Surface Transportation Board

Performance and Accountability Report Fiscal Year 2024

MESSAGE FROM THE CHAIRMAN

November 6, 2024

The Fiscal Year (FY) 2024 Performance and Accountability Report for the Surface Transportation Board (STB or Board) has been prepared to provide a complete and reliable reflection of the Board's performance and financial data. During FY 2024, the Board continued to achieve its strategic goals and support its mission as detailed in this Report.

The Board has remained focused on fulfilling its core mission—the efficient, timely, and sound resolution of surface transportation issues and disputes subject to its jurisdiction. Although a material weakness was discovered in the Board's financial reporting, the Board quickly took corrective action and is updating its procedures. The STB continued to mature its data management and analytics in support of evidence-based decision making. The STB's cybersecurity program has also continued to mature.

In summary, the Board made notable progress toward achieving its mission and improving its administrative processes during FY 2024. We will continuously strive to use resources wisely and ensure that the agency is responsive to its stakeholders and the public.

Sincerely,

Robert E. Primus
Chairman

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Introduction

This Performance and Accountability Report (PAR) serves as a progress report wherein the Surface Transportation Board (STB, Board, or agency) demonstrates accountability by presenting performance and financial information for Fiscal Year (FY) 2024. The PAR enables the President, Congress, and the public to assess the Board's activities and accomplishments relative to its mission and the resources entrusted to it. The PAR describes the specific performance goals and strategies the Board will take through FY 2025, based on the STB's FY 2022-FY 2026 Strategic Plan, and reports the STB's FY 2024 achievements of those performance goals. The PAR also serves as the STB's annual report on its activities.

The PAR satisfies the following legislation:

- *The Surface Transportation Board Reauthorization Act of 2015* (STB Reauthorization Act), Pub. L. No. 114-110, requires the STB to submit an annual report on its activities.
- *The Federal Manager's Financial Integrity Act of 1982* (FMFIA) requires continuous evaluations and reporting of the adequacy of systems of internal accounting and administrative controls.
- *The Chief Financial Officers Act of 1990* provides for the production and submission of complete, reliable, timely, and consistent financial information for use by the Executive Branch of the government and Congress in the financing, management, and evaluation of Federal programs.
- *The Inspector General Reform Act of 2008* amends the Inspector General Act of 1978 to enhance the independence of Inspectors General, to create a council of the Inspectors General on Integrity and Efficiency, and for other purposes.
- *The Government Management Reform Act of 1994* requires the submission of audited financial statements.
- *The Reports Consolidation Act of 2000* authorizes agencies to consolidate several reports to provide performance, financial, and other related data in a more useful manner.
- *The Government Performance and Results Modernization Act of 2010 (GPRA Modernization Act)* requires an annual report that measures the performance results of the agency against the established agency goals.
- *The Payment Integrity Information Act of 2019* provides for estimates and reports of improper payments by Federal agencies.
- *The Digital Accountability and Transparency Act of 2014 (DATA Act)* amends the Federal Funding Accountability and Transparency Act of 2006, requiring the establishment of government-wide data standards for spending information.

How This Report is Organized

Management's Discussion and Analysis provides an overview of the STB's financial results; a high-level discussion of program performance; management assurances on internal controls and financial management systems compliance; and other management information, initiatives, and issues.

Program Performance Information describes the Board's strategic goals and targets and provides its accomplishments in meeting those goals during the fiscal year.

Financial Information provides financial details, including a message from the Chief Financial Officer, the independent auditor's report, and the audited financial statements.

Required Other Information includes an analysis of programs identifying improper payments, a summary of the financial statement audit, and required supplementary information.

The PAR is posted on the STB's website: www.stb.gov.

Management's Discussion and Analysis

Mission Statement

The STB is an independent economic regulatory agency that seeks to promote a balanced, competitive, and responsive surface transportation system, primarily the interstate rail network, and that addresses the needs of the network for the benefit of the general public.

History

The bipartisan Board was established in 1996 as the successor to the Interstate Commerce Commission (ICC). The Board was administratively aligned with the Department of Transportation (DOT) until enactment of the Surface Transportation Board Reauthorization Act of 2015 (STB Reauthorization Act), Pub. L. No. 114-110, which established the Board as a fully independent agency on December 18, 2015. The STB Reauthorization Act also expanded the Board's membership from three to five Board members.

