Year 2021, including CARES Act payments. The year over year difference in accounts receivable is due to a decrease in the annual Financial Interchange (FI) settlement from Social Security Administration (SSA). The decrease of accounts payable compared to last year is due to lower benefit accrual and carriers refund accrual reversal from FY2020. The increase in other liabilities is due to more payables owed to Centers for Medicare and Medicaid services (CMS). The increase in other is due to the net effect of higher warrants received in Fiscal Year 2021 offset by higher delivered orders unpaid in Fiscal Year 2021. The significant increase is derived from payroll tax receipt.

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

	Intra-governmental	With the public	Total FY 2021
NET COST	**$127,042,327**	**$13,581,522,273**	**$13,708,564,600**
Components of Net Cost That Are Not Part of Net Outlays:			
Other			
Increase/(decrease) in assets:			
Accounts receivable	(4,923,597,997)	4,642,584	(4,918,955,413)
Investments			
Other assets	152,297	(531,788)	(379,491)
(Increase)/decrease in liabilities:			
Accounts payable	720,433	(20,073,775)	(19,353,342)
Salaries and benefits	(36,768)	(710,211)	(746,979)
Insurance and guarantee program liabilities			
Environmental and disposal liabilities			
Other liabilities	765,774,723	(394,304)	765,380,419
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(7,396,830)		(7,396,830)
Transfers out (in) without reimbursement	1,925,921,242		1,925,921,242
Total Components of Net Cost That Are Not Part of Net Outlays	**(2,238,462,900)**	**(17,067,494)**	**(2,255,530,394)**
Components of Net Outlays That Are Not Part of Net Cost:			
Effect of prior year agencies credit reform subsidy re-estimates			
Acquisition of capital assets			
Acquisition of inventory			
Acquisition of other assets			
Debt and equity securities			
Other	2,892,661	(1,366,799,504)	(1,363,906,843)
Total Components of Net Outlays That Are Not Part of Net Cost	2,892,661	(1,366,799,504)	(1,363,906,843)
Other Temporary Timing Differences			
NET OUTLAYS	**($2,108,527,912)**	**$12,197,655,275**	**$10,089,127,363**

Budget and Accrual Reconciliation
for the year ended September 30, 2020

	Intra-governmental	With the public	Total FY 2020
NET COST	**$135,362,139**	**$13,631,658,865**	**$13,767,021,004**
Components of Net Cost That Are Not Part of Net Outlays:			
Other			
Increase/(decrease) in assets:			
Accounts receivable	(5,466,847,003)	828,645	(5,466,018,358)
Investments			
Other assets	(129,267)	(1,225,626)	(1,354,893)
(Increase)/decrease in liabilities:			
Accounts payable	(111,900,987)	18,328,681	(93,572,306)
Salaries and benefits	(47,034)	(927,237)	(974,271)
Insurance and guarantee program liabilities			
Environmental and disposal liabilities			
Other liabilities	627,816,344	(780,445)	627,035,899
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(7,152,527)		(7,152,527)
Transfers out (in) without reimbursement	684,320,504		684,320,504
Total Components of Net Cost That Are Not Part of Net Outlays	**(4,273,939,970)**	**16,224,018**	**(4,257,715,952)**
Components of Net Outlays That Are Not Part of Net Cost:			
Effect of prior year agencies credit reform subsidy re-estimates			
Acquisition of capital assets			
Acquisition of inventory			
Acquisition of other assets			
Debt and equity securities			
Other		(575,397,681)	(575,397,681)
Total Components of Net Outlays That Are Not Part of Net Cost		(575,397,681)	(575,397,681)
Other Temporary Timing Differences			
NET OUTLAYS	**($4,138,577,831)**	**$13,072,485,202**	**$8,933,907,371**

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

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 Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position 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 statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2020 FR can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2021 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.

Pursuance to OMB Circular A-136 Section II.3.8.45, Significant entities using the Balance Sheet Template in section II.3.2.2 are not required to disclose any Balance Sheet information in this Note. RRB used that Balance Sheet template in the financial section on page 61.

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ending September 30, 2021*

FY 2021 Railroad Retirement Board SNC		Line Items Used to Prepare FY 2021 Government-wide SNC					
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	13,428,744,357						***Non-Federal Costs***
		13,270,478,644	0	15,956,251	0	13,286,434,895	Non-Federal Gross Costs
						13,286,434,895	*Total Non-Federal Costs*
							Intragovernmental Costs
		20,884,043	0	0	0	20,884,043	Benefit Program Costs
		7,396,829	0	0	0	7,396,829	Imputed Costs
		9,635,899	(424,997)	294721	0	9,505,623	Buy/Sell Costs
		98,913,017	(10,813)	0	0	98,902,204	Borrowing and Other Interest Expense
		5,620,764	0	0	0	5,620,764	Other expenses (without reciprocals)
		13,412,929,195	(435,810)	16,250,972	0	13,428,744,357	***Total Intragovernmental Costs***
Total Gross Costs	13,428,744,357						
Less: Earned Revenue	15,214,248						
		(975)	0	0	0	(975)	Non-federal earned revenue
		15,640,223	(425,000)	0	0	15,215,223	Federal Buy/sell revenue (exchange)
Total Earned Revenue	15,214,248	15,639,248	(425,000)	0	0	15,214,248	Total Reclassified Earned Revenue
Net Program Costs	13,413,530,110	13,397,289,947	(10,810)	16,250,972	0	13,413,530,109	
Railroad Unemployment and Sickness Insurance Program							
Gross Costs	308,628,261						
		196,357,380	0	112,270,882	0	308,628,261	Non-federal gross cost
Total Gross Costs	308,628,261	196,357,380	-	112,270,882	-	308,628,261	*Total Reclassified Gross Costs*
Earned Revenue	13,534,783						
		13,543,086	0	(8,303)	0	13,534,783	Non-federal earned revenue
Total Earned Revenue	13,534,783	13,543,086	0	(8,303)	0	13,534,783	Total Reclassified Earned Revenue
Net Program Costs	295,093,479						
		182,814,294	0	112,279,185	0	295,093,479	Net Program Costs
Costs not assigned to programs							
Less: earned revenues not attributed to programs	58,989						
		7,072	0	0	0	7,072	Non-federal earned revenue
		51,916	0	0	0	51,916	Federal Buy/sell revenue (exchange)
Total Earned Revenue not attributed to programs	58,989	58,989	0	0	0	58,989	Total Earned Revenue not attributed to programs
Net Cost of Operations	**$13,708,564,600**	**$13,580,045,253**	**-$10,809.75**	**$128,530,157**	**$0**	**$13,708,564,600**	**Net Cost**

*Rounding difference

Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ending September 30, 2021*

FY 2021 Railroad Retirement Board SCNP		Line Items Used to Prepare FY 2021 Government-wide SCNP					
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**
UNEXPENDED APPRIOPRIATIONS							
Unexpended Appropriations, Beginning Balance	$469,800,845	$908,778	$0	$468,892,067	$0	$469,800,845	Net Position, Beginning of Period
Appropriations Received	1,380,638,070	1,337,154,770	0	43,483,300	0	1,380,638,070	Appropriations Received as Adjusted
Other Adjustments	(1,341,353)	(142,033)	0	(1,199,316)	0	(1,341,349)	Appropriations Received as Adjusted
Appropriations Transferred In/Out	0.00					0.00	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources (Federal)
						0.00	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources (Federal)
Total Appropriations Transferred In/Out	0.00					0.00	*Total Reclassified Appropriations Transferred In/Out*
Appropriations Used	(1,464,157,242)	(1,336,946,549)	(62,614)	(127,148,079)	0	(1,464,157,243)	Appropriations Used (Federal)
Total Unexpended Appropriations	384,940,320	974,965	(62,614)	384,027,972	0	384,940,323	
CUMULATIVE RESULTS OF OPERATIONS							
Cumulative Results, Beginning Balance	25,414,246,630	25,407,345,556	0	6,901,074	0	25,414,246,630	Net Position, Beginning of Period
Corrections of Errors							Corrections of Errors
Appropriations Used	1,464,157,242	1,337,009,163	0	127,148,079	0	1,464,157,242	Appropriations expended
Change in NRRIT assets	3,662,640,000	3,662,640,000	0	0	0	3,662,640,000	Other taxes and receipts
Gain/Loss contingency	123,143,659	123,143,659	0	0	0	123,143,659	Other taxes and receipts
Non-Exchange Revenues	5,419,042,634						
		111,978,523	0	54,219	0	112,032,742	Other taxes and receipts
		37,992,697	0	0	0	37,992,697	Federal securities interest revenue including associated gains and losses (non-exchange) (RC 03) /1
		2,908,899	(2,908,899)	999	(996)	2.44	Borrowings and other interest revenue (non-exchange)
		5,269,017,197	0	0	0	5,269,017,197	Other taxes and receipts
Total Non-Exchange Revenues	5,419,042,634	5,421,897,316	(2,908,899)	55,218	(996)	5,419,042,636	*Total Reclassified Non-Exchange Revenues*
Transfers from NRRIT	2,838,000,000	2,838,000,000	0	0	0	2,838,000,000	Expenditure transfers-in of financing sources
Transfers In/Out w/o Reimbursement-Budgetary	4,174,198,028						
		1,048,232,334	(1,048,254,295)	0	0	(21,961)	Non-expenditure transfers-in of unexpended appropriations and financing sources
		5,232,125,916	(423,845,558)	28,483,300	(28,483,300.00)	4,808,280,358	Non-expenditure transfers-out of unexpended appropriations and financing sources
		(2,106,160,222)	1,472,099,854	(28,483,300)	28,483,300	(634,060,369)	Expenditure transfers-in of financing sources
		(62,614)	62,614	-	-	-	Expenditure transfers-out of financing sources
Total Transfers In/Out w/o Reimbursement-Budgetary	4,174,198,028	4,174,135,414	62,614	-	-	4,174,198,028	*Total Reclassified Transfers-In/Out w/o Reimbursement – Budgetary*
Imputed Financing	7,396,829	7,396,829	0	0	0	7,396,829	Imputed Financing Sources (Federal)
Total Financing Sources	**17,688,578,391**	**17,564,222,380**	**(2,846,285)**	**127,203,297**	**(996)**	**17,688,578,393**	
Net Cost of Operations	13,708,564,600	13,580,045,253	(10,810)	128,530,157	0	13,708,564,600	**Net Cost**
Ending Balance-Cumulative Results of Operations	29,394,260,421	29,391,522,684	(2,835,475)	5,574,213	(996)	29,394,260,424	**Net Position-Ending Balance**
Total Net Position	$29,779,200,741	$29,392,497,650	-$2,898,089	$389,602,185	-$996.33	$29,779,200,747	**Total Net Position**

*Rounding difference

24. Covid-19 Activity

The RRB received pandemic relief funding through CARES, ARPA, and CARWA to provide benefits to the railroad workers who are impacted by the COVID-19. The ARPA also provides a needed funding for Information Technology Investment. The details of the various COVID-19 funding sources are described in the MD&A Pandemic Relief Acts section and Note 1 in Financial Section.

The amounts received and used under each program are as follows:

FY 2020 COVID-19 Activity

For the Period Ended September 30, 2020	Carry Forward Unobligated Balance	Appropriations Received	Obligations Incurred	Remaining Available for Obligation	Appropriations Used
7-day waiting period waiver (Section 2112)		$50,000,000	$6,116,495	$43,883,505	$5,307,495
Enhanced unemployment benefits (Section 2113)		425,000,000	135,216,510	289,783,490	134,767,510
Extended unemployment benefits (Section 2114)	132,816,822		13,552,523	119,264,299	12,713,804
CARES Act LOA fund		5,000,000	4,130,099	869,901	783,487
Total	**$132,816,822**	**$480,000,000**	**$159,015,627**	**$453,801,195**	**$153,572,296**

FY 2021 COVID-19 Activity

For the Period Ended September 30, 20201	Carry Forward Unobligated Balance	Appropriations Received	Obligations Incurred	Remaining Available for Obligation*	Appropriations Used
7-day waiting period waiver (Section 2903)	$43,883,505		$7,136,726	$36,746,779	$7,632,325
Enhanced unemployment benefits (Section 2901)	289,783,490		67,447,045	222,336,445	65,407,712
Extended unemployment benefits (Section 2902)*	119,318,839	2,000,000	38,141,504	83,272,009	36,855,737
CARES Act LOA fund	869,901		847,092	22,809	2,419,860
Information Technology Investment (X8237IT5)		21,175,000	6,336,428	14,838,572	1,569,779
ARPA LOA fund		6,800,000	284,042	6,515,958	284,042
ARPA OIG LOA fund		500,000		500,000	
Information Sharing with Treasury		8,300	8,300		8,300
Total	**$453,855,735**	**$30,483,300**	**$120,201,138**	**$364,232,572**	**$114,177,754**

* Includes recovery of $94,675

25. Non-Custodial Non-Exchange Revenues

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

Non-Exchange Revenue	FY 2021 Tax Year	FY 2020 Tax Year	FY 2019 Tax Year	All Other Prior Tax Years	FY 2021 Collections
Payroll Tax	$5,306,606,793	$0	$0	$0	$5,306,606,793
Interest Revenue	39,819,526	(1,826,829)	0	0	37,992,697
Subtotal	5,346,426,319	(1,826,829)	0	0	5,344,599,490
Less: amounts collected for non-federal entities	110,918,818	104,564	158,689	850,671	112,032,742
Total amount of federal revenues collected	$5,457,345,138	($1,722,265)	$158,689	$850,671	$5,456,632,232

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

Required Supplementary Information

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 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 (FI) 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 $87.5 billion, or 33.9% of the estimated future revenue of $258.0 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, 2020. The figures in the table are based on the 28th Actuarial Valuation Report extended through fiscal year 2095. The present values of estimated future revenue and expenditures in the table are based on estimates of revenue and expenditures through the fiscal year 2095. 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 28th Actuarial Valuation. Under employment assumption II, (1) railroad passenger employment is assumed to remain level at 46,000, and (2) the employment base, excluding passenger employment, is assumed to decline at a constant annual rate of 1.5 percent for 25 years, at a reducing rate for the next 25 years, and remain level thereafter.

Instead of projecting future employment levels based on the 2020 average employment of 197,300 that had been reduced by the COVID-19 pandemic, we started with the pre-pandemic 205,000 average employment from the first quarter of 2020 and applied the employment assumption for future periods. The projection phased into this pre-pandemic employment level over the next three years, reflecting an expectation that employment levels will gradually recover as the pandemic is mitigated. The remainder of the projection reflected this pre-pandemic level of employment.

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

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

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

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

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

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

The SOSI and the required supplementary information are based on actuarial and economic assumptions used in the 28th Actuarial Valuation extended through fiscal year 2095, the RRA, and the Railroad Retirement Tax Act and, for the Financial Interchange, the Social Security and Federal Insurance Contributions Acts. The charts in the required supplementary information are on a calendar year basis. This information includes:

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

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

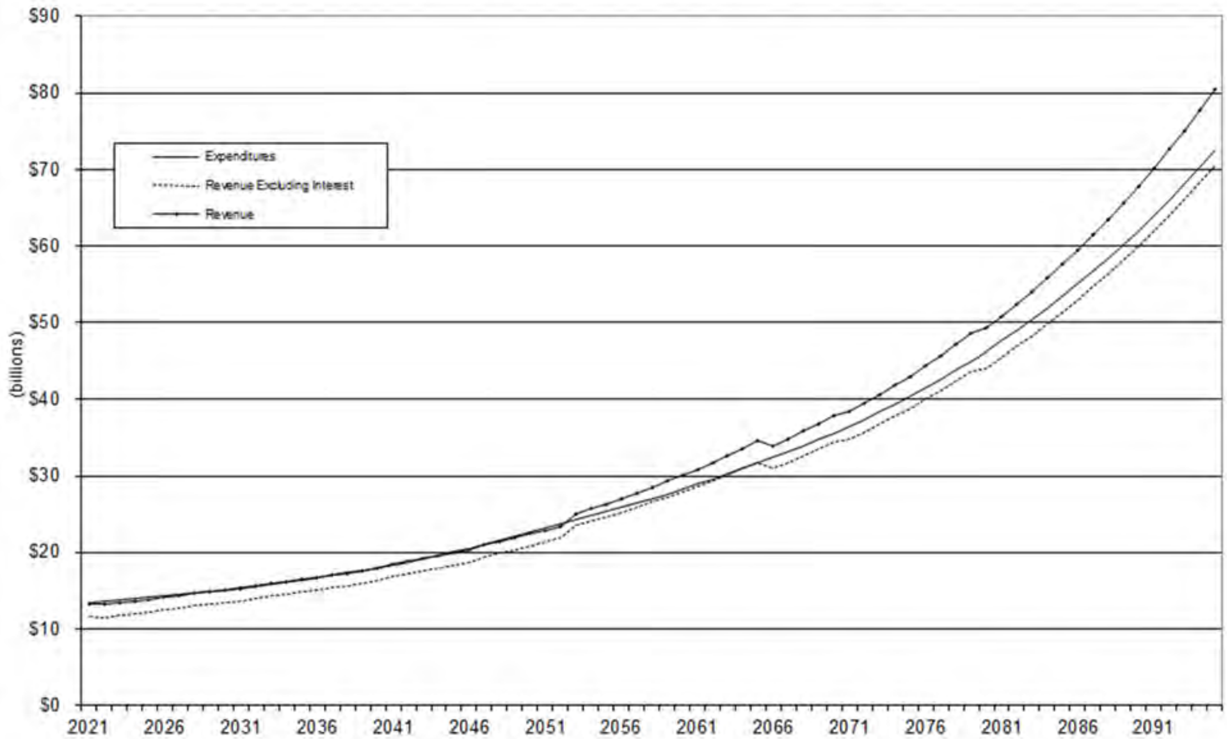
(3) the ratio of estimated annuitants to estimated full-time employees, showing the relationship between the program's benefit recipients and taxpayers; and