Responsibilities

In carrying out its mission, the STB engages in a variety of activities on a day-to-day basis. For formal proceedings, the Board processes legal filings; conducts the appropriate economic, environmental, and legal analysis; researches and prepares draft decisions; conducts a voting process; issues decisions; and defends agency actions that are challenged in court.

Outside of formal proceedings, the Board facilitates informal dispute resolution and works with governmental entities, the public, and the media to provide information about the agency and its processes. The Board also collects and analyzes service-related, economic, and financial data, producing studies and analytical tools that are useful to both the agency and the public at large. As an independent agency, Board employees also handle important administrative functions, including information technology and security, facilities, and human resources.

Statutory Authority

The economics of freight rail regulation affect the national transportation network and are important to our nation's economy. For this reason, Congress gave the STB sole jurisdiction over railroad rates, practices, and service. Congress also gave the STB sole jurisdiction over abandonments of existing rail lines, new rail line constructions, and rail mergers and consolidations, exempting STB-approved transactions from federal antitrust laws and state and municipal laws.

While a majority of the Board's work involves freight railroads, the STB's involvement with passenger rail matters has increased. The STB also performs certain oversight of the intercity bus industry, non-energy pipelines, household goods carriers' tariffs, and rate regulation of non-contiguous domestic water transportation (marine freight shipping involving the mainland United States, Hawaii, Alaska, Puerto Rico, and other U.S. territories and possessions such as Puerto Rico and Guam).

Organizational Structure

Board Members

The Board consists of five members nominated by the President and confirmed by the Senate. The Board's vice chairmanship rotates among the members on an annual basis. Each member has a term of five years unless they are filling an unexpired term. If a member leaves the STB before the end of his or her term, a successor may be appointed to the vacant seat for the remainder of that term. The Board's governing statute permits a member to serve up to one year after the expiration of that member's term unless a successor is appointed.

STB Office Overview

In addition to the offices of the Board members, the staff of the STB is organized into seven offices. The seven offices are comprised of attorneys, economists, financial, transportation, and environmental analysts with expertise in the rail industry, as well as HR specialists, paralegals, IT specialists, and contractors providing support to ensure the STB has the capabilities to meet its statutory responsibilities.

The Office of Economics (OE)

OE provides economic, cost, financial, and engineering analyses for the Board. OE also makes available to the public a variety of statistical and financial analyses of the railroad industry. OE manages the Board-prescribed Uniform System of Accounts and cost accounting systems. OE also audits Class I carriers to ensure their compliance with these systems and uses the data provided by carriers to develop and disseminate the Uniform Railroad Costing System.

The Office of Environmental Analysis (OEA)

OEA assists the Board in meeting its responsibilities under the National Environmental Policy Act (NEPA), and other related Federal statutes. NEPA requires the Board to consider potential environmental impacts before making its final decision in certain cases. OEA conducts an independent environmental review of cases filed with the Board and prepares any necessary environmental documentation. OEA also conducts public outreach to inform the public about proposals before the Board and invites public comments on related environmental matters. It also provides technical advice and environmental recommendations to the Board on pending matters, as appropriate.

The Office of the General Counsel (OGC)

OGC provides legal counsel to the Board. In that role, OGC evaluates and advises on the defensibility of the agency's decisions and defends those decisions when challenged in court. OGC also advises the Board on various mission-related matters, including the Freedom of Information Act, the Paperwork Reduction Act, the Equal Employment Opportunity Act, NEPA, and records management. Finally, OGC assists both the Department of Justice in ancillary litigation related to transportation matters and other matters of government-wide interest.

The Office of the Managing Director (OMD)

OMD provides a wide range of administrative services in support of the Board's mission, including human resource management, financial services, IT, cybersecurity, the Privacy Act, and facilities management. It heads the Board's Privacy and Risk Management programs.

The Office of Proceedings (OP)

OP has primary responsibility for managing the public record in formal cases (or proceedings) before the Board, which includes making recommendations regarding the resolution of issues presented in those cases and drafting the decisions issued by the Board. Specifically, OP oversees the Board's caseload, providing legal and policy recommendations (in conjunction with other Board offices, as needed) to the Board members for resolving the issues presented, and preparing drafts of decisions. OP also performs administrative services for the Board, including receiving and processing formal filings from the public; administering the Board's voting process; coordinating with the Federal Register for publication of decisions; and tracking the Board's casework. In addition, OP maintains a database for recording and perfecting secured transactions involving vessels and railroad rolling stock.