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

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

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

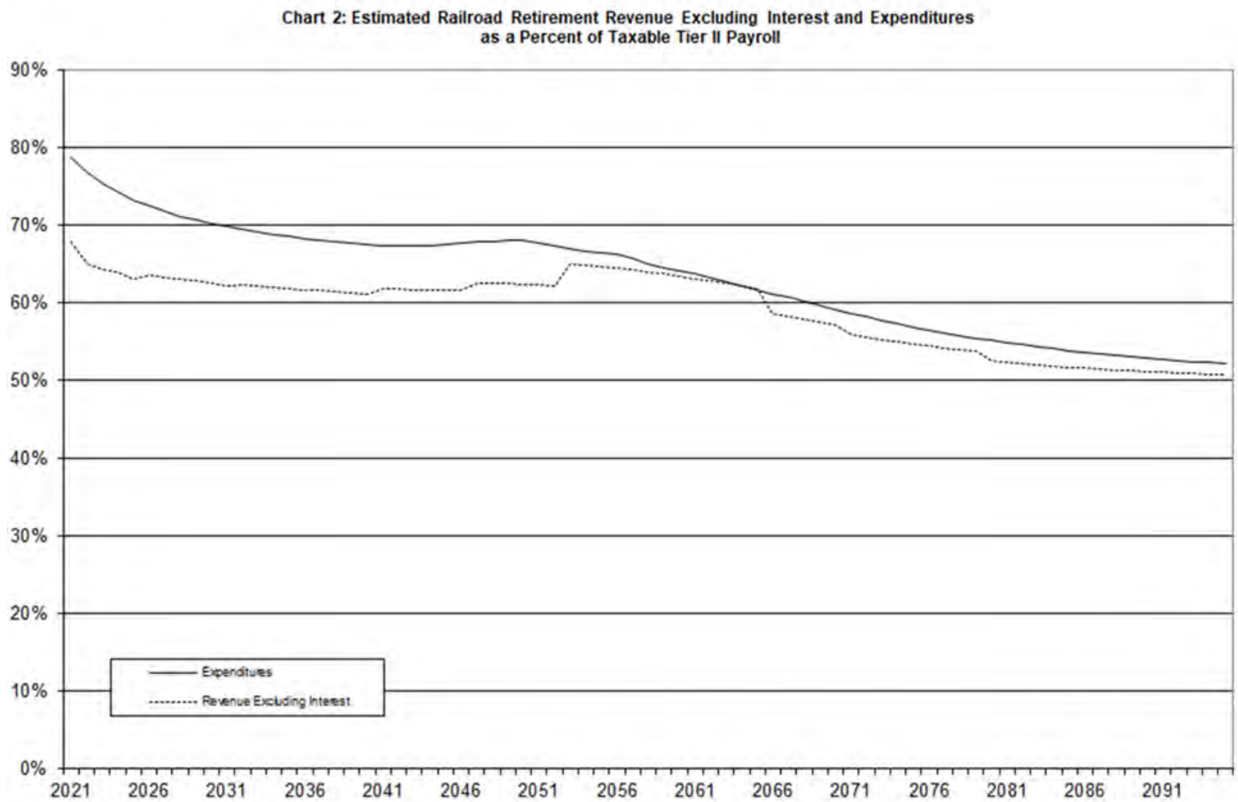
Chart 1: Estimated Revenue and Expenditures



Cashflow Projections – Chart 1 shows actuarial estimates of railroad retirement annual revenue, revenue excluding interest, and expenditures for 2021-2095 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 2032 through 2037, 2041 through 2043, and 2053 through 2095. Without investment income, however, annual expenditures are greater than annual revenue throughout the entire period, except in 2065. 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 until leveling off to 67%-68% of payroll between 2036 and 2055 and then decrease again until reaching 52% of payroll in 2093. This is largely due to the projected decline in the number of annuitants per full-time employee. Except for the revenue from tier I payroll taxes, the sources of revenue vary as a percentage of payroll.



Sensitivity Analysis: The projections of the future financial status of the railroad retirement program depend on many economic and demographic assumptions including rail employment, inflation, wage increase, investment return, age retirement, disability retirement, withdrawal, active service mortality, beneficiary mortality, spouse total termination, probability of spouse, remarriage, family composition, disability freeze, service patterns, and salary scales. Because perfect long-range projections are impossible, this section is included to illustrate the sensitivity of the long-range projections to changes in certain key assumptions that have the greatest impact on the results. All present values are calculated as of October 1, 2020, and are based on estimates of revenue and expenditures during the fiscal years 2021-2095 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 in 2019, before the pandemic, and continued to decline in the first part of 2020, then leveled off to some degree in the latter part of the year. In the first half of 2021, employment has increased slightly but has not returned to its pre-pandemic level. Since employment is a key consideration, projections of revenue and expenditures using three different employment assumptions have been made. The SOSI uses employment assumption II, the intermediate assumption, but this section compares results under the three assumptions. Employment assumptions I and II, based on a model developed by the Association of American Railroads, assumed that (1) passenger employment will remain at the level of 46,000 and (2) the employment base, excluding passenger employment, will decline at a constant annual rate (0.2 percent for assumption I and 1.5 percent for assumption II) for 25 years, at a reducing rate over the next 25 years, and remain level thereafter. Employment assumption III differed from employment assumptions I and II by assuming that (1) passenger employment will decline by 500 per year until a level of 40,000 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. While starting with the low employment level of 197,300 for 2020, we are projecting a recovery to pre-pandemic employment levels over the next three years, as explained above, before returning to the longer-term rates of decline in employment. Employment assumptions I, II, and III are intended to provide an optimistic, moderate, 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, 2021-2095
(in billions)

Employment Assumption	I	II	III
Present Value	$2.8	$1.4	$0.9
Average Tier II tax rate[a]	17.2%	19.0%	21.5%

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

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

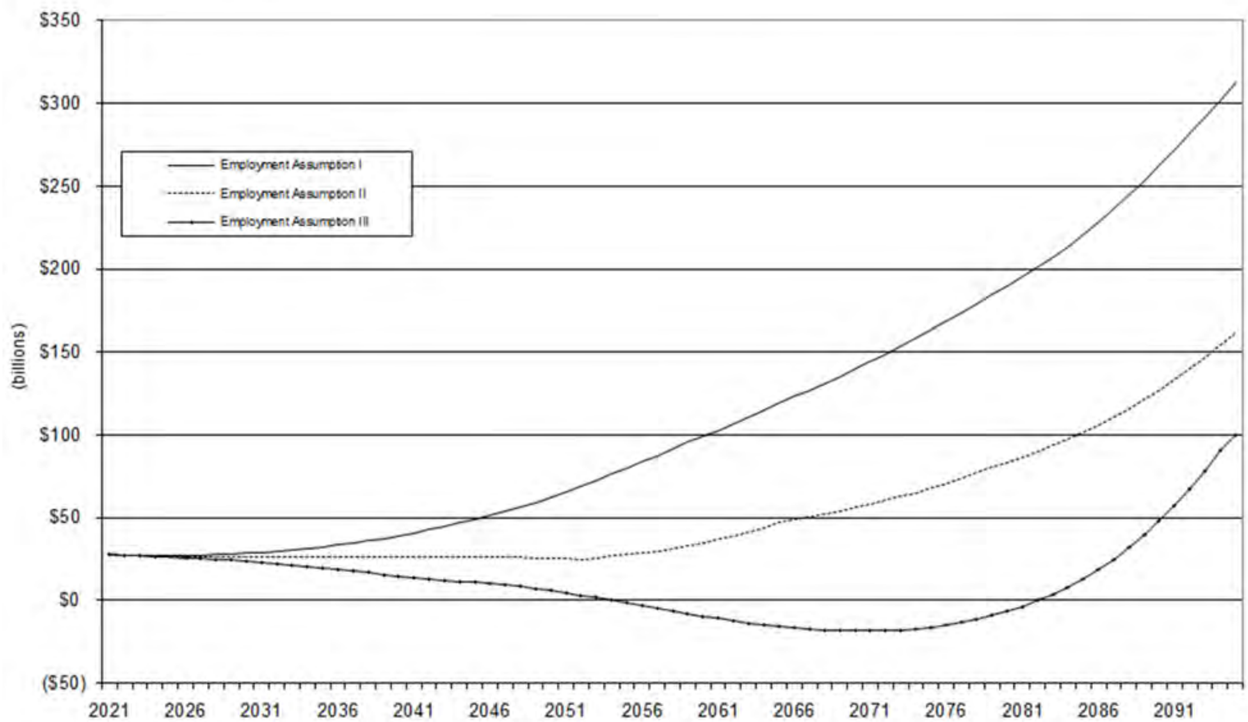


Chart 3a shows the combined balance of the accounts under each of the three employment assumptions. Note that the combined account balance is positive throughout the entire period for assumptions I and II but becomes negative in 2055 for assumption III and remains so until 2083. Negative after-transfer balances under employment assumption III indicate the amount that would be owed, including interest, if unreduced benefits were paid by borrowing.

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

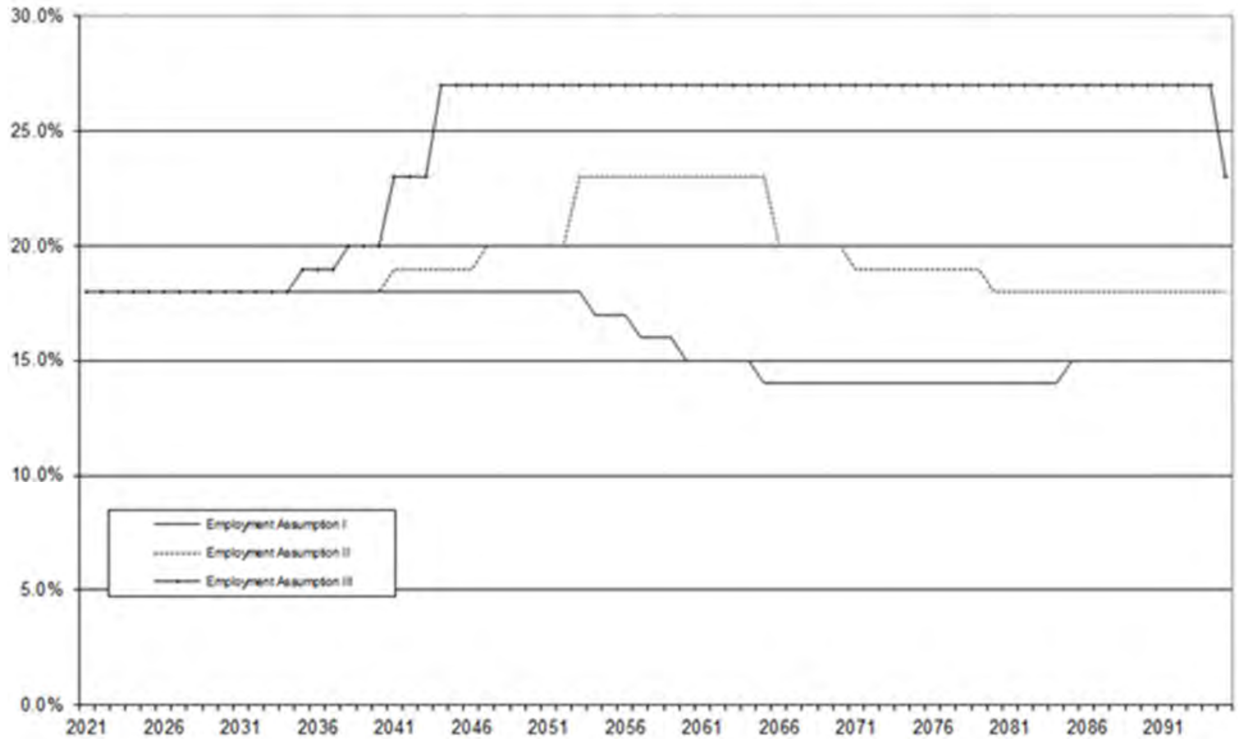


Chart 3b shows the tier II tax rate under these employment assumptions. The current 18 percent tax rate reaches 14 percent in 2065 under employment assumption I and remains at that level until 2085, when it increases to 15 percent. Under employment assumption II, the current 18 percent tax rate increases to 23 percent in 2053 through 2065 and then decreases until it reaches 18 percent in 2080, remaining 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 2044, remaining at that level until 2095, when it decreases to 23 percent.

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

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, 2021-2095
(in billions)

Investment Return Assumption	4.0%	6.5%	9.0%
Present Value	$6.0	$1.4	$0.4
Average Tier II tax rate	21.3%	19.0%	16.3%

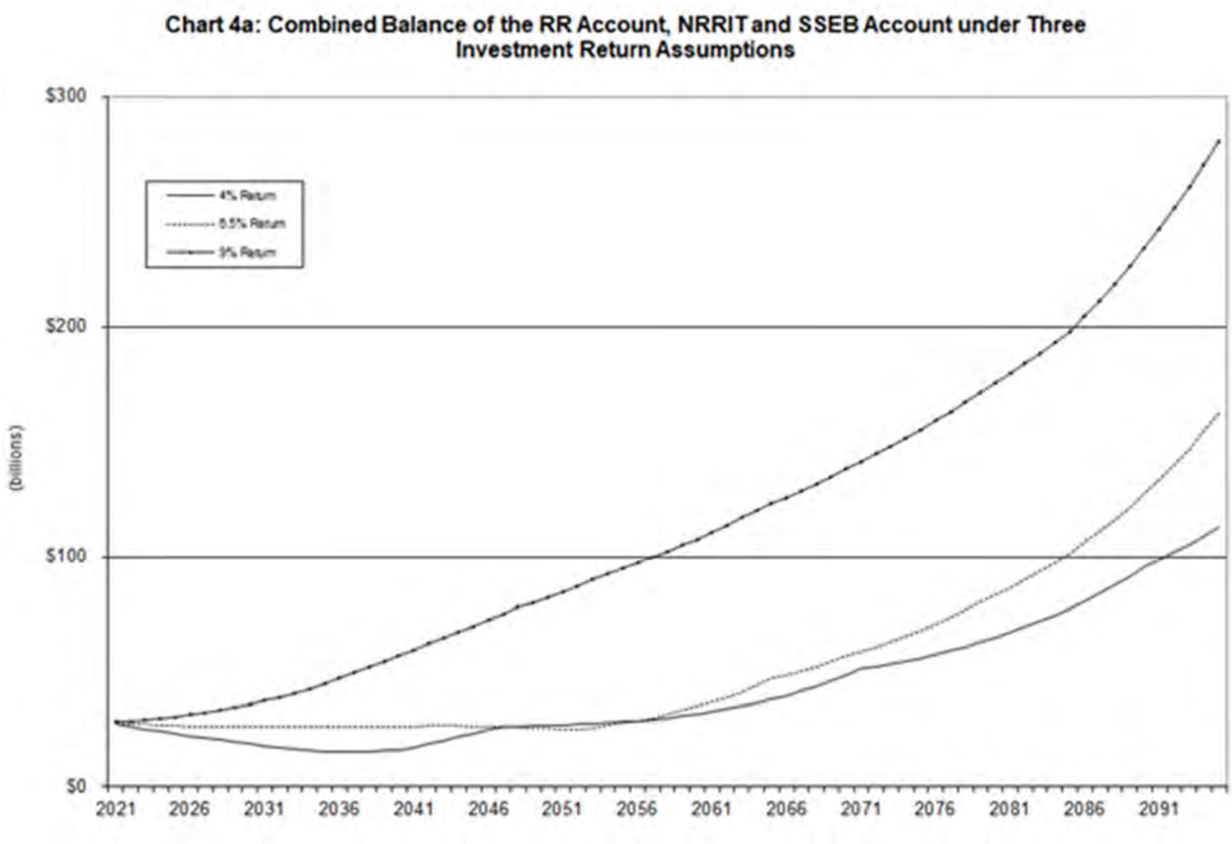


Chart 4a shows the combined account balance under the three investment return assumptions for the projection period. At a 4 percent investment return, the account balance remains positive, reaching its lowest value in 2036, and then increases through the remainder of the projection period. With a 6.5 percent investment return, the account balance decreases and then becomes fairly level between 2027 and 2045, after which it decreases until 2052 and then increases again through the remainder of the projection period. A 9 percent investment return results in a combined balance that increases throughout the projection period. Although the 4 percent scenario shows the lowest account balance at the end of the projection period, the concurrent use of a 4 percent discount rate results in the highest surplus on January 1, 2021.

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

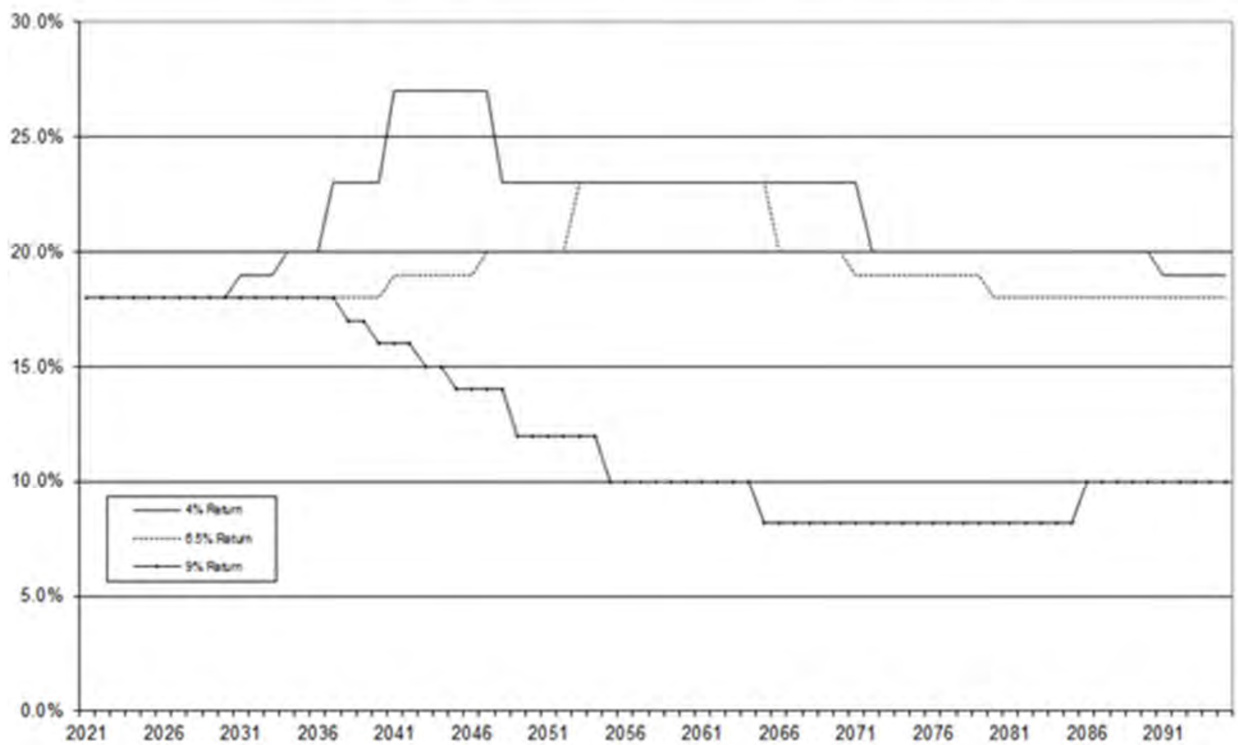
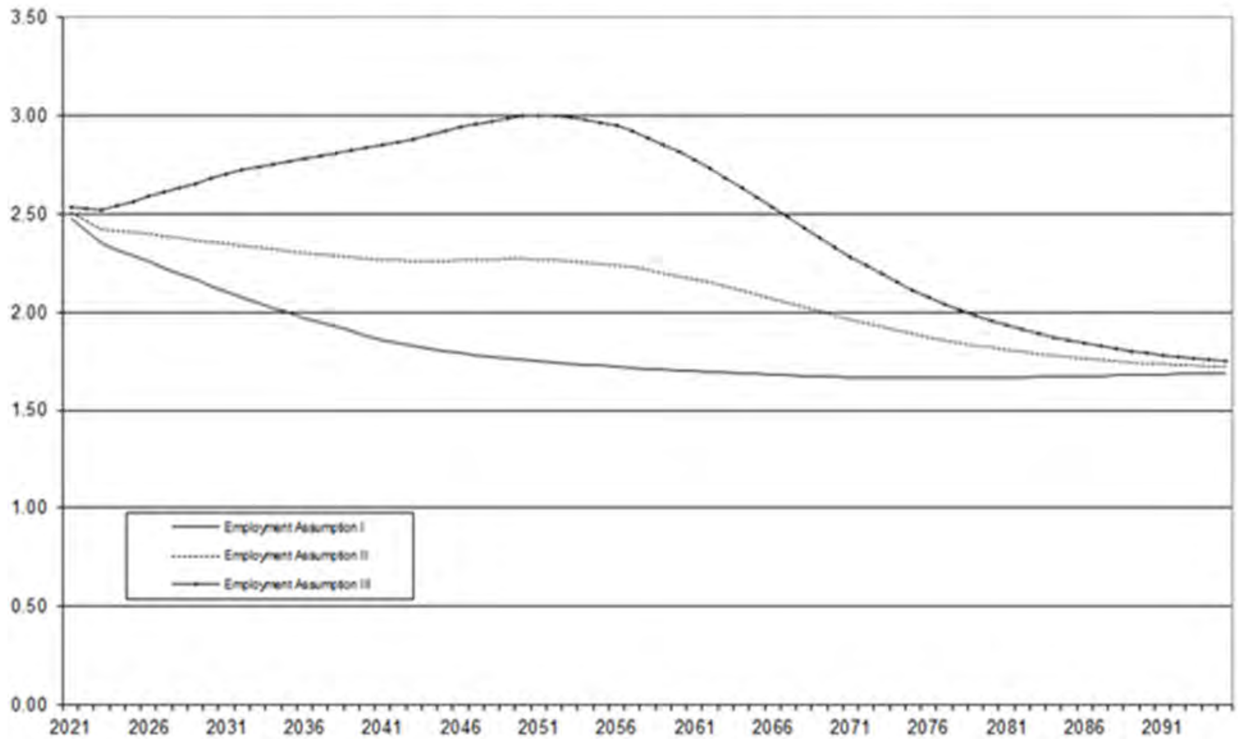


Chart 4b shows the tier II tax rate under the same three investment return assumptions. With a 4 percent investment return, the maximum tier II tax rate of 27 percent applies in 2041 through 2047. With the 6.5 percent investment return, the 23 percent tax rate applies in 2053 through 2065. With a 9 percent investment return, the maximum tax rate is never applicable, and the minimum tax rate of 8.2 percent is paid from 2065 through 2085. As mentioned above, the tier II tax rate is determined based on the ratios of asset values to benefits and administrative expenses, so it will be affected by investment return, but tier I tax rates will not.

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



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 2021. For assumption III, the ratio increases until it is highest in 2051 before decreasing. 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.

RAILROAD RETIREMENT BOARD

COMBINING STATEMENT OF BUDGETARY RESOURCES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

(in dollars)

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

Independent Auditor's Report

To Board Members:

Report on the Financial Statements

We were engaged to audit the accompanying balance sheet of the Railroad Retirement Board (RRB) as of September 30, 2021 and 2020; the related statements of net cost, changes in net position, budgetary resources for the years then ended, the related notes to the financial statements, and the sustainability financial statements. The sustainability financial statements are comprised of the statement of social insurance as of October 1, 2020, October 1, 2019, October 1, 2018, October 1, 2017, and October 1, 2016, the statement of changes in social insurance amounts for the two year period ended September 30, 2020; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on an audit conducted in accordance with auditing standards generally accepted in the United States of America. As described in the Basis for Disclaimer of Opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The National Railroad Retirement Investment Trust (NRRIT) was established pursuant to the Railroad Retirement and Survivors' Improvement Act of 2001 (Public Law 107-90). Under that law, the NRRIT is not a department, agency or instrumentality of the government of the United States. In addition, the law specifically exempts the NRRIT from compliance with Title 31, United States Code, which governs the monetary and financial operations of the federal government. The law also provides that the NRRIT annually engage an independent, qualified public accountant to audit the financial statements of the NRRIT. The Office of Inspector General (OIG) has not audited the books and records of the NRRIT, nor had any input into the selection of the independent accountant retained by the NRRIT. The financial statements of the NRRIT were audited by other auditors, whose audit reports were received within the timeframes established for the audit of the RRB's financial statements. Pursuant to the group financial statement audit requirements promulgated by the American Institute of Certified Public Accountants (AICPA) in AICPA Professional Standards in AU-C section 600B, *Special Considerations - Audits of Group Financial Statements*, on June 7, 2021, we made an inquiry to the NRRIT's Chair requesting communication with and cooperation from NRRIT auditors. We did not receive a response to our inquiry for the current fiscal year. In prior years, RRB management stated that they do not have the authority to grant the access needed to enable cooperation and communication between OIG and NRRIT auditors. Consequently, we were unable to perform the specified AU-C section 600B group audit procedures and have determined that undetected misstatements, which could be material and pervasive, could exist.[1]

The net assets of the NRRIT represent approximately $28.5 billion and $24.8 billion or 79 and 77 percent of the total assets reported for the RRB for fiscal years 2021 and 2020, respectively. NRRIT assets also represent approximately 95 and 93 percent of the Treasury securities and assets held by the Railroad Retirement program as of October 1, 2020 and October 1, 2019, respectively. Related changes in the net value of investments held by the NRRIT are reported as a source of financing which contributed a net gain of approximately $3.7 billion during fiscal year 2021 and a net loss of $594 million during fiscal year 2020.[2]

Disclaimer of Opinion

Due to the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial position of the RRB, its consolidated net cost of operations and changes in net position, and combined budgetary resources as of September 30, 2021 and 2020; and the financial condition of the Railroad Retirement program as of October 1, 2020, October 1, 2019, October 1, 2018, October 1, 2017, and October 1, 2016, and changes in the financial condition of the program for the period ended

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[1] Misstatements in the National Railroad Retirement Investment Trust net assets could be both material and pervasive. American Institute of Certified Public Accountants (AICPA) AU-C 705A.06 defines pervasive as, "[a] term used in the context of misstatements to describe the effects on the financial statements of misstatements or the possible effects on the financial statements of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence." In context to the RRB's financial statements, the "[p]ervasive effects on the financial statements are those that, in the auditor's professional judgment" are confined to specific elements, accounts, or items of the financial statements, and "represent or could represent a substantial proportion of the financial statements."

[2] The NRRIT net asset and net gain amounts reflect the fiscal year 2021 revisions made by the RRB.

September 30, 2020. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the sustainability financial statements are based on management's assumptions. These sustainability financial statements present the actuarial present value of the RRB's estimated future income to be received and future expenditures to be paid using a projection period sufficient to illustrate long term sustainability. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligations as they come due. The Statements of Social Insurance and Changes in Social Insurance Amounts are based on income and benefit formulas in current law and assume that scheduled benefits will continue after any related trust funds are exhausted. The statements of long term fiscal projections are based on the continuation of current policy. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable. In preparing the sustainability financial statements, management considers and selects assumptions and data that it believes provide a reasonable basis to illustrate whether current policy or law is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures, and sustainability, for example, implementation of policy changes to avoid trust fund exhaustion or unsustainable debt levels. Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material.

During fiscal years 2019 and 2020, the actuarial consultant identified an issue that resulted in material differences in the present values of social insurance income and expenditures. The RRB implemented a change in method to address the social insurance issue and differences. While the Bureau of Actuary and Research (BAR) provided the OIG with support for its change in method, resulting in a $2.1 billion experience-based asset gain for fiscal year 2020, it had not disclosed the calculation used or the income, expenditure, or interest components of the change in its explanatory note to the financial statements. Resolution of this matter is discussed in the Material Weaknesses section of this report.

In June 2021, RRB management stated that NRRIT will continue to retain its current auditor. On December 10, 2020, the NRRIT's component auditor received a peer review rating of pass, for the year ended March 31, 2020. The peer review rating addresses our prior year concerns with the auditor’s professional competence. The remaining quality control concerns identified by the Public Company Accounting Oversight Board (PCAOB) are discussed in the Material Weaknesses section of this report.

The RRB discloses transactions with related parties in Note 2 to the financial statements. The RRB, Social Security Administration, and Centers for Medicare and Medicaid Services are parties to a financing arrangement described as a financial interchange. 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 Health Insurance trust fund represented approximately $4.2 billion (net), or about 30 percent of the financing sources reported on the RRB’s statement of changes in net position for fiscal year 2021 before considering the change in the reported value of NRRIT net assets. For fiscal year 2020, financial interchange transfers of approximately $4.8 billion (net) represented about 36 percent of the financing sources reported before considering the reduction in the reported value of NRRIT assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following required supplementary information be presented to supplement the basic financial statements: Management’s Discussion and Analysis section beginning on page 7, Social Insurance beginning on page 99, and Combining Statement of Budgetary Resources on page 110. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to the auditor’s inquiries, the basic financial statements and other knowledge the auditor obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The RRB's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the required supplementary information. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on the RRB's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Other Legal and Regulatory Requirements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*.

Report on Internal Control over Financial Reporting

Management's Responsibility

RRB management is responsible for (1) maintaining effective internal control over financial reporting, including the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatements, whether due to fraud or error, and (2) evaluating the effectiveness of internal control over financial reporting, under the statutory direction of the Federal Managers' Financial Integrity Act (FMFIA).

Auditor's Responsibility

In planning and performing our audit, we considered the RRB's internal control over financial reporting to design audit procedures that are appropriate to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting. We did not consider all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

Our audit procedures would not necessarily identify all deficiencies in internal controls, including those that might be material weaknesses or significant deficiencies.[2] Although not considered to be material weaknesses or significant deficiencies, we will report other matters involving internal control and its operation to RRB management in a separate letter.

Inherent Limitations of Internal Control over Financial Reporting

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies or procedures may deteriorate.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the RRB's internal control over financial reporting, and the results of our procedures, and not to provide an opinion on the effectiveness of the RRB's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Material Weaknesses

Financial Reporting

- Communication with the National Railroad Retirement Investment Trust's (NRRIT) Auditor

RRB Office of Inspector General (OIG) auditors have rendered disclaimer opinions on the RRB's financial statements since fiscal year 2013. Although AICPA Group 600B guidance requires that the group auditor (OIG) communicate with and receive cooperation from the component auditor (NRRIT's auditor), RRB management previously cited section 15(j) of the Railroad Retirement Act, as the basis for their denial. Section 15(j) provides that the NRRIT is not a department, agency or instrumentality of the United States Government, and consequently management believes the NRRIT is not itself subject to Federal audit requirements. On November 12, 2019, RRB management stated that they do not have the authority to grant the access needed to enable cooperation and

[2] A *material weakness* is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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 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.

communication between OIG and NRRIT auditors. NRRIT has not responded to any of our previous requests to communicate with its auditors. NRRIT did not respond to our most recent letter dated June 7, 2021. This lack of cooperation and communication with NRRIT auditors prevents OIG auditors from obtaining sufficient appropriate audit evidence regarding the RRB's financial statements.

As discussed later in this document, the need for identification of treaties and international agreements further enforce the need for this communication with NRRIT. This is because international agreements may be directly or indirectly impacting NRRIT investment decisions without RRB management's knowledge or awareness.

With regard to the NRRIT's investments in Communist Chinese Military Companies (CCMC), RRB management determined during fiscal year 2021 that NRRIT had liquidated its interests in the CCMCs which were prohibited by the previous Executive Order 13959.[3] As of June 4, 2021, RRB management also confirmed that the NRRIT did not have investments in CCMCs prohibited by the newly expanded Executive Order 14032.[4] RRB OIG has no audit authority to validate the accuracy of the NRRIT's statements regarding its investments.

In June 2021, RRB management stated that NRRIT will continue to retain its current auditor. On December 10, 2020, the NRRIT's component auditor received a peer review rating of pass, for the year ended March 31, 2020. This demonstrated improvement over their prior peer review rating of pass with deficiency. However, the PCAOB's 2019 inspection report for the NRRIT component auditor, dated December 17, 2020, continued to report a significant number of deficiencies in the NRRIT component auditor's audits pertaining to financial statement opinions and internal control over financial reporting. The OIG will continue to monitor the status and potential impact of these deficiencies.

We previously recommended that an independent committee be established to identify a functional solution that would enable communication between OIG and NRRIT's auditors. Although RRB management did not concur with this recommendation, we will continue to cite this issue and the need for corrective action.[5]

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

[4] Executive Office of the President, EO 14032 of June 3, 2021, *Addressing the Threat From Securities Investments That Finance Certain Companies of the People's Republic of China*, (Washington, D.C.: June 7, 2021; Supersedes in part: EO 13959, November 12, 2020 Revokes: EO 13974, January 13, 2021).

[5] Railroad Retirement Board (RRB) Office of Inspector General (OIG), *Fiscal Year 2014 Financial Statement Audit Letter to Management,* OIG Audit Report No. 15-05 (Chicago, IL: March 31, 2015).

Management's Comments and Our Response

RRB management continues to disagree with our material weakness and disclaimer of opinion in response to our inability to communicate with the NRRIT's auditor as required by the American Institute of Certified Public Accountants' group audit requirements. RRB management stated that they do not have the authority to compel the NRRIT auditors to provide their work papers to, or speak with the OIG. RRB management stated that they had provided the OIG access to NRRIT related information in accordance with the 2002 Memorandum of Understanding between the RRB, NRRIT, Department of the Treasury and the Office of Management and Budget and all other information related to NRRIT in our possession and control that the OIG requested in support of its audit.

RRB management also indicated that it is important to note that the NRRIT and the United States Government Accountability Office (GAO) entered into a Memorandum of Understanding (MOU) giving GAO access to information necessary to support inclusion of NRRIT's financial information in the government-wide financial statements. Therefore, the RRB disagrees with the OIG's inclusion of this matter as both a basis for a disclaimer of opinion and as a component of the financial reporting material weakness.

OIG auditors note that the 2002 MOU was crafted many years prior to AICPA group 600B audit requirements, which is the basis for our request to communicate with the NRRIT's auditor. We continue to see the need for the disclaimer and the material weakness subcomponent that are the result of the lack of communication with the NRRIT's auditor. See the attachments for the full text of management's comments.

- Social Insurance Valuation

Beginning in 2016 at the request of the NRRIT, BAR began adjusting the Statement of Social Insurance (SOSI) valuation amounts as of the beginning of the calendar year to the preceding end of the fiscal year.[6] Beginning in fiscal year 2019, BAR's method of using actual and estimated investment rates of return, rather than the long term assumed rate, for its calendar to fiscal year adjustment of SOSI income and expenditures resulted in material overstatements.[7] The actuarial auditor recommended that BAR use the long term assumed rate and concluded that it is inappropriate for BAR to use an actual or estimated investment return to adjust the present values of income and expenditures because these cash flows would not be impacted by changes in investment returns.

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[6] RRB OIG, *Fiscal Year 2016 Financial Statement Audit Letter to Management*, OIG Audit Report No. 17-03 (Chicago, IL: February 16, 2017).
[7] RRB OIG, *Fiscal Year 2019 Report on the RRB's Financial Statements*, OIG Audit Report No. 20-02 (Chicago, IL: November 15, 2019).

BAR's use of the actual investment rate of return resulted in a $2.3 billion understatement in the open group surplus for fiscal year 2019. In response to pandemic induced economic conditions, BAR used both actual and estimated investment rates of return for its fiscal year 2020 reporting adjustment. The actuarial auditor reported that this combined net effect understated the SOSI open group surplus by $0.7 billion for fiscal year 2020.

During fiscal year 2021, BAR stated that they did not intend to use an estimated rate of return for the current year's calendar to fiscal year reporting adjustment and would not use an estimated rate of return in future years unless warranted by economic conditions. Further discussion between BAR, the actuarial auditor, and OIG auditors resulted in BAR proposing a change of method designed to alleviate the actuarial auditor's concerns. BAR's proposed method for adjusting calendar to fiscal year reporting utilizes the assumed rate of return for discounting income and expenditures and adjusts the value of assets for the expected gain or loss for the quarter. The actuarial auditor approved of BAR's proposed change of method and it was rolled out during fiscal year 2021. Therefore, BAR has addressed the concerns and recommendation which resulted from the SOSI valuation aspect of the material weakness.

<u>Deficient Internal Controls at the Agency Wide Level</u>

This material weakness was originally reported in fiscal year 2018.

- Ineffective Standards for Internal Control

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* identify the five required components of internal control:

- o Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.
- o Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.
- o Control Activities - The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.
- o Information and Communication - The quality information management and personnel communicate and use to support the internal control system.
- o Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

The five components represent the highest level of the hierarchy of standards for internal control in the federal government. The five components of internal control must be effectively designed, implemented, and operating, and operating together in an integrated manner, for an internal control system to be effective.[8]

Although the RRB's control environment was assessed at the agencywide level, we have other concerns with the control environment. The control environment had been identified in prior audit opinions beginning in fiscal year 2016 as a separate material weakness. In fiscal year 2018, it was included in the overall material weakness for deficient internal controls at the agencywide level. The remaining four components, Risk Assessment, Control Activities, Information and Communication, and Monitoring, had not been assessed by the RRB in conformance with GAO and OMB requirements at the agencywide level.

Because each of the required components of internal control were not designed, implemented, and operating effectively, consistent with GAO and OMB guidance, we were required to conclude that the overall system of internal control was not operating effectively and an entity-level control material weakness was reported.[9] Nine of our recommendations remain open and this material weakness continues to exist.[10]

<u>Management's Comments and Our Response</u>

RRB management indicated that it continues to make strides implementing Enterprise Risk Management (ERM) at the RRB by leveraging the Management Control Review (MCR) infrastructure already in place. In fiscal year 2021, RRB management stated that they have fully implemented ERM into the MCR reporting process with risk assessments and trained responsible officials on the new process. RRB management indicated that they are committed to strong internal controls and will move forward with the next phase of ERM implementation, which they believe will address this OIG concern. RRB management disagrees that this concern contributes to a material weakness affecting the preparation and fair presentation of the financial statements. While RRB management indicates that some corrective actions have been taken and others are in progress, this area remains an audit concern and our finding remains unchanged. We have received no evidence of these cited improvements, as our related audit recommendations remain unimplemented.