The Office of Public Assistance, Governmental Affairs, and Compliance (OPAGAC)

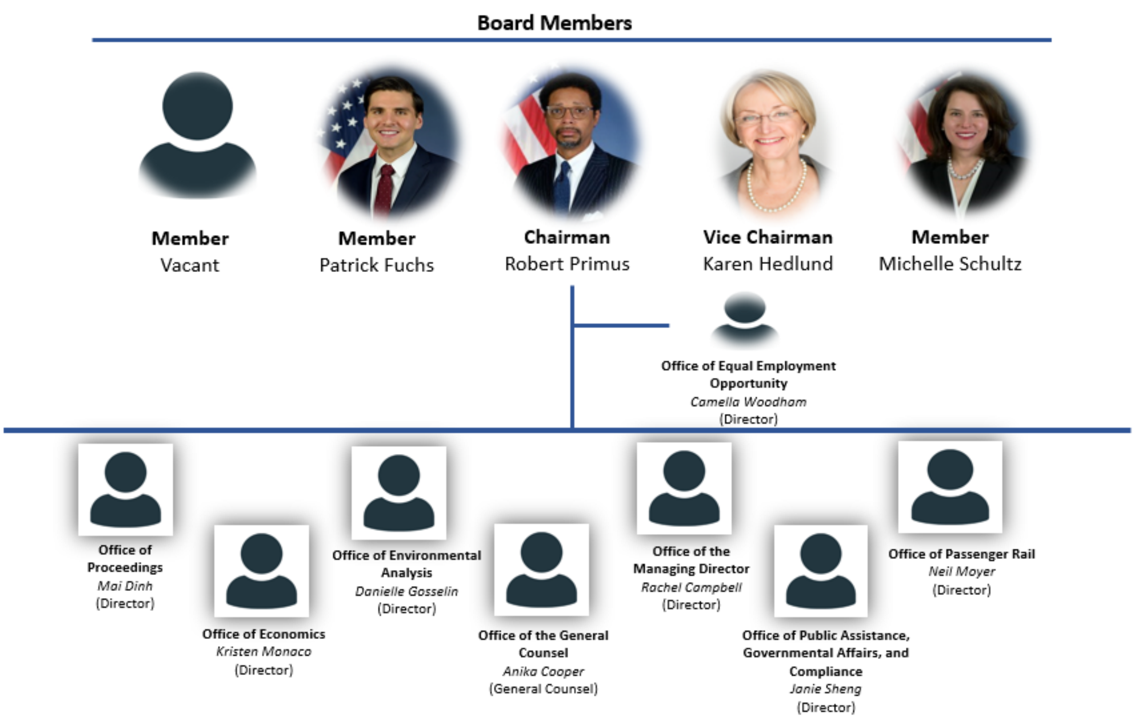
OPAGAC serves as the STB's principal point of contact for the U.S. Congress, Federal agencies, foreign, state, and local governments, interested stakeholders, the public, and the media. OPAGAC's mission is to aid the public, to disseminate accurate information concerning the agency and its work, and to help the public understand the law and the agency's decisions. This office is responsible for external operations including governmental affairs, communications, and compliance. It is also responsible for monitoring rail operations, service analysis, maintaining tariffs, the monitoring and analysis of certain passenger rail matters, and mediation coordination. OPAGAC is also responsible for the management of the Rail Customer and Public Assistance program, which assists interested stakeholders and the public by answering questions pertaining to Board regulations and procedures and facilitating informal private- sector dispute resolution of rail operational and service-related issues and other matters.

The Office of Passenger Rail (OPR)

OPR supports the Board in its efforts to meet its responsibilities under the Passenger Rail Investment and Improvement Act of 2008. The Office provides the Board with expertise related to passenger rail that includes legal and policy guidance, engineering, data analysis, and rail operations. The Board has authority to investigate when an Amtrak train's on-time performance averages less than 80% for any two consecutive calendar quarters. The "on-time performance" of Amtrak trains is a quarterly metric established and reported by the Federal Railroad Administration (FRA). Such an investigation is mandatory upon receipt of an eligible complaint or may be started on the Board's own initiative. OPR performs data analysis of FRA's quarterly metrics. The Office also plays a central role in investigations and formal proceedings related to on-time performance.

STB Office Organization Chart

(as of 9/30/2024)



Summary of Significant Performance Results

Strategic Goals

This section provides a summary of the Board's strategic plan, goals, and objectives. The Board's performance measures, discussed in *Program Performance Information*, are based on these goals.

The STB's Strategic Plan defines its mission, goals, and progress measurements that demonstrate whether the Board has achieved its mission. The STB's Strategic Plan was most recently updated for fiscal years 2022-2026.[1] That document provides a blueprint for the agency to plan, implement, and monitor work needed to achieve the Board's mission. It also establishes strategic goals, long-term strategies, and performance expectations, and it provides a basis for the agency's annual performance budget and its PAR.

The work that the Board conducts to carry out its responsibilities is guided by the following four strategic goals:

First strategic goal: Promote and protect the public interest in surface transportation matters.

Strategic Objectives -

- Remedy competitive and other regulatory concerns, where appropriate, by determining reasonable rates and practices for users of the national rail network and other transportation modes within the Board's jurisdiction;
- Evaluate certain railroad licensing actions for consistency with the public interest, considering the potential effects on shippers, consumers, the rail network, the environment, railroad employees, and the public at large;
- Promote consistent, fluid, and efficient service that fulfills the needs of customers and the public in an ever-changing economy; and
- Consider potential environmental and historic impacts in agency decision-making, consistent with applicable laws and regulations, and impose mitigation conditions as appropriate.

[1] Strategic Plan Fiscal Years 2022-2026, (STB decided February 28, 2023) (Board Member Fuchs dissenting).

Second strategic goal: Foster a competitive and sound surface transportation system that provides reliable service at reasonable rates.

Strategic Objectives -

- Uphold the common carrier obligation;
- Preserve and enhance competition, including through regulation, where appropriate;
- Provide accessible and transparent rate review processes;
- Provide oversight of passenger rail service in order to carry out statutory directives;
- Monitor the service and operations of carriers and take appropriate action where conditions warrant; and
- Monitor revenue adequacy and promote a climate that encourages carriers to invest in present and future capacity needs.

Third strategic goal: Provide an accessible, data-driven, and time- and cost-efficient regulatory process that enables stakeholders in the surface transportation industry to plan and conduct their operations effectively.

Strategic Objectives -

- Provide well-defined formal and informal dispute resolution processes to enable parties to make informed decisions about how to best resolve their disputes;
- Reach timely adjudicatory decisions by adhering to appropriate internal and external deadlines; and
- Conduct environmental reviews necessary to support the Board's decisions in a timely and cost-effective manner.

Fourth strategic goal: Employ a skilled and diverse workforce, encourage innovative leadership at all levels of STB, and apply best practices in a collaborative and well-supported environment.

Strategic Objectives -

- Foster a workplace culture that is inclusive, equitable, and accessible by developing and employing a skilled workforce that is representative of people from diverse backgrounds at all levels of the agency;
- Encourage innovative leadership at all levels of the STB that creates a culture of inclusion and, among other things, is attentive to our changing work environment; and
- Apply best practices in a collaborative and well-supported environment, incorporating data-driven decision-making.

Relationship Between Strategic Goals and Performance Goals

While the strategic goals broadly state the purposes for which the Board was created and shape how the Board achieves its mission, the Board's annual performance budget identifies budget program activities and establishes more specific performance goals. The performance goals establish check points by which the Board may determine how successful it has been in accomplishing its mission and its strategic goals.

The performance goals provide a system to evaluate the results of the Board's activities by setting objectives and establishing metrics to determine the Board's progress. Where possible, the performance goals incorporate objective measurements of the Board's activities. In instances where the goals do not lend themselves to objective measurement, intermediate outcome and process measurements are identified to assess the timeliness and responsiveness of Board actions.