- Information Technology Security and Financial Reporting Controls

Our contracted auditor determined that, for fiscal year 2020, 2019, and 2018, each of the eight Federal Information Security Modernization Act (FISMA) metric domains and their corresponding cybersecurity framework functions were

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[8] Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government,* GAO-14-704G, Section OV2.04 (Washington, D.C.: September 2014).
[9] Office of Management and Budget, *Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control,* M-16-17, Section IV.D (Washington, D.C.: July 2016).
[10] RRB OIG, Report No. 17-03 and RRB OIG, *Enterprise Risk Management Process At The Railroad Retirement Board Was Not Fully Effective,* Report No. 18-07 (Chicago, IL: July 9, 2018).

assessed as "Not Effective" and that the RRB was noncompliant with FISMA legislation and OMB guidance.[11] This shortfall in information technology security controls resulted in a total of 62 recommendations, since 2018, of which 50 remain open. As such, information system control risk must be assessed as "high" in accordance with GAO's Financial Audit Manual (FAM) guidance.[12] This agencywide assessment of high risk directly impacts the RRB's controls supporting the agency's financial reporting system. Certain financial reporting control objectives can be achieved only if the RRB's controls assumed in the design of the financial reporting system are suitably designed and operating effectively. Such RRB controls are referred to as complementary controls. The ability to rely on the opinion of the RRB's Statement on Standards of Attestation Engagements, No. 18 reports for its financial management systems is also directly impacted by the uncertainty of these complementary controls.

Management's Comments and Our Response

RRB management continues to disagree with the OIG's assertion that the agency's FISMA maturity level directly impacts the financial reporting system and contributes to a material weakness affecting the preparation and fair presentation of the financial statements. RRB management believes its Financial Management Integrated System (FMIS) is separate and distinct and indicated that its review of the recommendations and results associated with the fiscal year 2018, 2019, and 2020 FISMA audit reports and consideration of the preliminary fiscal year 2020 FISMA audit results did not find any impactful risk to the FMIS.

During fiscal year 2021, RRB management stated that they migrated the mainframe to a secure cloud environment and continued to focus its efforts on addressing open findings as well as implementing an information security continuous monitoring strategy. As RRB management continues to develop and implement its IT modernization initiatives, they indicated that they will proactively address the remaining findings and recommendations in order to improve the agency's security posture and to sustain at acceptable levels.

Finally, RRB management stated that they understand and take very seriously the mandate of the FISMA to ensure adequate security protections for Federal information systems and information. As RRB management continues the development and implementation of its IT modernization initiatives, they

[11] RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 (FISMA) for Fiscal Year 2020,* Report No. 21-03. (Chicago, IL: January 14, 2021); RRB OIG, *Performance Audit of RRB's Compliance with the FISMA for Fiscal Year 2019,* Report No. 20-04 (Chicago, IL: December 18, 2019); and RRB OIG, *Performance Audit of RRB's Compliance with the FISMA Fiscal Year 2018,* Report No. 19-03 (Chicago, IL: December 19, 2018).
[12] GAO and Council of the Inspectors General on Integrity and Efficiency (CIGIE), *Financial Audit Manual* (*FAM),* GAO-18-601G, Section 295 J.

anticipate the cybersecurity posture of the agency will improve and sustain at acceptable levels.

As stated in our report, OIG auditors determined that certain financial reporting control objectives can be achieved only if the RRB's controls assumed in the design of the financial reporting system are suitably designed and operating effectively. We continue to see the need for this portion of the material weakness. RRB management's statements do not negate the fact that their metrics remain assessed as noneffective and that they remain noncompliant with FISMA and OMB legislation, which is why we continue to see the need for our finding as stated. We will consider and evaluate the impact of the new information and results provided in RRB management's comments during next year's financial statement audit.

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

RRB management has also not established effective policies and procedures for preventing agency noncompliance with indirect laws, regulations, and contracts, and for identifying treaties and international agreements impacting the RRB or its component, the NRRIT. As previously discussed, the RRB is noncompliant with FISMA legislation, this is one example of the RRB's noncompliance with an indirect law and regulation.

RRB referenced agency policies and procedures and FMFIA statements of assurance but did not identify the relevant policies or procedures or provide an affirmative statement that the RRB is in compliance with indirect laws, regulations, and contracts. Further, it relies on the Office of Legislative Affairs for notification of treaties or international agreements impacting the NRRIT, but has not established policy and procedure to obtain Department of State assurance that no such impact exists.

Policies and procedures for ensuring compliance with indirect laws, regulations, and contracts are required per FAM guidance.[13] Treaties and other international agreements may lead to commitments or contingencies that should be recognized or disclosed in the financial statements, in accordance with federal financial accounting standards.[14] Because RRB management did not concur, our previous recommendations remain open, but we continue to see the need for the recommended corrective actions.[15]

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[13] GAO and CIGIE, *FAM,* GAO-18-601G, Section 245.08(a).

[14] Federal Accounting Standards Advisory Board, *Handbook of Federal Accounting Standards and Other Pronouncements, as Amended,* SFFAS No. 5, *Accounting for Liabilities of the Federal Government,* as amended by SFFAS No. 12, *Recognition of Contingent Liabilities Arising from Litigation* (Washington, D.C.: June 30, 2018).

[15] RRB OIG, *Fiscal Year 2019 Report on the RRB's Financial Statements*, OIG Audit Report No. 20-02, Recommendations No. 2 and No. 3 (Chicago, IL: November 15, 2019).

Management's Comments and Our Response

RRB management continues to disagree with our recommendation and believes that compliance with laws and regulations is intertwined throughout various agency policy and procedure documents, such as our administrative circulars and others, as well as throughout the extensive documentation compiled to comply with the Federal Manager's Financial Integrity Act of 1982 (FMFIA). The agency's Management Control Review (MCR) program directly fulfills the requirements of FMFIA and is an example of a well-established policy and procedure to help ensure compliance with indirect laws, regulations, and contracts.

RRB management also believes that the term "noncompliance" is vastly different from the improvement needed that the agency has already completed and committed to continuing each year. The results from the fiscal year 2020 FISMA audit continue to demonstrate ongoing progress in improving our information security program and practices across the agency.

RRB management indicated that any policies and procedures that provide for regular monitoring and reporting of actions in Congress serve to notify the General Counsel of any treaties and/or international agreements involving and/or affecting the RRB or NRRIT. Management finds that its current policies and procedures are effective and further find it unnecessary to establish, as previously noted by the OIG, a "policy or procedure to obtain Department of State assurance" regarding the impact of any treaty or international agreement on the RRB or NRRIT.

RRB OIG auditors continue to see the need for this portion of the material weakness. If such policies and procedures for ensuring compliance with indirect laws, regulations, and contracts, and for identifying treaties and international agreements are actively in place, they should be specifically identified and documented to address GAO's financial audit requirements and to ensure compliance is maintained. We reiterate that RRB management has not affirmed compliance or provided the policies and procedures that they state are in place.

- Compliance with Railroad Retirement Act Benefit Payment Provisions

The RRB conducts annual quality assurance reviews utilizing statistical sampling and focused on initial and post processing adjudication of cases and payment accuracy. RRB completed its Railroad Retirement Act (RRA) quality assurance reviews and established compliance for fiscal year 2020 consisting of approximately 24,500 adjudicated cases totaling approximately $630.4 million in benefit payments. RRB also completed its RRA quality assurance reviews for fiscal year 2021 consisting of approximately 23,000 adjudicated cases totaling approximately $602.7 million in benefit payments within the required audit time frame. For fiscal years 2020 and 2021, Railroad Unemployment Insurance Act

(RUIA) quality assurance testing was also completed that included the processing of The Coronavirus Aid, Relief, and Economic Security (CARES) Act, Continued Assistance to Rail Workers Act of 2020 (CARWA), and American Rescue Plan Act of 2021 (ARPA) stimulus payments for fiscal year 2021.[16] Under RUIA, CARES Act, CARWA, and ARPA amend the extended benefits available to individuals who received normal UI benefits.

RRB began utilizing new electronic processes to automate their reviews during fiscal year 2020 and reported compliance with the RRA and RUIA for fiscal years 2020 and 2021, and with the CARES Act, CARWA, and ARPA for fiscal year 2021. As a result, this portion of our material weakness has been addressed; however, our previous recommendation for increased staffing and resources remains open.[17]

- Controls Over Railroad Service and Compensation

In fiscal year 2019, RRB's controls over creditable and taxable compensation were found to be inadequate as the RRB is not giving sufficient audit coverage to railroad employer compensation reporting. The RRB's Audit and Compliance Section (ACS) conducts audits of railroad employers to determine whether creditable compensation and financial reporting requirements of the RRA and Railroad Unemployment Insurance Act are being met. ACS determines whether compensation has been accurately reported to the RRB and they reconcile creditable compensation reported for RRA purposes with taxable compensation reported to the Internal Revenue Service for Railroad Retirement Tax Act purposes. The RRB's ACS establishes a program of railroad employer audits with the primary objective being the review of the accuracy of railroad service and compensation on which payroll taxes are based. However, this program of railroad employer audits is not an effective control for ensuring the accuracy of compensation which was the basis for approximately $5.1 billion of payroll taxes received by the RRB during fiscal year 2020. From fiscal year 2017 through fiscal year 2020, only two audits had been completed by ACS. During fiscal year 2020, ACS funding increased by 150 percent and ACS staffing increased to 4.5 full time equivalents (FTEs); however, no new audits had been started and two audits initiated in the prior year were still in progress, out of a universe consisting of 731 railroad employers and labor organizations. An audit of the largest Class 1 railroads has not been completed since 2016 and none were in progress. The limited number of audits being conducted by ACS was due to less staff and funding being allotted. As of September 30, 2021, staffing had increased to 6.5 FTEs and for the year, one audit had been completed and 3 audits were in progress, none of which were Class 1 railroads. Our recommendation for

[16] Public Law (P.L.) No. 116-136 (2020); P.L. No. 116-260 (2020); and P.L. No. 117-2 (2021).
[17] RRB OIG, *Fiscal Year 2020 Report on the RRB's Financial Statements*, OIG Audit Report No. 21-01, Recommendation No. 2 (Chicago, IL: November 16, 2020).

increasing staffing and funding to ensure a sufficient quantity of railroad audits remains open.[18]

Management's Comments

The OIG has observed that the ACS of the Bureau of Fiscal Operations (BFO) has conducted a limited number of railroad employer audits, none of which included Class 1 railroads, due to less staff and funding being allotted. RRB management shares the OIG's concerns and takes the responsibility for ensuring the accuracy of reported Tier I and Tier II creditable service and taxable compensation very seriously. As previously communicated to the OIG, and in an effort to increase audit coverage, RRB management retrained and transitioned an existing employee into an audit role and have retained three of the four auditors hired since fiscal year 2019. Management reported that they have two audits in progress and finalized one audit during fiscal year 2021. The RRB plans to initiate an audit of a Class 1 during fiscal year 2022.

Report on Compliance with Laws, Regulations, and Contracts

In connection with our audit of the RRB's financial statements, we tested compliance with selected provisions of applicable laws and regulations consistent with our auditor's responsibility. Contracts were considered for compliance testing. Grant agreements are not applicable for RRB operations. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

RRB management is responsible for complying with laws, regulations, and contracts applicable to the RRB.

Auditor's Responsibility

Our responsibility is to test compliance with selected provision of laws, regulations, and contracts that have a direct effect on the determination of material amounts and disclosures in the RRB's financial statements and perform certain other limited procedures. Accordingly, we do not test compliance with all laws, regulations, and contracts applicable to the RRB.

Results of our Tests of Compliance with Laws and Regulations

Our tests of the RRB's compliance with selected provisions of laws and regulations for fiscal year 2021 disclosed one instance of noncompliance that is

[18] RRB OIG, *Fiscal Year 2019 Report on the RRB's Financial Statements*, OIG Audit Report No. 20-02, Recommendation No. 4 (Chicago, IL: November 15, 2019).

reportable under auditing standards generally accepted in the United States of America. The cited instance of noncompliance involving the FISMA was previously discussed in the “Material Weaknesses” section of this audit opinion. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations.

Accordingly, we do not express such an opinion. Specifically we performed tests of compliance with selected provisions of laws and regulations, including laws governing the use of budget authority, and other laws and regulations that could have a direct effect on the determination of material amounts and disclosures in RRB’s financial statements, including:

- Anti-Deficiency Act, as amended;
- provisions of the Railroad Retirement Act governing financing and the payment of benefits;
- provisions of the Railroad Unemployment Insurance Act governing financing and the payment of benefits; and
- provisions of the Social Security Act that provide for certification of benefits to the RRB for payment (42 U.S.C. § 405(i)).

Intended Purpose of Report on Laws, Regulations, and Contracts

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of laws, regulations, and contracts and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering laws, regulations, and contracts. Accordingly, this report on laws, regulations, and contracts is not suitable for any other purpose.

RRB MANAGEMENT'S RESPONSE AND OUR COMMENTS

The full text of management's response follows as an attachment to this report. We did not perform audit procedures on the RRB's written response and, accordingly, we express no opinion on the response.

MARTIN DICKMAN

Digitally signed by MARTIN DICKMAN
Date: 2021.11.17 13:54:13 -06'00'

Martin J. Dickman
Inspector General
Chicago, Illinois

November 15, 2021

UNITED STATES GOVERNMENT
MEMORANDUM

FORM G-115f (1-92)
RAILROAD RETIREMENT BOARD

November 15, 2021

TO: Debra Stringfellow-Wheat
Assistant Inspector General for Audit

FROM: Shawna R. Weekley
Chief Financial Officer

SHAWNA WEEKLEY Digitally signed by SHAWNA WEEKLEY Date: 2021.11.15 11:27:11 -06'00'

SUBJECT: Fiscal Year 2021 Financial Statement Audit – Draft Auditor's Report

This response serves to address the disclaimer of opinion and particular components of the cited two material weaknesses that fall under my purview.

Management Response: Disclaimer of Opinion

In the referenced report, the Inspector General for the Railroad Retirement Board (RRB), expressed a disclaimer of opinion on the RRB's balance sheet as of September 30, 2021 and 2020 and the related statements of net cost, changes in net position, budgetary resources for the years then ended, the related notes to the financial statements, and the sustainability financial statements. The Office of Inspector General (OIG) cites lack of access to the National Railroad Retirement Investment Trust (NRRIT) auditors pursuant to the American Institute of Certified Public Accountants (AICPA) Professional Standards in AU-C Section 600B, *Special Considerations – Audits of Group Financial Statements* as both the basis for the disclaimer of opinion and as a component of the financial reporting material weakness.

As previously communicated, the RRB does not have the authority to compel the NRRIT auditors to provide their work papers to, or speak with the OIG. We have provided the OIG access to NRRIT related information in accordance with the 2002 Memorandum of Understanding between the RRB, NRRIT, Department of the Treasury and the Office of Management and Budget[1] and all other information related to NRRIT in our possession and control that the OIG requested in support of its audit.

It is important to note that the NRRIT and the United States Government Accountability Office (GAO) entered into a Memorandum of Understanding (MOU) giving GAO access to information necessary to support inclusion of NRRIT's financial information in the government-wide financial statements.[2] Therefore, the RRB disagrees with the OIG's inclusion of this matter as both a basis for a disclaimer of opinion and as a component of the financial reporting material weakness.

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

Management Response: Material Weaknesses

1. Financial Reporting: *Communication with the NRRIT auditor:* See the management response to the disclaimer of opinion included above.

2. Deficient Internal Controls at the Agency-wide Level:

   a. *Ineffective Standards for Internal Control*: We continue 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 will continue to refine ERM reporting and utilize the information reported to assist the decision making process at the RRB. We are committed to strong internal controls and will move forward with the next phase of ERM implementation, which will address this OIG concern. We will continue to move forward implementing ERM and disagree that this contributes to a material weakness affecting the preparation and fair presentation of the financial statements.

   b. *Controls Over Railroad Service and Compensation*: The OIG has observed that the Audit and Compliance Section (ACS) of the Bureau of Fiscal Operations (BFO) has conducted a limited number of railroad employer audits, none of which included Class 1 railroads, due to less staff and funding being allotted. We share the OIG's concerns and take our responsibility for ensuring the accuracy of reported Tier I and Tier II creditable service and taxable compensation very seriously. As previously communicated to the OIG, and in an effort to increase audit coverage, we retrained and transitioned an existing employee into an audit role and have retained three of the four auditors hired since fiscal year 2019. Currently, the RRB has two audits in progress and finalized one audit during fiscal year 2021. The RRB plans to initiate an audit of a Class 1 during fiscal year 2022.

We will continue our efforts 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. We will continue to work in good faith with your office to achieve the Agency's mission in a cost effective and efficient manner.

cc: The Board
Executive Committee

UNITED STATES GOVERNMENT
MEMORANDUM

FORM G-115f (1-92)
RAILROAD RETIREMENT BOARD

November 15, 2021

TO: Debra Stringfellow-Wheat
Assistant Inspector General for Audit

FROM: Terryne F. Murphy
Chief Information Officer
TERRYNE MURPHY Digitally signed by TERRYNE MURPHY Date: 2021.11.15 11:19:36 -06'00'

Shawna R. Weekley
Chief Financial Officer
SHAWNA WEEKLEY Digitally signed by SHAWNA WEEKLEY Date: 2021.11.15 11:16:23 -06'00'

SUBJECT: Fiscal Year 2021 Financial Statement Audit – Draft Auditor's Report

This response serves to address the "Information Technology Security and Financial Reporting Controls" component of the OIG's material weakness entitled *Deficient Internal Controls at the Agency-wide Level*. The referenced audit report states that *Federal Information Security Management Act of 2002* (FISMA), as amended by the *Federal Information Security Modernization Act of 2014,* metric domains and their corresponding cybersecurity framework functions were assessed as "Not Effective" and that RRB was noncompliant with FISMA legislation and OMB guidance. The term "noncompliance" is vastly different from the improvement needed that the Agency has already demonstrated and committed to continuing each year.

Citing recommendations that remain open since fiscal year 2018, the OIG assessed RRB's "information system control risk" as "high" and asserted that the agency-wide assessment of high risk directly impacts the RRB's controls supporting the Agency's financial reporting system. We continue to disagree with the OIG's assertion that the Agency's FISMA maturity level directly impacts the financial reporting system.

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

Particularly, after review of the open recommendations associated with the FY 2018, FY 2019, FY 2020 FISMA audits as well as consideration of the preliminary FY 2021 FISMA audit results, we could not find any impactful risk to the FMIS. Therefore, we disagree that this matter contributes to a material weakness affecting the preparation and fair presentation of the financial statements.

Additionally, during FY 2021, leading up to the execution of the FY 2021 FISMA audit, the RRB successfully migrated its mainframe to a secure cloud environment and continued to focus its efforts on addressing open findings as well as implementing an information security continuous monitoring strategy through the Department of Homeland Security (DHS) Cybersecurity & Infrastructure Security Agency (CISA) Continuous Diagnostic and Mitigation (CDM) Group F Program. These actions directly and positively impact our ability to improve the overall risk management posture for the agency. Through these efforts, we addressed and closed 20 POAMs and 15 OIG findings during FY 2021. As the RRB continues to develop and implement its IT modernization initiatives, we will proactively address the remaining findings and recommendations in order to improve the Agency's security posture and to sustain at acceptable levels.

Preliminary audit results for the FY 2021 FISMA audit indicate that Kearney & Company will assess our overall maturity at Level 2 – Defined, maintaining the rating from 2020. The RRB realized nine significant improvements across each of the eight domains, improving several lower level ratings of Ad Hoc to Defined and continuing to improve the FISMA level goal towards the Level 4 – Managed and Measurable measurement. Additionally, for the Risk Management and Contingency Planning domains, the Agency improved from Level 1 – Ad-Hoc to Level 2 – Defined this year.

The preliminary FY 2021 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. The RRB will continue to make incremental steps to reach the overall maturity goal of Level 4 – Managed and Measurable.

Finally, the Agency understands and takes very seriously the mandate of the FISMA to ensure adequate security protections for Federal information systems and information. As the Agency continues the development and implementation of its IT modernization initiatives, we anticipate the cybersecurity posture of the Agency will improve and sustain at acceptable levels.

cc: The Board
Executive Committee

UNITED STATES GOVERNMENT

MEMORANDUM

FORM G-115f (1-92)
RAILROAD RETIREMENT BOARD

November 15, 2021

TO: Debra Stringfellow-Wheat
Assistant Inspector General for Audit

FROM: Daniel Fadden
Senior Executive Officer

DANIEL FADDEN

Digitally signed by DANIEL FADDEN
Date: 2021.11.15 11:27:12 -06'00'

SUBJECT: Fiscal Year 2021 Financial Statement Audit - Draft Auditor's Report

This response serves to address the OIG's findings first raised during the fiscal year 2019 financial statement audit and carried forward into its fiscal year 2021 financial statement audit report. Specifically, the OIG stated they have determined the RRB has not established effective policies and procedures for 1) preventing agency noncompliance with indirect laws, regulations, and contracts; and 2) identifying treaties and international agreements impacting the RRB or the NRRIT. Our response to these matters is discussed below.

In its findings, the OIG states that "RRB management has not established effective policies and procedures for preventing agency noncompliance with indirect laws, regulations and contracts…" We disagree with this statement and have previously communicated to the OIG that compliance with laws and regulations is intertwined throughout various agency policy and procedure documents, such as our administrative circulars and others, as well as throughout the extensive documentation compiled to comply with the *Federal Manager's Financial Integrity Act of 1982* (FMFIA). The Agency's Management Control Review (MCR) program directly fulfills the requirements of FMFIA and is an example of a well-established policy and procedure to help ensure compliance with indirect laws, regulations, and contracts.

The OIG specifically cited fiscal years 2020, 2019, and 2018 FISMA audit results as examples of the RRB's noncompliance with an indirect law or regulation. The term "noncompliance" is vastly different from the improvement needed that the Agency has already completed and committed to continuing each year. The results from the fiscal year 2020 FISMA audit, as well as the preliminary fiscal year 2021 FISMA audit results, continue to demonstrate ongoing 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.

Further, in its findings, the OIG states that RRB management has not "established effective policies and procedures … for identifying treaties and international agreements impacting the RRB or the NRRIT." We again note the OIG has not cited any specific instance of our failure to identify a treaty or international agreement impacting the RRB or NRRIT. Both treaties and international agreements are either entered into with the advice and consent of the Senate or reported to Congress by the State Department. Accordingly, any policies and procedures that provide for regular monitoring and reporting of actions in Congress would necessarily result in the identification of either type of agreement. As noted in the FY 2019, FY 2020, and FY 2021 Financial Statement Audit, Laws and Regulations, Cycle Synopsis documents that were provided to the OIG, the RRB monitors for changes in laws through the Office of Legislative Affairs, which "monitors legislation and notifies RRB officials of new developments." Such monitoring specifically serves to notify the General Counsel of any treaties and/or international agreements involving and/or affecting the RRB or NRRIT. It is then within the General Counsel's regular duties to review, analyze, interpret, and provide relevant guidance relating to any law, regulation, or policy, to include treaties and international agreements, which impacts the RRB or NRRIT. We therefore find that our current policies and procedures are effective and further find it unnecessary to establish, as previously noted by the OIG, a "policy or procedure to obtain Department of State assurance" regarding the impact of any treaty or international agreement on the RRB or NRRIT as the OIG did not provide any explanation as to why such assurance would be necessary in light of the above.

cc: The Board
Executive Committee

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Management and Performance Challenges Facing the Railroad Retirement Board

Introduction

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

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal Government. The RRB's primary function is to administer comprehensive retirement-survivor and unemployment-sickness benefit programs for the nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts. 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.

In fiscal year 2020, the RRB paid retirement-survivor benefits of nearly $13.1 billion to about 528,000 beneficiaries. The RRB also paid net unemployment-sickness benefits of $188 million to about 41,000 claimants and paid Coronavirus Aid, Relief, and Economic Security Act (CARES Act) benefits totaling $154.8 million.

This year's management challenges are:

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

The challenges this year include items relating to prior Office of Inspector General (OIG) concerns or those identified in prior audits, the President's Management Agenda, and areas related to the RRB's ability to meet its core mission.

Challenge 1 - Improve Agency Disability Program Integrity

Why is this a serious management challenge? The OIG has been concerned for a number of years regarding fraud and abuse in the disability program and the lack of timely corrective actions taken by the RRB to correct our audit recommendations related to the disability program. Five prior OIG recommendations for 2 audits, concurred with by RRB management, remained open, with the oldest being 104 months old. There were another 11 prior recommendations that RRB management did not concur with that we continue to see the need for corrective actions. RRB management's comments for our previous management challenges acknowledged that some of the OIG recommendations are still open due to RRB management's intent for a detailed analysis of the recommendations and commitment to implement those changes that are cost effective to improving program integrity. However, fraud risk increases as time passes without corrective actions being implemented by the RRB.

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

In support of OIG concerns and timely corrective action, 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, weakness in program design, or both."[1] The RRB's approval rate for occupational disabilities was 99.02 percent during fiscal year 2020. The GAO report also stated that they identified these and other areas in the occupational disability program that require further evaluation. OIG audits and contracted audits have continued to identify weaknesses in RRB's disability program and our open recommendations buttress the need for further evaluation of areas of concerns and other areas identified by the GAO report. Therefore, OIG continues to see the need to reference the statement in GAO's report as a reflection of the further evaluation that is needed in the occupational disability program.

The RRB adjudicates and processes disability benefit payments to railroad employees in support of total and permanent and occupational disabilities. Occupational disabilities are awarded if a physical or mental impairment permanently disqualifies the railroad employee from performing his or her regular railroad occupation, even though the employee may be able to perform other types of work.

During fiscal year 2020, the RRB paid approximately $570 million to 11,900 occupationally disabled annuitants. The average monthly occupational disability annuity was $3,345.

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

Management has overall responsibility for establishing internal controls to manage the risk of fraud. Fraud can jeopardize an agency's mission by diverting resources from their intended purpose. The OIG recently conducted an audit of the RRB's Disability Briefing Document Program (D-BRIEF) and determined that the process was not fully effective to ensure that examiner rationales for their decisions were completely documented. As a result, doubt exists regarding whether information recorded in the output of D-BRIEF was consistent with supporting documentation in the electronic case file. The audit also found that there was a lack of transparency in RRB disability records that increased the risk for potential fraud in the disability determination process.

To address the weaknesses identified in the D-BRIEF audit, we made three recommendations related to (1) updating policies and procedures in the Disability Claims Manual to require that all medical evidence considered in the determination of conflicting medical evidence is entered into D-BRIEF and discussed on the Disability Briefing Document; (2) updating policies and procedures to ensure that all relevant medical evidence and supporting documentation pertaining to the applicant's claim for disability is documented in D-BRIEF and the electronic case file, prior to the finalization of the initial disability decision; and (3) ensuring that the Disability Benefits Division works with Policy and Systems to implement system modifications to D-BRIEF to ensure that the Disability Briefing Documents do not contain an incorrect statement.

The Office of Programs (Programs) concurred with the first two recommendations. Although the RRB did not concur with the third recommendation, they stated that procedures will be revised to improve the accuracy of statements in D-BRIEF. These recommendations remain open. Because these three recommendations, and many others from other reports remain open, the RRB's disability program continues to be at risk of fraud and abuse.

This paragraph, and the other paragraphs that follow, summarize some of the actions RRB management has taken to address its disability program and related performance. In response to our performance and management challenge related to disability program integrity outlined in the Fiscal Year 2020 Performance and Accountability Report (PAR), RRB management stated that the approval rate has remained steady over the years and that it is a reflection of the statutory requirements for approval more than a measure of program integrity. RRB management also mentioned that they addressed the concerns in the 2009 GAO report and subsequent OIG reports by developing "The Disability Tracking of Physicians and Patterns (DTOPP)" to identify the issue that occurred in the Long Island Railroad 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 the single railroad. RRB management stated that they have implemented some program integrity changes which include some of those discussed in our prior year discussion of this management challenge. In addition, they discussed the following program integrity changes: making updates to the disability application form, second level reviewer for all disability decisions, improved fraud training for agency staff, the Chief Medical Officer (CMO) is to review a sampling of cases each month where the CMO did not review the medical information prior to adjudication and prepare an annual report for the Board at the end of February with findings and corrective actions, etc.

In the fiscal year 2020 PAR, RRB management stated that in an effort to reduce the number of pending cases and to improve timeliness, the Disability Benefits Division (DBD) hired additional initial claims examiners. The initial training phase took approximately 8 months and the new hires began production in fiscal year 2020. RRB management also stated that the focus will be on the current applications and this will reflect in the Division's overall performance. In the Fiscal Year 2022 Budget Justification, RRB management acknowledged that DBD has 50 percent fewer post examiners needed to timely authorize the work of initial examiners and conduct continuing disability reviews. Currently, 17 percent are retirement eligible now and an additional 9 percent will become eligible to retire within the next 3 years. RRB management reiterated the need for additional staff in order to meet its timeliness goals for disability decisions and reviews necessary to ensure payment accuracy.

RRB management stated that they are committed to administering the disability program in a manner that will maintain or improve program integrity. RRB management also mentioned that they have incorporated many of the recommendations and suggestions made by the OIG for program improvements into the way cases are processed and adjudicated.

Although RRB management has taken some actions to address the disability program and its performance, many more improvements are needed, and the RRB's disability program continues to be at risk for fraud and abuse.

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

Challenge 2 – Improve Information Technology Security and Complete System Modernization

Why is this a serious management challenge? Managing cybersecurity risks is critical to improvement of the security posture of the federal networks and critical infrastructure. Improving cybersecurity and modernizing the RRB's systems is vital to support the ability to meet its core mission and transform its core business processes and customer service capabilities. Executive Order 13800 emphasizes the importance of strengthening the cybersecurity of federal networks. In the Fiscal Year 2022 RRB Budget Justification, RRB acknowledged that they had a total budgeted cost of $65.175 million as of May 2021, towards Information Technology (IT) Modernization and Related Supplemental Funds. Approximately $39 million of this cost is for the IT Modernization Funds (Annual Appropriations) which is comprised of the RRB's Stabilize phase ($19,559,374) and the Modernize phase ($19,440,626). The remaining $26.175 million of this cost is the additional funding to prevent, prepare for, and respond to coronavirus, specifically ($5 million was provided under P.L. 116-136, CARES Act, and $21.175 million under P.L. 117-2, the American Rescue Plan Act of 2021). RRB management stated that they will not submit budget requests for additional IT funds, because the IT modernization program has been fully funded. Therefore, in fiscal year 2022, RRB's current IT initiatives and planned projects will be focused on the following priority areas: Priority 1 – Mainframe Modernization, Priority 2 – Collaboration Tools, Priority 3 – Business Rules Implementation, Priority 4 – Data Model Implementation, Priority 5 – Adjudication Application/Customer Views, Priority 6 – Citizen-Centric Services/Online Forms and Portals, Priority 7 – Paperless Processing and Secure Document Management and Priority 8 – Payment Application.

RRB is required by the Federal Information System Modernization Act (FISMA) to report the status of its information security program to OMB and FISMA metrics to the Department of Homeland Security. An annual independent assessment of the agency's IT program is performed for the cybersecurity of RRB networks and critical infrastructure. In the annual FISMA audits for fiscal years 2018, 2019, and 2020, the OIG's contractor found that RRB did not comply with FISMA legislation and OMB guidance and that sampled security controls selected from National Institute of Science and Technology Special Publication 800-53, Rev.4 demonstrated ineffectiveness, and thus the RRB's Information Security Program (ISP) did not provide reasonable assurance of adequate security.

In the fiscal year 2020 FISMA audit, the OIG's contractor determined that policies and procedures were not regularly updated and had not been developed for a number of systems and controls, and standard operating procedures had not been developed for a majority of the tools procured to improve incident response. The contractor also reported that the RRB's ISP was not operating effectively because the program's overall maturity did not reach Level 4: Managed and Measurable. A total of 12 detailed recommendations were made to address these identified weaknesses. RRB management concurred with all of the recommendations. RRB management comments noted recognition of necessary improvements to mature RRB's ISP and defined the planned actions by the Chief Information Officer (CIO) and the Chief Information Security Officer to address the findings and recommendations presented in the report. We have not received any requests to close any of these recommendations, thus all 12 remain open.

For the fiscal year 2019 FISMA audit, the OIG contractors made a total of 19 detailed recommendations to address identified weaknesses. RRB management concurred with all of the recommendations. OIG has recently received request to close 1 of these recommendations, thus all 19 currently remain open. For the fiscal year 2018 FISMA audit, although findings were consistent with prior FISMA audit results, RRB management disagreed with the conclusion that the RRB's ISP was not providing adequate assurance of adequate security. The report included 31 recommendations for improvement. The RRB has implemented 12 of these recommendations and 19 remain open.

In the fiscal year 2020 PAR, RRB management stated that significant investment is essential to update the agency's outdated IT systems, reduce cybersecurity risk, and sustain mission operations. They also stated that RRB's Annual Performance Plan for fiscal year 2020 reflects the strategic objective that focuses on the specifics of achieving this goal of legacy systems modernization. Also, in the fiscal year 2020 PAR, RRB stated that in fiscal year 2021, they plan to continue IT modernization efforts executing the tailored blueprint, outsourcing non-core services, and re-engineering the agency's core benefit processing and payment systems. In addition, the contract, which was to assess RRB's core current businesses and develop a blueprint for modernization, was completed in fiscal year 2020. RRB also stated they are currently contracting re-platform services and software to transition mission essential program from end-of-life mainframe hardware. This contract for re-platform services was paused in fiscal year 2020 due to some challenges with the re-platform approach.

In the fiscal year 2021 Audit of the Updated IT Initiatives Legacy Systems Re-Platform Services, the OIG's contracted auditor determined that a system security plan was not approved in accordance with the IT governance and information security requirements and also that changes in contract requirements were not formally documented. The report included three recommendations for improvement. RRB management concurred with all of the recommendations and they remain open.

The RRB's Performance Plan as included in its Fiscal Year 2022 Budget Justification indicated that the RRB had established five performance goals for RRB's Transformation (formerly Legacy Systems Modernization), which are all related to the strategic goal I, to modernize IT operations that will sustain mission essential services.

In the fiscal year 2021 Audit of the Updated IT Initiatives Legacy Systems Modernization Services: Re-engineering Mission Essential Programs, the OIG's contracted auditor determined that RRB (1) did not provide evidence of deliverable certification and acceptance in contract management; (2) did not review and update the Systems and Services Acquisition Policy for IT governance; and (3) did not validate that information security requirements were found in the contract for IT governance. The OIG contractor made three recommendations to address identified weaknesses. RRB management concurred with all of the recommendations and they remain open.

In response to our narrative for this challenge as presented in the fiscal year 2020 PAR regarding improving the RRB's IT security and system modernization, RRB management's comments acknowledged the OIG's concern to establish and maintain a secure and reliable IT environment for its data, applications, and systems. They stated that they intend to comply with FISMA to ensure adequate security protections for federal information systems and information. RRB management stated they anticipate that the cybersecurity posture of the agency will improve and be sustained at an acceptable level, as they continue with the development and implementation of the IT modernization initiatives. They also stated that the RRB will continue to make incremental steps to reach the overall maturity goal of Level 4 – Managed and Measurable. The RRB stated that an initiative "On Track to Tomorrow," introduced by the previous CIO in 2019, has transitioned to a three-phased approach to IT modernization and will continue into fiscal year 2021 as they seek to emerge from the Stabilize phase to Modernize phase.

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

Challenge 3 – Improve Management of Railroad Medicare

Why is this a serious management challenge? The Medicare topic is included on the President's Management Agenda. Prior OIG audit findings with 69 open recommendations over the years regarding Medicare topic has continued to raise issues of concern to the OIG. RRB management concurred with 5 of these open recommendations and did not concur with 64 recommendations. However, for the reasons explained later in this challenge, we continue to see the need for corrective action on all 69 open recommendations.

Under 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 removal from enrollment, premium collection, processing state buy-ins, and selection of a contractor to process Medicare Part B claims. The RRB administers the Railroad Medicare (RM) program for railroad workers and, since 2000, has contracted with Palmetto GBA, LLC (Palmetto), to process Medicare Part B claims on behalf of RRB beneficiaries.[2] Within the RRB, Office of Programs is responsible for quality assurance and contract oversight of the RM contract with Palmetto.

At the end of fiscal year 2020, approximately 463,500 qualified railroad retirement beneficiaries were enrolled in RM Part A, and approximately 453,000 were also enrolled in RM Part B. During fiscal year 2020, Palmetto processed more than 7.7 million RM claims and made approximately $855.8 million in benefit payments for Part B medical services. The Centers for Medicare and Medicaid Services (CMS) transferred/reimbursed RRB a total expense of $34.1 million in RM program costs during fiscal year 2020. Of that amount, approximately $19.9 million was transferred to fund the RRB's Specialty Medicare Administrative Contractor (SMAC), Palmetto, and $14.2 million was reimbursed for RRB expenses incurred for administering the program. CMS paid the RRB for these administrative services through an existing and ongoing cost reimbursement agreement. The total expense covered both direct and indirect costs for the RRB and the RRB OIG and the cost of its Palmetto contract to support the separate RM program.