Achieving Strategic Goals

Results

The STB has developed performance goals that promote its strategic goals and support its mission. Together, performance measures and targets under each strategic goal were designed to enhance and further those strategic goals each fiscal year. The Board and its staff have worked to achieve maximum return for the efforts given. The STB applies a combination of practical approaches and experience to develop creative resolutions to difficult surface transportation disputes and service issues and to achieve the strategic objectives and performance goals for each strategic goal.

External Factors that Could Affect the Achievement of Strategic Goals

The following factors could affect, or require changes to, the Board's goals:

- Changes in the Board's budget, staffing, resource limitations, and authorization;
- Changes in market demand and strategic direction in the surface transportation industries under the Board's jurisdiction;
- Nationwide or regional economic growth or recession;
- Major changes in the ability of surface transportation carriers to compete effectively or provide responsive and reliable service; and
- The impacts of ongoing homeland security activities or national emergencies on the surface transportation industry.

Strategic Performance Goals & Measures

Goal 1: Promote and protect the public interest in surface transportation matters.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Goal 1.0.1: Promptly and fairly resolve disputes consistent with the public interest.			
Performance Measure 1.0.1.1: Proportion of cases and disputes in which the Board issues decisions within applicable deadlines	**75%**	**99%**	**75%**
Performance Measure 1.0.1.2: Proportion of court filings timely filed and accepted	**95%**	**98%**	**95%**
Performance Measure 1.0.1.3: Number of substantive judicial filings made	**NA**	**11**	**NA**
Performance Measure 1.0.1.4: Proportion of court decisions that fault the STB for failing to address issues raised	**≤25%**	**0%**	**≤25%**
Performance Measure 1.0.1.5: Proportion of court decisions that set aside agency rulings	**≤25%**	**14%**	**≤25%**
Performance Measure 1.0.1.6: Number of defensibility assessments completed	**NA**	**120**	**NA**

Goal 1: Promote and protect the public interest in surface transportation matters.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Goal 1.0.2: Promulgate rules and policy statements, employing notice- and-comment procedures as appropriate.			
Performance Measure 1.0.2.1: Proportion of rulemakings with publicly stated deadlines that are completed in the timeline identified in the Regulatory Agenda	**60%**	**50%**	**60%**
Performance Goal 1.0.3: Provide for transparency and public participation in Board decisions and policymaking to the extent practicable.			
Performance Measure 1.0.3.1: Proportion of FOIA requests responded to within 20 business days as required by statute (excluding statutorily authorized extensions)	**95%**	**97.8%**	**95%**
Performance Measure 1.0.3.2: Number of collaborative meetings hosted to discuss emerging challenges and industry trends with various stakeholder groups	**100**	**326**	**225**
Objective 1.1: Remedy competitive and other regulatory concerns, where appropriate, by determining reasonable rates and practices for users of the national rail network and other transportation modes within the Board's jurisdiction.			
Performance Goal 1.1.1: Provide rate case processes that fairly and efficiently resolve rate disputes.			

Goal 1: Promote and protect the public interest in surface transportation matters.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Measure 1.1.1.1: Complete rulemakings to update procedures for small rate disputes in FY23	**Achieve**	**Achieved**	**Achieve**
Performance Measure 1.1.1.2: Number of rate and unreasonable practice cases/disputes brought before the Board	**NA**	**1**	**NA**
Objective 1.2: Evaluate certain railroad licensing actions for consistency with the public interest, considering the potential effects on shippers, consumers, the rail network, the environment, railroad employees, and the public at large.			
Performance Goal 1.2.1: Ensure compliance with applicable statutory and regulatory requirements.			
Performance Measure 1.2.1.1: Proportion of licensing actions resolved through Director Order in which the Order is timely published, or parties are informed of deficiencies	**95%**	**99%**	**95%**
Performance Goal 1.2.2: **Consider potential economic, environmental, and operational impacts in agency decision-making.**			
Performance Measure 1.2.2.1: Number of economic and operational research projects conducted	**81** **NA**	**53** **NA**	**Baseline**