Over the years, the OIG has disagreed with RRB as to which RM related responsibilities belonged to the RRB, Palmetto, or CMS. In response to our recent audits, agency

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

management continued to state that CMS is responsible for the Medicare program as a whole, that the RRB's Medicare responsibilities were limited overall, and that if RRB publishes RM payment integrity information, it would result in duplicative reporting.

In May 2021, an OIG audit found that the RRB did not publish payment integrity information or improper payment data for RM and determined that RM improper payment data was not transparent in the Department of Health and Human Services' (HHS) fiscal year 2020 Agency Financial Report. Five of the seven recommendations that OIG made were directly related to RM. RRB disagreed with all five recommendations and stated that "[t]he [RRB] has consistently acknowledged its responsibilities under the Social Security Act to administer certain provisions of the Medicare program for the railroad, including the administration of the [SMAC] contract with [Palmetto]. RRB does not issue Medicare payments to beneficiaries or providers directly. Notwithstanding the Agency's specified Medicare responsibilities for railroad annuitants, the [CMS], a component of the [HHS], administers the Medicare program as a whole." OIG disagreed and stated that under the RRB's current SMAC contract and Memorandum of Understanding (MOU), the RRB is responsible for SMAC contract administration, oversight, and payment integrity reporting for the RM program. OIG also stated that RRB should be reporting RM improper payment data because OMB did not formally grant the RRB approval to discontinue reporting RM. OMB indicated that the RRB and CMS should resolve this issue amongst themselves. Since a revised MOU that clearly states that CMS is responsible for reporting improper payment data for the RM program is not in effect, the RRB remains responsible for reporting RM improper payment data.

At the time of our May 2021 report, RRB and CMS have not formalized an agreement for reporting RM. Although the MOU was expected to be finalized by the end of 2020, RRB management explained that actions have been postponed due to CMS' administrative changes and its shifting of resources to address coronavirus activities. RRB management stated that the meetings are expect to resume in fiscal year 2021. Until the MOU is finalized, RRB's position was that they have a tentative agreement with CMS that RM reporting responsibilities belonged to CMS. Programs' recent update stated that the RRB has continued to reach out to CMS to discuss modifications and to finalizing a new agreement. Programs also indicated that on August 17, 2021 the RRB received confirmation from CMS that the MOU between CMS and the RRB needs to move forward. Also, on September 15, 2021, CMS and RRB participated in a conference call to discuss adding language to the MOU to address payment suspensions. Revisions to the proposed language are due to CMS by close of business September 24, 2021. Programs expects that a new MOU will be in place no later than the end of the fiscal year 2022, but are hopeful that the MOU will be in place by the end of calendar year 2021.

In the fiscal year 2020 PAR, RRB management listed some of the actions it has taken to address improvement to the management of RM which include but are not limited to (1) work with CMS on a regular basis to ensure that the MOU is current and accurately reflects each agencies responsibilities; (2) preparing annual risk assessment to determine SMAC vulnerabilities; (3) utilizing the Comprehensive Error Rate Testing (CERT) improper payment rate information to prepare annual medical review strategies; (4) require the SMAC to submit an Improper Payment Activities Report after the final improper payment rate data is received; and (5) ensure that the SMAC submits regular updates to the RRB if the improper payment rate is not equal to accepted tolerance levels. RRB management also stated that the RRB confirmed with CMS that CMS is responsible for the Medicare program as a whole, including CMS' responsibility to report on Medicare improper payments in the HHS annual Agency Financial Report. As such, CMS and RRB agreed that RRB would no longer separately report CERT information and RRB shared this decision with OMB. RRB management indicated that CMS and RRB will continue their efforts to finalize an MOU.

Because of RRB management's stance on this matter, they did not concur with many of our previous recommendations for the RM program. We continue to disagree with RRB management that the RRB is not responsible for oversight and reporting responsibilities for this 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 administration of RM, including contract oversight of Palmetto, the RRB should continue to report RM payment integrity data and implement RM related audit recommendations. If not, there is a lack of transparency, as the RRB would not be held accountable for its role in maintaining effective oversight of Palmetto.

Due to the RRB's indifference to oversight of the RM program and the inefficiency of maintaining it as a separate program, there is no practical reason for its existence, thus elimination should be considered.

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? The topics of data, accountability, and transparency are included on the President's Management Agenda.

One of the key drivers in the President's Management Agenda is an initiative to improve delivery of better results to the public and improving accountability to taxpayers. A strategy to accomplish this initiative is to improve the data and information available for decision-making and accountability for the Federal Government. This includes providing high quality and timely information for decision-making, determining effectiveness of government programs, and providing accurate and timely spending information. Recent audits and reviews have identified instances where there is a need to improve payment accuracy and transparency at RRB.

- Payment Accuracy

The CARES Act provided funding for the RRB that consisted of an appropriation of $425 million to pay for the 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 the coronavirus. From March 2020 through March 2021, the RRB made CARES Act benefit payments totaling approximately $155 million.

Our oversight of CARES Act funds is ongoing, we issued OIG Report No. 20-08 *Interim Report Regarding CARES Act Expenditures and Controls* and OIG Report No. 21-04 *Interim Review RRB CARES Act* to discuss our concerns. In our reports, we determined that benefit payments continued to be issued without any concurrent checks against state wages and unemployment benefits for the same periods. We indicated that the lack of timely matching of CARES Act benefit payments with state data should result in the RRB performing some additional procedures outside of the normal state wage matching process. The RRB has still not attempted to identify other sources of wage information that could help in the identification and review of fraudulent payments. The RRB needs to use other tools that could be used for CARES Act benefit payments. Furthermore, RRB management has not addressed their responsibilities to increase efforts to identify potential fraud for CARES Act benefit payments and the need to send fraud referrals to the OIG in a timely manner. During our most recent review, Report No. 21-04, we determined the RRB was not set up to collect recoveries involving CARES Act benefit payments. We made two recommendations to address these concerns (1) that the Office of Programs allocate resources to work on fraud referrals; and (2) that the Executive Committee commit additional resources to implement an automated debt recovery process for CARES Act benefit payments. Agency management concurred with the first recommendation and did not concur with the second recommendation. We continue to see the need for our second recommendation to be implemented. For Report No. 20-08, we made three recommendations that remain open one year later. The RRB did not concur with two of the three recommendations. These recommendations should still be implemented as we previously reported in last year's challenges.

In our audit of the RRB's designated change process, we determined that RRB did not always ensure changes to an individual's name, home address, direct deposit, or representative payee were accurate. The RRB's projected error rate was 27 percent, putting approximately $1.3 million in benefit payments at risk for fiscal year 2019. Inaccuracies occurred because RRB management and employees did not follow established designated change policies, procedures, or GAO's *Standards for Internal Control in the Federal Government*. The RRB's controls, policies, and procedures were not fully effective or complete to ensure all changes were processed accurately, timely, or barred from possible fraudulent activities. To address the exceptions identified in the audit, we made 23 recommendations. Of the 23 recommendations, RRB management concurred with 11, partially concurred with 2, deferred to concur or nonconcur with 3, and did not concur with 7. For the recommendations with which it did not concur, we continue to see the need for these recommendations and these recommendations remain open.

- Transparency

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

Agencies are required to report improper payment data for the programs it administers in the payment integrity portion of the agency's PAR. As discussed in Challenge 3, our most recent payment integrity information report determined that the RRB did not publish payment integrity information or improper payment data for RM in its fiscal year 2020 PAR. We also determined that RM improper payment data was not transparent in HHS' fiscal year 2020 Agency Financial Report. This occurred because the RRB believed that since HHS was already reporting RM improper payment information the reporting by the RRB would be duplicate reporting. HHS reporting does not identify improper payments for the RM program. A reader of the PAR would be confused as the PAR's Payment Integrity section states that the RRB has a RM benefit payment program, but then makes no further explanation as to why no additional information is included in the PAR. We made eight recommendations related to payment integrity compliance, annual data call completeness, and supplemental data call completeness. RRB management did not concur with the eight recommendations. We continue to disagree with the RRB's position and maintain that the RRB is responsible for RM reporting. We continue to see the need for our recommended corrective actions. These eight recommendations and other prior recommendations remain open.

In the audit of the RRB's D-BRIEF process, we determined that the D-BRIEF process did not always ensure that disability decision rationales were completely documented and doubt exists regarding the consistency and transparency of some responses. This lack of transparency in RRB annuitant disability records indicated that the D-BRIEF process was not being fully utilized for its intended purpose, which increased the risk for potential fraud in the initial disability decision making process. Claims examiners could have prepared cases containing conflicting medical evidence without acknowledging the conflict or documenting how they resolved the conflict. Also, an authorizer may not have recognized the existence of conflicting medical evidence if it was not recorded, therefore, they were not afforded an opportunity to review and assess examiner decisions. As discussed in Challenge 1, our audit made three recommendations to address the identified weaknesses. RRB management concurred with the first two recommendations but did not concur with the third recommendation. We continue to see the need for our recommended corrective actions. These three recommendations and other prior recommendations remain open.

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

Challenge 5 – Financial Management and Reporting Issues

Why is this a serious management challenge? Financial management and reporting issues continue to be a challenge for RRB management, as is outlined in many of our prior audit reports. This challenge encompasses financial management and reporting issues stemming from our concerns regarding internal controls, effectiveness of organizational functions, and agency operations. We discuss issues surrounding communication with the National Railroad Retirement Investment Trust's (NRRIT) auditor, social insurance valuation, ineffective controls, and use of resources. Our audit opinion on the RRB's fiscal year 2020 financial statements included two material weaknesses that are discussed in this challenge.

Internal Controls Over Designated Changes Need Improvement

A designated change is a change made to either an individual's name, home address, direct deposit, or representative payee. In our audit over these changes, we determined that these controls were not fully effective or complete to ensure all changes were processed accurately, timely, or barred from possible fraudulent activities. RRB's management is responsible for the design, implementation, and effectiveness of these internal controls. We estimated that approximately $1.3 million in benefit payments were at risk for inaccuracies. We made 23 recommendations related to improving the RRB's processing of designated changes and resolving the inaccurate changes. Of the 23 recommendations, RRB management concurred with 11, partially concurred with 2, deferred to concur or nonconcur with 3, and did not concur with 7. For the recommendations with which it did not concur, we continue to see the need for these recommendations.

Functions of the Bureau of Fiscal Operations

We engaged an independent public accounting (IPA) firm to conduct a performance audit on some of the Bureau of Fiscal Operations' (BFO) sections. The IPA concluded that five weakness significantly affected the effectiveness and efficiency of BFO's Treasury, Debt Recovery, and Financial Systems Sections' operations, including inefficiencies that affect the optimum use of resources. The IPA also found exceptions and errors in criminal restitution debt and employer contribution transactions. Additionally, the IPA concluded that communication between BFO and Programs was inadequate for the unapplied cash function. The IPA made 18 recommendations to address these findings. RRB management concurred with six recommendations, partially concurred with five, and did not concur with seven recommendations.

Financial Reporting

At the time that this statement was prepared, these areas were being audited as part of our fiscal year 2021 financial statement audit. Therefore, our discussion in this section would not include any recent developments that might be discussed in our Independent Auditor's Report that will be rendered in November 2021.

Since fiscal year 2013, we have rendered a disclaimer audit opinion on the RRB's financial statements because OIG auditors have not been permitted to communicate with the RRB's component auditor (NRRIT's auditor), as required by financial statement audit guidance. As reported in the RRB's fiscal year 2020 financial statements, the NRRIT held approximately $24.8 billion of the RRB's $32.2 billion (77 percent) in assets.

This material weakness for financial reporting has been reported since fiscal year 2014. Within this weakness, we discussed our fiscal year 2020 financial reporting concerns regarding communication with the NRRIT's auditor and social insurance valuation.

- Communication with the NRRIT's Auditor

Our inability to communicate with the NRRIT's auditor has continued into fiscal year 2021. NRRIT did not respond to our July 27, 2020 letter pertaining to its auditor. This lack of cooperation and communication with the NRRIT and its auditors prevents OIG auditors from obtaining sufficient appropriate audit evidence regarding the RRB's financial statements. Even though the NRRIT and the GAO entered into an MOU giving GAO access to their audit records for use in the governmentwide financial statements, the RRB continues to believe that we should not be included in this matter even though the RRB OIG is tasked to conduct an audit of the RRB's financial statements.

Our concern with NRRIT investment decisions and NRRIT's auditor has heightened and has been substantiated for reasons described in the following paragraphs.

On July 7, 2020, the White House National Security Advisor and the Director of the National Economic Council questioned the NRRIT's investments. According to the letter, the NRRIT was believed to have been investing hundreds of millions in railroad worker's retirement assets in investments directly supporting the People's Republic of China. In addition to being a national security risk, the investments are a much greater economic risk to railroad retirees, leaving railroad retiree assets vulnerable and exposed to significant and unnecessary financial risks and fiduciary concerns. On July 8, 2020, the RRB responded that the NRRIT's investment authority was not subject to direct oversight or approval by the RRB. Instead of reaching out to an independent oversight body, such as GAO, it appeared the RRB only reached out to the NRRIT regarding the July 7, 2020 inquiry. As such, the NRRIT responded to the RRB that it had not invested in the two Chinese companies cited in the letter, it relies on the Office of Foreign Assets Control to identify sanctioned companies, and investments in Chinese companies were justified. The accuracy of NRRIT's statements could not be validated by the OIG.

Furthermore, the integrity and competency of the NRRIT's auditor should be of great concern to the RRB and the RRB's annuitants and beneficiaries. On March 21, 2018, the NRRIT's auditor received a peer review rating of pass with deficiency. Then on June 17, 2019, the SEC issued a cease and desist order censuring the NRRIT's auditor and assessing them a $50 million civil penalty. The SEC concluded that the NRRIT's auditor willfully violated ethical standards, failed to maintain integrity, and failed to comply with professional standards.

This information was brought to the attention of the RRB as part of our Independent Auditor's Report, dated November 16, 2020. RRB's management did not comment on the Chinese investments, the NRRIT auditor's peer review, or the integrity and competency of the NRRIT's auditor.

We previously recommended that an independent committee be established to identify a functional solution that would enable communication between OIG and NRRIT's auditor. RRB management continued to not concur with this recommendation or take corrective action, we will continue to cite this issue and the need for corrective action.

- Social Insurance Valuation

In our report on the RRB's financial statements for fiscal year 2020, our actuarial contractor determined that the RRB's statement of social insurance contained inaccurate amounts. Our contractor identified a material understatement of $0.7 billion for the reported open group surplus amount as of October 1, 2019. In addition, we recommended that RRB's Bureau of Actuary and Research (BAR) use the RRB's actual rate of return instead of an estimated Thrift Savings Plan rate of return. RRB management did not concur with our recommendation. We continue to find the need for our recommendation.

<u>Deficient Internal Controls at the Agency-Wide Level</u>

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

- Ineffective Standards for Internal Control

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

- IT Security and Financial Reporting Controls

Eight FISMA metric domains were assessed not effective by our FISMA contractor for the fiscal years 2018 and 2019 FISMA audits. In fiscal year 2020 FISMA audit, our contractor reported that the RRB's ISP was not operating effectively, because the program's overall maturity did not reach Level 4: Managed and Measurable. This shortfall in IT security controls resulted in a total of 50 open recommendations. As such, information system control risk was assessed as "high" in accordance with GAO's Financial Audit Manual guidance. This agency-wide assessment of high risk directly impacts the RRB's controls supporting the agency's financial reporting system. RRB management disagreed with this audit finding. We continue to see the need for corrective actions.

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

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

- Compliance with RRA Benefit Payment Provisions

RRB management was not able to ensure compliance with RRA benefit payment provisions for fiscal years 2019 and 2020 or the CARES Act for fiscal year 2020. RRB management cited significant staffing shortages and other mission critical priorities as challenges to completion. We recommended that the Office of Programs acquire additional staffing and resources for its quality assurance reviews to ensure timely completion of its compliance determinations during each fiscal year. RRB management concurred with our recommendation and the recommendation remains open.

- Controls Over Railroad Service and Compensation

We determined that RRB controls over creditable and taxable compensation were inadequate due to insufficient audit coverage. The RRB's Audit and Compliance Section established a program of railroad employer audits to review the accuracy of railroad service and compensation on which payroll taxes are based. However, this program of railroad employer audits is not an effective control for ensuring the accuracy of compensation which was the basis for approximately $6.2 billion of payroll taxes received by the RRB during fiscal year 2019. RRB management acknowledged the need for improvement and explained that they have made significant strides to add staff resources and increase audit coverage for fiscal years 2019 and 2020.

Due to these audit concerns, the lack of corrective actions for most of these recommendations, and unimplemented corrective actions for prior reports with financial management and reporting concerns, agency action is needed to address this challenge.

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

Challenge 6 – Compliance Concerns Identified

Why is this a serious management challenge? Recent OIG audits have determined that the RRB has been noncompliant with various guidance. Noncompliance can have a far reaching impact on the protection of federal trust funds, assets, information security, governmentwide improper payments, and the effectiveness of agency operations.

Our recent audits found that the RRB was noncompliant in several areas, as discussed in this challenge.

- RRB's Purchase Card Program

We engaged an IPA firm to conduct a performance audit on the RRB's purchase card program. The IPA determined that RRB's purchase card program substantially complied with laws and regulations; however, the IPA identified some areas that needed improvement. They identified one instance of noncompliance with the OMB Circular A-123, Appendix B*, A Risk Management Framework for Government Charge Card Programs* and one instance of noncompliance with the Government Charge Card Abuse Prevention Act of 2012. Additionally, the IPA determined that the RRB could improve on its oversight and monitoring of the cardholder account opening procedures. Our audit made three recommendations for improving internal controls and compliance with the purchase card program laws and regulations. RRB management concurred with all with three. All three recommendations remain open.

- BFO's Policies and Procedures

We engaged an IPA firm to conduct a performance audit on some of BFO's sections. As discussed in Challenge 5, the IPA concluded that five weaknesses significantly affected the effectiveness and efficiency of BFO's operations, including inefficiencies that affected the optimum use of resources. Effectiveness and efficiency of agency programs would be difficult to achieve without adherence to established and adequate policies, procedures, and compliance to applicable laws and regulations. Our compliance concerns rose from BFO's lack of inadequate policies and procedures to serve as authoritative base for the its sections operations. One of the key weaknesses identified in each of BFO's section was the lack of an adequate comprehensive set of written policies and procedures to guide and hold personnel accountable in the performance of control activities, including outsourcing function, transition management, and succession. In addition to the policy and procedures issue, the IPA concluded that seven of eight key functions identified within BFO's Debt Recovery section were outsourceable, one of the four key functions identified within BFO's Treasury section was outsourceable, and three of five functions in BFO's Financial Systems section were outsourceable, of which two are already outsourced.

The IPA made 13 recommendations to address the weaknesses discussed in this challenge. RRB management concurred with six recommendations, partially concurred with two recommendations, and did not concur with five recommendations. The 13 recommendations related to this challenge remain open.

- CARES Act

As discussed in Challenge 4, our oversight of CARES Act funds is ongoing, we issued OIG Report No. 20-08 *Interim Report Regarding CARES Act Expenditures and Controls* and OIG Report No. 21-04 *Interim Review RRB CARES Act* to discuss our concerns. For both Report No. 21-04 and Report No. 20-08, we made a total of five recommendations that remain open. The intent of our corrective actions is to assist RRB management in ensuring compliance, transparency, and fiscal accountability under the CARES Act. We continue to see the need for these recommendations to be implemented.

- Improper Payment Reporting

Our mandated payment integrity audit determined that the RRB was noncompliant with the Payment Integrity Information Act of 2019 for the third consecutive year for its RM program. We cited the RRB with noncompliance because the RRB did not disclose RM payment integrity information or the performance of the RRB's SMAC, Palmetto GBA to the public, the President, and Congress. During our audit, we determined that 1) the RRB had $81.2 million in projected RM improper payments, 2) the RRB did not have a RM corrective action plan to reduce the prior year's improper payment rate, which was 12.5 percent, 3) the RRB did not publish a corrective action plan for fiscal year 2020, and 4) the RRB had an unpublished and unreported gross improper payment rate of 9.3 percent, below the 10 percent threshold.

Although the RRB was required to report RM improper payment data in its PAR, it did not report RM data because RRB management believed that CMS was responsible for reporting all Medicare data and if it reported the data it would duplicate the data reported by CMS. As discussed in Challenge 3, we continue to disagree that CMS is responsible for the RM program. It is RRB's responsibility to continue publishing this required improper payment information until the RRB and CMS sign a MOU clearly detailing who is responsible for RM. Because RRB management does not agree that they are noncompliant, they did not concur with our recommended actions this year or in the previous years. Our prior year audit recommendations addressed these weaknesses and remained open. In addition, we recommended five corrective actions to comply with improper payment legislation. However, RRB management has not taken the corrective actions required by legislation.

- IT Security

As discussed in Challenge 2, the RRB has been noncompliant with FISMA legislation and OMB guidance for three consecutive years. Although agency management acknowledged the need for improvement, corrective actions have only been made for 12 of the 62 recommendations issued in the FISMA reports for fiscal years 2018, 2019 and 2020.

Compliance with applicable authoritative guidance continues to be a challenge for RRB management as discussed in the audit reports referenced for this challenge, as well as other prior compliance audits conducted by our office or through our contracted audits. Many compliance related recommendations from our prior reports remain open. We remain concerned about RRB's efforts to be compliant with authoritative guidance.

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

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

MARTIN DICKMAN
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Date: 2021.10.15 13:58:08 -05'00'

Martin J. Dickman
Inspector General

October 15, 2021

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 Process,* Report No. 19-16 (Chicago, IL: September 27, 2019).
- RRB OIG, *The Use of Medical Experts During Disability Determinations at the Railroad Retirement Board Can Be Improved,* Report No. 19-17 (Chicago, IL: September 27, 2019).
- RRB OIG, *The Railroad Retirement Board's Disability Briefing Document Process Was Not Fully Effective*, Report No. 21-07 (Chicago, IL: August 16, 2021).

Improve Information Technology Security and Complete System Modernization

- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2018,* Report No. 19-03 (Chicago, IL: December 19, 2018).
- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2019,* Report No. 20-04 (Chicago, IL: December 18, 2019).
- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2020,* Report No. 21-03 (Chicago, IL: January 14, 2021).
- RRB OIG, *Audit of the Updated Information Technology Initiatives Legacy Systems Re-platform Services,* Report No. 21-09 (Chicago, IL: September 23, 2021).
- RRB OIG, *Audit of the Updated IT Initiatives Legacy Systems Modernization Services: Re-engineering Mission Essential Programs,* Report No. 21-10 (Chicago, IL: September 23, 2021).

Improve Management of Railroad Medicare

- RRB OIG, *Railroad Retirement Board Did Not Calculate Reimbursed Medicare Costs in Accordance with Federal Requirements,* Report No. 16-10 (Chicago, IL: August 22, 2016).

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

Improve Payment Accuracy and Transparency

- RRB OIG, *Management Information Report: Interim Report Regarding CARES Act Expenditures and Controls,* Report No. 20-08 (Chicago, IL: September 28, 2020).
- RRB OIG, *Management Information Report: Interim Review of Railroad Retirement Board CARES Act Benefit Payments During the Pandemic Report,* Report No. 21-04 (Chicago, IL: March 26, 2021).
- RRB OIG, *The Railroad Retirement Board was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2020,* Report No. 21-05 (Chicago, IL: May 17, 2021).
- RRB OIG, *The Railroad Retirement Board's Disability Briefing Document Process Was Not Fully Effective*, Report No. 21-07 (Chicago, IL: August 16, 2021).
- RRB OIG, *Improvements Needed for the Designated Change Process at the Railroad Retirement Board*, Report No. 21-11 (Chicago, IL: September 29, 2021).

Financial Management and Reporting Issues

- RRB OIG, *Fiscal Year 2014 Financial Statement Audit Letter to Management,* Report No. 15-05 (Chicago, IL: March 31, 2015).
- RRB OIG, *Report on the Railroad Retirement Board's Financial Statements Fiscal Year 2019,* Report No. 20-02 (Chicago, IL: November 15, 2019).
- RRB OIG, *Report on the Railroad Retirement Board's Financial Statements Fiscal Year 2020*, Report No. 21-01 (Chicago, IL: November 16, 2021).
- RRB OIG, *Railroad Retirement Board Bureau of Fiscal Operations Sections' Functions Need Improvement,* Report No. 21-08 (Chicago, IL: September 1, 2021).
- RRB OIG, *Improvements Needed for the Designated Change Process at the Railroad Retirement Board*, Report No. 21-11 (Chicago, IL: September 29, 2021).

Compliance Concerns Identified

- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2018,* Report No. 19-03 (Chicago, IL: December 19, 2018).
- RRB OIG, *Performance Audit of RRB's Compliance with the Federal Information Security Modernization Act of 2014 Fiscal Year 2019,* Report No. 20-04 (Chicago, IL: December 18, 2019).

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

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Management's Comments

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

CHALLENGE 1 – IMPROVE AGENCY DISABILITY PROGRAM INTEGRITY

The OIG asserts that Railroad Retirement Board (RRB) management has not been responsive to its recommendation to improve program integrity. Further, because some recommendations made by the OIG or its contractors remain open, the RRB's disability program is at risk of fraud and abuse without additional actions. 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 analysis of that 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.

While the role of the OIG is 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]." The OIG's discussion of the challenge as facing the RRB in 2020 begins by again referencing a 2009 audit performed by the Government Accountability Office (GAO).[2] That report, now over a decade old, noted the high approval rate of disability applications and the possibility the rate could be indicative of "lax internal controls in RRB's decision-making process, weakness in program design, or both." However, the GAO did not conclude that the approval rate did, indeed, reflect a weakness in the program or in the RRB's internal processes or its decision making, and subsequent reports have not cited a lack of program integrity.

Program design, the statutory criteria for eligibility, is a legislative issue and not part of the mission of the RRB. As the OIG notes, the RRB administers a disability program for railroad employees who are either totally or occupationally disabled and those who are occupationally disabled are awarded annuities even though the employee may be able to perform other types of work in the national economy. Most annuities are awarded under the occupational program and the approval rate, which has remained steady since the inception of the program in the 1940's, is more a reflection of those statutory requirements for approval than a measure of program integrity.

The absence of specific findings or recommendations by the OIG directed to the administration of the disability program, in other words, the things the RRB can control, suggests that the approval rate is a function of the statutory criteria, and not RRB administration. However, 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 address the disability approval rate.

Finally, the OIG notes the average occupational disability annuity rate, presumably to draw attention to the amount and the fact that the monthly annuity rate is not inconsequential. It is not

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

the role of management to make judgments as to how generous the benefit programs, established by Congress, are.

CHALLENGE 2 – IMPROVE INFORMATION TECHNOLOGY SECURITY AND SYSTEM MODERNIZATION

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

During fiscal year (FY) 2021, leading up to the execution of the FY 2021 FISMA audit, the RRB successfully migrated its mainframe to a secure cloud environment and continued to focus its efforts on addressing open findings as well as implementing an information security continuous monitoring strategy through the Department of Homeland Security (DHS) Cybersecurity & Infrastructure Security Agency (CISA) Continuous Diagnostic and Mitigation (CDM) Group F Program. These actions directly and positively impact our ability to improve the overall risk management posture for the agency. Through these efforts, we addressed and closed 20 POAMs and 15 OIG findings during FY 2021. As the RRB continues to develop and implement its IT modernization initiatives, we will proactively address the remaining findings and recommendations in order to improve the Agency's security posture and to sustain at acceptable levels.

Preliminary audit results for the FY 2021 FISMA audit indicate that Kearney & Company will assess our overall maturity at Level 2 – Defined, maintaining the rating from 2020. The RRB realized nine significant improvements across each of the eight domains, improving several lower level ratings of Ad Hoc to Defined and continuing to improve the FISMA level goal towards the Level 4 – Managed and Measurable status. Additionally, for the Risk Management and Contingency Planning domains, the Agency improved from Level 1 – Ad-Hoc to Level 2 – Defined this year.

The preliminary FY 2021 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. The RRB will continue to make incremental steps to reach the overall maturity goal of Level 4 – Managed and Measurable.

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

The RRB would also like to acknowledge that in FY2021, the effort stabilize and modernize our operations continued by transitioning to Microsoft's M365 cloud environment for communications and collaboration technologies. As of this writing, the RRB is more than 50% complete with the enterprise email migration to M365 with the completion of the entire project by early December 2021. Our strategic move in operating in cloud environments illustrates the RRB's commitment to stabilizing and modernizing our systems to better support the citizens we serve.

CHALLENGE 3 – IMPROVE MANAGEMENT OF RAILROAD MEDICARE

The RRB acknowledges its responsibilities under the Social Security Act to administer certain provisions of the Medicare program for railroad employees including the administration of the Specialty Medicare Administrative Contract (SMAC) with Palmetto GBA, LLC and working with beneficiaries and/or providers directly. Notwithstanding the Agency's specified Medicare responsibilities for railroad annuitants, the Centers for Medicare & Medicaid Services (CMS), a component of the Department of Health and Human Services (HHS), administers the Medicare program as a whole.

The Office of Inspector General (OIG) states that over the years, RRB management and the OIG have disagreed on which Medicare responsibilities belonged to the RRB, Palmetto, and/or CMS. The RRB asserts that all Medicare responsibilities are clearly defined. The Memorandum of Understanding (MOU) between the HHS, CMS and the RRB (MOU 13-61)[3] defines the scope of the relationship for both CMS and RRB and defines roles and responsibilities under the SMAC contract. MOU 13-61 addresses the responsibilities of CMS and the RRB relating to Medicare Part B claims processing and payment services, in support of the Medicare fee-for-service (FFS) program for a nationwide jurisdiction. MOU 13-61 dictates that while the RRB will assess the SMAC performance, CMS provides overall program guidance.

After continued discussions between CMS and the RRB, CMS has confirmed that CMS, and not the RRB, is responsible for the Medicare program as a whole, including but not limited to CMS' responsibility to report on Medicare improper payments in the HHS annual Agency Financial Report (AFR) and that the RRB is responsible for assessing the SMAC's performance.

The RRB is responsible for working with the SMAC to utilize improper payment (Comprehensive Error Rate Testing (CERT)) information provided by CMS to help reduce improper FFS program payments. The actions taken by the RRB to accomplish this include but are not limited to:

- Working with CMS to ensure that the MOU is current and accurately reflects each agencies responsibilities,
- Performing annual risk assessments utilizing the risk factors prescribed in Appendix C of OMB Circular A-123, to determine susceptibility to potential payment risks,
- Use CERT improper payment information to prepare annual medical review strategies,

[3] *Memorandum of Understanding, MOU13-61,* entered into by the Department of Health and Human Services, Centers for Medicare & Medicaid Services and the Railroad Retirement Board, April 12, 2013 (on file at RRB).

- Working with the SMAC to submit an Improper Payment Activities Report (IPAR) after receiving the CERT improper payment data information is received from CMS,
- Ensuring that the SMAC submits regular updates to the RRB if improper payment rate is below the accepted tolerance levels, and
- Providing performance data and other data to CMS, when requested, in order to assist CMS with reporting requirements.

CMS and RRB are working to finalize a new MOU by the end of fiscal year 2022.

CHALLENGE 4 – IMPROVE PAYMENT ACCURACY AND TRANSPARENCY

The RRB fully supports the Data, Accountability, and Transparency Cross-Agency Priority (CAP) goal as outlined in the President's Management Agenda. The RRB takes very seriously its responsibility for payment accuracy and transparency to ensure delivery of high quality data for internal and external customers. The RRB disagrees that the elements discussed, individually or collectively, rise to the level of a serious management concern or challenge.

1. **Payment Accuracy:**

   a. **CARES Act:** The RRB disagrees with the assertion that the RRB's ability to recover fraudulent benefit payments is diminished because of the timing of the State Wage Match program. State Wage matches are done two times per year with each state, except for New York, which is conducted four times per year. We also match twice yearly with the District of Columbia. The states must first receive, process, and post payroll/wage records from the employers within their states. It is our understanding that states may receive the data quarterly, but each state has a different timeframe for uploading the information. Illinois, for example, has informed us that it is six to nine months after the quarter ends before the data is loaded. Other states that we have contacted indicate that it can be one month to 10 weeks after the quarter ends before new data is uploaded. We have no control over how quickly each state updates its internal records. To conduct matches more frequently would require renegotiating 51 separate agreements, would be more costly and would not provide data that is more relevant. Further, the RRB is able to determine eligibility for benefits based on our own internal records. The agency provides for pre-payment verification with the railroad employer for each unemployment and sickness claim we receive. The railroad employer has 3 days to refute an unemployment or sickness claim for anyone who may be currently working. This procedure allows the RRB to identify railroad employees who attempt to claim benefits while still working at a railroad, and could potentially expose instances of identity theft. The current State Wage Match program identifies those workers who obtain employment outside of the railroad industry while also claiming RRB benefits by the timeliest means available.

   Further, related to Report No. 21-04 dated March 26, 2021, in which the OIG recommended that the Executive Committee commit additional resources to implement an automated debt recovery process for CARES Act benefits payments, the RRB non-concurred with the recommendation. As communicated previously to the OIG, as of March 15, 2021, the RRB had implemented the programming changes within its existing automated debt recovery system necessary to establish and recover overpayments of CARES Act benefits. As such, during fiscal year 2021 the RRB established 599 CARES Act debts totaling $861,193. Of the 599 established CARES Act debts, collection for 114 debts totaling $452,393 was, however, suspended pending the OIG investigation.

b. **RRB's Designated Change Process:** The OIG states the RRB's projected error rate was 27%, putting approximately 1.3 million in benefit payments at risk for fiscal year 2019. The OIG's audit 21-11, *Improvements Needed for the Designated Change Process at the Railroad Retirement Board*, dated September 29, 2021 made three recommendations referencing errors made by the RRB during designated processes. The RRB requested to see the errors identified for each of these recommendations. The RRB has not yet been provided the identifying information. The RRB takes waste, fraud and abuse very seriously and agreed with and/or partially agreed with 13 recommendations made by the OIG. The RRB will make the needed modifications to the designated change process cited in these recommendations to minimize risk and improve the overall process.

2. **Transparency**:

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

b. **dBrief**: In fiscal year 2021, OIG resumed the dBrief audit concluding with three recommendations, two of which RRB concurred. OIG's statement regarding a lack of transparency is based on a limited sample of 41 cases. As RRB management noted in responses to the recommendations, current procedures guide examiners to document determinations; however, procedure will be expounded to clarify expectations. The existence of current procedure satisfies a basic level of transparency. Further clarification of existing procedure does not imply that there is a lack of transparency nor an increased risk for fraud.

CHALLENGE 5 – FINANCIAL MANAGEMENT AND REPORTING ISSUES

Through this management challenge, the OIG discusses financial management and reporting issues stemming from their concerns regarding internal controls over RRB's "Designated Changes" function as well as effectiveness and efficiency of the Bureau of Fiscal Operations, Treasury, Debt Recovery, and Financial Systems section. Additionally, the OIG discusses its continued issuance of a disclaimer of opinion on the RRB financial statements as well as asserts the need for improvements related to two material weaknesses identified in the financial statement audit particularly related to 1) financial reporting and 2) deficient internal controls at the agency-wide level. We continue to design and implement cost effective internal controls striving toward optimal operational efficiency. Though more improvements will come, we disagree with the OIG's characterization and consolidation of these matters into a serious management challenge. Specific comments are included below:

1. **Internal Controls Over Designated Changes Need Improvement:** As stated in our response to Challenge 4 above, the OIG states the RRB's projected error rate was 27%, putting approximately 1.3 million in benefit payments at risk for fiscal year 2019. The OIG's audit 21-11, *Improvements Needed for the Designated Change Process at the Railroad Retirement Board*, dated September 29, 2021 made three recommendations referencing errors made by the RRB during designated processes. The RRB requested to see the errors that were made for each of these recommendations. The RRB has not yet been provided with the copies of the errors found for each of the recommendations made by the OIG. The RRB takes waste, fraud and abuse very seriously and agreed with and/or partially agreed with 13 recommendations made by the OIG. The RRB will make the needed modifications to the designated change process cited in these recommendations to minimize risk and improve the overall process.

2. **Functions of the Bureau of Fiscal Operations**: Without addressing each of the characterizations cited in the applicable audit report for the OIG's audit of BFO's Treasury, Debt Recovery, and Financial Systems (TDSD) section, RRB will work toward developing and maintaining a comprehensive set of procedures written at a granular or step-by-step level. These more detailed procedures will supplement our existing procedural and internal control documentation and help to improve the overall effectiveness and efficiency of TDSD's operations. As previously communicated to the OIG, we disagree with the auditors' conclusions that exceptions and errors existed in criminal restitution debt and employer contributions transactions. TDSD will improve internal communications for the unapplied cash function.

3. **Disclaimer Audit Opinion**: The Agency will continue to cooperate with the OIG and provide all NRRIT related information within its possession which the OIG requests. The RRB does not have the authority to compel the NRRIT auditors to provide their work papers to, or speak with the OIG. We have provided the OIG access to NRRIT related information in accordance with the 2002 Memorandum of Understanding between the RRB, NRRIT, Department of the Treasury and the Office of Management and Budget[4] and all other information related to NRRIT in our possession and control that the OIG requested in support of its audit. Without addressing the various mischaracterizations discussed under this management challenge, the OIG has long been dissatisfied with its lack of authority and consequent inability to audit the activities of the NRRIT. It is unfortunate that they have chosen to evidence dissatisfaction by criticizing RRB's management for failing to exercise authority which, quite simply and clearly, Congress chose not to grant to the RRB.

   It is important to note that the NRRIT and the United States Government Accountability Office (GAO) entered into a Memorandum of Understanding (MOU) giving GAO access to information necessary to support inclusion of NRRIT's financial information in the

[4] MOU for the *Budgetary, Accounting, and Financial Reporting Responsibilities Respecting Assets Held by the National Retirement Investment Trust* entered into by the RRB, NRRIT, Department of the Treasury (Treasury), Office of Management and Budget (OMB), October 2002 (on file at RRB).

government-wide financial statements.[5] Therefore, the RRB disagrees with the OIG's inclusion of this matter as both a basis for a disclaimer of opinion and as a component of the financial reporting material weakness.

4. **Material Weaknesses:**

   a. **Financial reporting**: The OIG bases this discussion upon fiscal year 2020 financial statement audit results and included three components: 1) ineffective internal controls, 2) communication with the NRRIT's auditor, and 3) social insurance valuation.

      i. *Communication with NRRIT*: As stated above, the RRB does not have the authority to compel the NRRIT auditors to provide their work papers to, or speak with the OIG. Further, the GAO, through an MOU with the NRRIT, has gained access to information regarding NRRIT's annual financial statements and related financial statement audit in support of the U.S. Government's consolidated financial statements.

      ii. *Social Insurance Valuation:* The OIG has stated that their actuarial contractor determined that the RRB's statement of social insurance contained inaccurate amounts. Their contractor identified a material understatement of $2.3 billion for the reported open group surplus amount as of October 1, 2018, and a material understatement of $0.7 billion for the reported open group surplus amount as of October 1, 2019. RRB management did not concur with their recommended corrective action, which was to adopt the calculation method of the contractor; the reasons were detailed in RRB's response dated November 15, 2019 to the fiscal year 2019 financial statement audit report.[6]
      The RRB further rejects the finding of material weakness because Bureau of the Actuary and Research believes that the actuarial contractor's recommended method was flawed. The contractor's recommended method will overstate the surplus when actual return is less than their assumption and understate the surplus when actual return exceeds their assumption. The methodology chosen by Bureau of the Actuary and Research provides a more accurate position of a surplus than would result from adopting the OIG contractor's methodology.

      We further believe it is inappropriate to continue referring to this issue because OIG's actuarial contractor in its July 12, 2021, memo proposed a new and different calculation method that produces much smaller differences in the open group surplus. This recommendation effectively withdraws the OIG's prior recommendation and the inaccuracy cited here by OIG. In subsequent discussions with OIG, Bureau of the Actuary and Research proposed an alternative calculation method addressing OIG concerns and consistent with the OIG actuarial contractor's newly proposed method. This method change was implemented for FY 2021 and thoroughly described in

[5] 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).
[6] Memorandum from Frank Buzzi, Chief Actuary, RRB, to Debra Stringfellow-Wheat, Deputy Assistant Inspector General for Audit, OIG, November 15, 2019 (published on page 124 of RRB's FY 2019 Performance and Accountability Report, available on RRB's website at: https://www.rrb.gov/sites/default/files/2019-11/par2019.pdf).

Note 13 of this year's performance and accountability report. The new method also produces much smaller differences in the open group surplus than cited here.

OIG additionally recommended that RRB's Bureau of the Actuary and Research use the RRB's actual rate of return instead of an estimated Thrift Savings Plan rate of return for estimating future investment return. We agreed this approach is preferred when practicable. Our understanding is that this recommendation was implemented as of June 3, 2021, consistent with our prior partial concurrence.

b. Deficient internal controls at the agency-wide level: Again, the OIG bases this discussion upon fiscal year 2020 financial statement audit results and included five components: 1) implementation of GAO and OMB standards for internal of control; 2) information technology security and financial reporting controls; 3) compliance with indirect laws, regulations, contracts, treaties, and international agreements; 4) compliance with Railroad Retirement Act benefit payments provisions; 5) controls over railroad service compensation; and 6) RRB's DATA Act Policies and Procedures Need Improvement.

i. *Ineffective Standards for Internal Control:* We acknowledge the OIG's concern and have continued making strides in implementing Enterprise Risk Management (ERM) at the RRB by leveraging the Management Control Review (MCR) infrastructure already in place. In fiscal year 2020, we incorporated an ERM based reporting structure into the MCR guide aimed at enhancing our ability to identify potential events that may affect the agency and manage the related risks within our risk appetite. In fiscal year 2021, we fully implemented ERM into the MCR reporting process with risk assessments based on likelihood, impact, and control effectiveness along with training of responsible officials on the new process. In fiscal year 2022, we will continue to refine ERM reporting and utilize the information reported to assist the decision making process at the RRB. We are committed to strong internal controls and will move forward with the next phase of ERM implementation.

ii. *Information Technology Security and Financial Reporting Controls*: We continue to disagree with the OIG's assertion that the RRB's FISMA maturity level directly impacts the financial reporting system. Specifically, the Agency accomplishes its major financial reporting objectives through its financial management system, which is a comprehensive proprietary software application from CGI Federal – Momentum Enterprise Solution – that resides on a cloud hosting service. The Agency's system is referred to as the Financial Management Integrated System (FMIS). CGI Federal has been FedRAMP authorized since January 2013. CGI Federal offers its FedRAMP Authorized financial management system as a shared service to the federal government and is currently servicing 11 other federal agencies. FMIS is separate and distinct from the Agency's internally managed Agency Enterprise General Information Systems (AEGIS), Benefit Payment Operations (BPO) and Financial Interchange (FI) system.

Additionally, after review of the open recommendations associated with the FY 2018, FY 2019, FY 2020 FISMA audits as well as consideration of the preliminary FY 2021 FISMA audit results, we could not find any impactful risk to the FMIS. Finally and as discussed in our response to Challenge 2, the preliminary FY 2021 audit results further demonstrate progress in improving our information security program and practices across the Agency as required by FISMA, OMB policy and guidelines, and National Institute of Science and Technology standards and guidelines.

iii. *Compliance with Indirect Laws, Regulations, Contracts, Treaties, and International Agreements:* The OIG states that "RRB management has not established effective policies and procedures for preventing agency noncompliance with indirect laws, regulations and contracts." We disagree with this statement and have previously communicated to the OIG that compliance with laws and regulations is intertwined throughout various agency policy and procedure documents, such as our administrative circulars, as well as throughout the extensive documentation compiled to comply with the Federal Manager's Financial Integrity Act of 1982 (FMFIA). The Agency's Management Control Review (MCR) program directly fulfills the requirements of FMFIA and is an example of a well-established policy and procedure to help ensure compliance with indirect laws, regulations, and contracts.

Additionally, in its findings, the OIG states that RRB management has not "established effective policies and procedures … for identifying treaties and international agreements impacting the RRB or the NRRIT." We again note the OIG has not cited any specific instance of our failure to identify a treaty or international agreement impacting the RRB or NRRIT. Both treaties and international agreements are either entered into with the advice and consent of the Senate or reported to Congress by the State Department. Accordingly, any policies and procedures that provide for regular monitoring and reporting of actions in Congress would necessarily result in the identification of either type of agreement. As noted in the FY 2019, FY 2020, and FY 2021 Financial Statement Audit, Laws and Regulations, Cycle Synopsis documents that were provided to the OIG, the RRB monitors for changes in laws through the Office of Legislative Affairs, which "monitors legislation and notifies RRB officials of new developments." Such monitoring specifically serves to notify the General Counsel of any treaties and/or international agreements involving and/or affecting the RRB or NRRIT. It is then within the General Counsel's regular duties to review, analyze, interpret, and provide relevant guidance relating to any law, regulation, or policy, to include treaties and international agreements, which impacts the RRB or NRRIT. The RRB, therefore, believes that its current policies and procedures are effective and further notes that it is unnecessary to establish, as previously noted by the OIG, a "policy or procedure to obtain Department of State assurance" regarding the impact of any treaty or international agreement on the RRB or NRRIT as the OIG did not provide any explanation as to why such assurance would be necessary in light of the above.

iv. *Compliance with RRA Benefit Payment Provisions:* The First Six Month Initial and Post Accuracy Rate report was not accomplished on time (09/30/19) due to significant staffing shortages in the unit. The report was completed and provided to the OIG on October 31, 2019. For FY 2020, the First Six Month Initial Accuracy Rate report was submitted timely to the OIG on September 25, 2020. The RRB has worked to address the staffing shortages that were caused by retirements and unexpected departures. In April 2021, the quality assurance unit hired four GS-11 Quality Assurance Specialists and the FY 2021 First Six Month Initial and Post Accuracy Rate report was provided timely to the OIG on September 28, 2021.

v. *Controls Over Railroad Service and Compensation:* The RRB takes its responsibility for ensuring that employers accurately report Tier I and Tier II creditable service and taxable compensation very seriously. As previously communicated to the OIG, and in an effort to increase audit coverage, we retrained and transitioned an existing employee into an audit role and have retained three of the four auditors hired since fiscal year 2019. Currently, the RRB has two audits in progress and finalized one audit during fiscal year 2021.

CHALLENGE 6 – COMPLIANCE CONCERNS IDENTIFIED

The OIG has identified a management challenge that asserts that the RRB has been noncompliant with various guidance, which could influence the protection of federal trust funds, assets, government wide improper payments, and effectiveness of Agency operations. The RRB is committed to serving as responsible stewards for its customer's trust funds and agency resources. We disagree with the OIG's characterization and consolidation of the following topics into a serious management challenge.

1. **RRB's Purchase Card Program:** The Audit of the RRB's Purchase Card Program, cited by the OIG, was titled "Audit of the Purchase Card Program at the Railroad Retirement Board" (Report No. 21-06) completed on May 27, 2021 by the independent audit firm Harper, Rains, and Knight. As pointed out by the OIG, the auditors found that the RRB could improve on oversight and monitoring of cardholder accounts, improving internal controls, and general compliance with purchase card program laws and regulations. The Office of Administration (OA) is the organization of the RRB charged with oversight and management of the RRB's Purchase Card Program policy and procedure. OA responded to the findings in the audit by concurring with all findings and setting a target date of September 30, 2021 for the relevant policies and procedures to be updated. OA has limited staff available with the requisite knowledge of the purchase card program to conduct a thorough update and re-write of the relevant policies, procedures and internal controls. OA has brought in additional staff with policy-writing background that will be able to work with the subject matter expert for the Purchase Card Program and expects to have draft policies to the Board for approval by March of 2022.

2. **BFO's Policies and Procedures:** As discussed in our response to Challenge 5, the RRB acknowledges its need to develop and maintain granular level step-by-step procedures to improve the effectiveness and efficiency of operations. However, while BFO did not provide a comprehensive set of procedures written at the most granular or step-by-step level as requested during the course of the audit, BFO did provide documentation to demonstrate step-by-step processing at the business process level. Therefore, we disagree with the auditor's characterizations in this report and reiterate that policies and procedures supporting management's commitment to internal control do exist as part of the Management Control Review (MCR) program at the RRB. Lastly, the RRB disagrees with the auditors' findings regarding outsourceable functions performed by the Debt Recovery Section (DRS). In its opinion, the functions performed by DRS support the proper administration and stewardship of the railroad retirement trust fund system and are considered inherently governmental pursuant to FAR 7.503 (c) (19).

3. **CARES Act.** As discussed in its response to Challenge 4, the RRB disagrees with the assertion that the RRB's ability to recover fraudulent benefit payment is diminished because of the timing of the State Wage Match program. The RRB is able to determine eligibility for benefits based on our own internal records, whereby the RRB is able to identify railroad employees who attempt to claim benefits while still working at a railroad and potentially expose instances of identity theft.

   Further, the RRB disagrees with the OIG's assertion that the RRB needs to allocate additional resources to implement an automated debt recovery process for CARES Act benefit payments. To reiterate, the RRB communicated to the OIG prior to issuance of Report No. 21-04 that the RRB had already implemented the programming changes within its *existing* automated debt recovery system necessary to establish and recover overpayments of CARES Act benefits prior to issuance of the referenced audit report.

4. **Improper Payment Reporting:** As discussed in the response to Challenge 3, CMS reports a combined overall error rate that includes all Medicare Administrative Contractors (MACs) and the RRB SMAC. CMS and the RRB agreed that the RRB would no longer separately report CERT information. RRB shares this information with OMB. Therefore, it is the RRB's assertion that its reporting is not an attempt to mask any significant improper payment rates, but rather an effort to ensure correct improper payment reporting consistent with CMS' administration of its Medicare program. Adopting the OIG's suggestion would lead to incorrect and misleading government reporting.

5. **Information Technology Security:** As discussed above in its response to Challenges 2 and 5, preliminary audit results for the FY 2021 FISMA audit indicate that Kearney & Company will assess the RRB's overall maturity at Level 2 – Defined, maintaining the rating from 2020. The RRB realized nine significant improvements across each of the eight domains, improving several lower level ratings of Ad Hoc to Defined and continuing to improve the FISMA level goal towards the Level 4 – Managed and Measurable measurement. Additionally, for the Risk Management and Contingency Planning domains, the Agency improved from Level 1 – Ad-Hoc to Level 2 – Defined this year. The preliminary FY 2021 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.

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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. On August 10, 2021, OMB released an updated Circular A-136, which clarified and streamlined reporting requirements. As a result, previously published Payment Integrity information, such as detailed risk assessment data and the identification and recovery of overpayments, 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. These Risk Assessments concluded that both programs remain below the statutory thresholds. Both programs are now operating under Phase 1 according to OMB Circular A-123, Appendix C (M-21-19).

The next RRA Risk Assessment will be conducted in FY 2023 unless there are major changes to the program that would require an earlier assessment. The RRB conducted another Risk Assessment for the RUIA program during FY 2021 due to program changes implemented as a result of the passage of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This Risk Assessment concluded that the program continues to remain below the statutory thresholds. We will conduct another RUIA Risk Assessment next fiscal year due to the passages of the Continued Assistance to Railway Workers Act of 2020 and the American Rescue Plan Act of 2021.

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 2021. Unless there is a significant change to RRB non-benefit paying programs, the RRB plans to conduct the appropriate risk assessments again in FY 2023.

All interested parties may visit www.paymentaccuracy.gov to access more comprehensive Payment Integrity information pertaining to the RRB's benefit and non-benefit paying programs.

Summaries of Financial Statement Audit and Management Assurances

SUMMARY OF FINANCIAL STATEMENT AUDIT					
Audit Opinion	Disclaimer				
Restatement	No				
Material/Weaknesses[1]	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Reporting	1				1
Deficient Internal Controls at the Agency Wide Level	1				1
Total Material Weaknesses	**2**				**2**

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
Financial Reporting	1					1
Deficient Internal Controls at the Agency Wide Level	1					1
Total Material Weaknesses	**2**					**2**
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 2021 civil monetary penalty inflation adjustment on January 11, 2021 (86 Fed. Reg. 2005). The maximum civil penalty under the Program Fraud Civil Remedies Act was increased to $11,803, and the penalty range under the False Claims Act was increased to a minimum penalty of $11,803 and a maximum penalty of $23,607.

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APPENDICES

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Appendices

Glossary of Acronyms and Abbreviations

A

APG	Accounting Procedures Guide

B

BCA	Budget Control Act of 2011
BFO	Bureau of Fiscal Operations

C

CARES	Coronavirus Aid, Relief, and Economic Security
CDM	Continuous Diagnostics and Mitigation
CERT	Comprehensive Error Rate Testing
CMS	Centers for Medicare & Medicaid Services
COLA	Cost-of-Living Adjustment
COR	Contracting Officer's Representative

D

DBD	Disability Benefits Division (RRB)
DHS	Department of Homeland Security
DNP	Do Not Pay

E

EDMA	Employment Data Maintenance
EFT	Electronic Fund Transfer
ERS	Employer Reporting System

F

FAR	Federal Acquisition Regulations
FBWT	Fund Balance With Treasury
FECA	Federal Employees' Compensation Act
FFS	Fee-for-Service (Medicare)
FMFIA	Federal Managers' Financial Integrity Act
FI	Financial Interchange
FMIS	Financial Management Integrated System
FSIO	Financial Systems Integration Office
FTR	Federal Travel Regulations
FY	Fiscal Year

G

GAO	Government Accountability Office

GSA	General Services Administration
HCME	Human Capital Management Evaluation

I

IT	Information Technology
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act
IRS	Internal Revenue Service

L

LIRR	Long Island Rail Road
LMS	Learning Management System

M

MCOS	Medicare Contract Operations Specialist
MCR	Management Control Review
MCRC	Management Control Review Committee
MIRTEL	Medicare Information Recorded, Transmitted, Edited and Logged

N

NRRIT	National Railroad Retirement Investment Trust

O

OGC	Office of General Counsel (RRB)
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management

R

RBD	Retirement Benefits Division (RRB)
RESCUE	Recalculate for Service and Compensation Updated to EDM
ROC	Retirement On-Line Calculations
RR	Railroad Retirement
RRA	Railroad Retirement Act
RR Account	Railroad Retirement Account
RRB	Railroad Retirement Board
RRSIA	Railroad Retirement and Survivors' Improvement Act of 2001
RUI	Railroad Unemployment Insurance
RUIA	Railroad Unemployment Insurance Act
RUI Account	Railroad Unemployment Insurance Account

S

SFFAS	Statement of Federal Financial Accounting Standards
SI	Sickness Insurance
SMAC	Specialty Medicare Administrative Contractor
SOSI	Statement of Social Insurance
SPEED	System Processing Excess Earnings Data
SPS	Secure Payment System
SSA	Social Security Administration
SSEB	Social Security Equivalent Benefit
SSN	Social Security Number

T

Treasury	Department of the Treasury

U

UI	Unemployment Insurance
USC	United States Code

Railroad Retirement Board
Board Members, Inspector General, and Executive Committee

Board Members

Chairman	Erhard R. Chorlé
Labor Member	John Bragg
Management Member	Thomas Jayne

Office of Inspector General

Inspector General	Martin J. Dickman

Executive Committee

Director of Administration/ Senior Executive Officer	Daniel J. Fadden
Chief Actuary	Keith T. Sartain
Chief Financial Officer	Shawna R. Weekley
Chief Information Officer	Terryne F. Murphy
Director of Field Service	Mark E. Blythe
Director of Programs	Arturo Cardenas
General Counsel	Ana M. Kocur

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