Goal 1: Promote and protect the public interest in surface transportation matters.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Measure 1.2.2.1: Total number of economic and operational analyses initiated during the FY in support of docketed and non-docketed cases			
Performance Measure 1.2.2.2: Number of categorical exclusions	**NA**	**163**	**NA**
Performance Measure 1.2.2.3: Number of Environmental Impact Statements prepared	**NA**	**10**	**NA**
Performance Measure 1.2.2.4: Number of Environmental Assessments prepared	**NA**	**26**	**NA**
Objective 1.3: Promote consistent, fluid, and efficient service that fulfills the needs of customers and the public in an ever-changing economy.			
<u>**Performance Goal 1.3.1:**</u> **Through the Rail Customer and Public Assistance Program, provide an informal venue for the private-sector resolution of disputes, and assist Board stakeholders seeking guidance in complying with Board decisions and regulations.**			
Performance Measure 1.3.1.1: Number of RCPA inquiries received	**NA**	**1,322**	**NA**
Performance Measure 1.3.1.2: Proportion of informal inquiries and complaints from stakeholders and the public responded to by RCPA within 3 days of receipt	**95%**	**95%**	**95%**
<u>**Performance Goal 1.3.2:**</u> **Monitor the surface transportation network and gather industry information and data to allow the Board to intervene when necessary or**			

Goal 1: Promote and protect the public interest in surface transportation matters.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
prudent.			
Performance Measure 1.3.2.1: Proportion of weekly rail service metrics published within 48 hours of receipt	**90%**	**100%**	**90%**
Performance Measure 1.3.2.2: Proportion of weekly rail service metrics analyzed and provided to the Board within 3 business days of receipt	**75%**	**100%**	**75%**
Objective 1.4: Consider potential environmental and historic impacts in agency decision-making, consistent with applicable laws and regulations and impose mitigation conditions as appropriate.			
Performance Goal 1.4.1: Conduct timely and thorough environmental and historic preservation reviews consistent with NEPA, NHPA, and other laws and regulations.			
Performance Measure 1.4.1.1: Proportion of environmental reviews concluded within the FY which adhered to applicable regulatory timelines	**80%**	**89%**	**80%**
Performance Goal 1.4.2: Consult with other Federal agencies, state and local agencies, tribes, and other interested parties			
Performance Measure 1.4.2.1: Total number of cooperating agencies involved in environmental and historical review processes	**NA**	**13**	**NA**
Performance Measure 1.4.2.2: Total number of tribes with which government-to- government consultation is conducted	**NA**	**7**	**NA**
Performance Measure 1.4.2.3: Number of cases in which a NHPA Section 106 Memorandum of Agreement (MOA) or Programmatic Agreement (PA) is executed	**NA**	**1**	**NA**
Performance Goal 1.4.3: Provide the opportunity for public participation in the environmental and historic review processes for specific cases before the Board.			
Performance Measure 1.4.3.1: Total number of public meetings held during environmental and historic reviews	**NA**	**27**	**NA**

Goal 1: Promote and protect the public interest in surface transportation matters.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Measure 1.4.3.2: Total number of comments (oral and written) received during environmental and historic reviews	**NA**	**625**	**NA**

Goal 2: Foster a competitive and sound surface transportation system that provides reliable service at reasonable rates.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Goal 2.0.1: Collect and publish rail service data permitting the public to better understand trends in traffic volumes, rates, and the financial health of the rail industry.			
Performance Measure 2.0.1.1: Proportion of monthly, quarterly, and annual statistical reports published within 30 days of receiving all needed inputs	**100%**	**100%**	**100%**
Performance Measure 2.0.1.2: Proportion of waybill requests timely processed	**100%**	**100%**	**100%**
Objective 2.1: Uphold the common carrier obligation.			

Goal 2: **Foster a competitive and sound surface transportation system that provides reliable service at reasonable rates.**			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Goal 2.1.1: Enforce the common carrier obligation through the formal adjudication of service complaints.			
Performance Measure 2.1.1.1: Number of service complaints brought before the Board	**NA**	**1**	**NA**
Performance Goal 2.1.2: Facilitate the common carrier obligation through informal dispute resolution of service complaints.			
Performance Measure 2.1.2.1: Number of informal dispute resolutions relating to the common carrier obligation supported	**NA**	**138**	**NA**
Objective 2.2: Preserve and enhance competition, including through regulation where appropriate.			
Performance Goal 2.2.1: Evaluate policies and implement rules to adjust to changes in the industry.			
Performance Measure 2.2.1.1: Number of research projects supporting policy evaluation or rulemakings	**48**	**24**	**NA**
Objective 2.3: Provide accessible and transparent rate review processes.			

Goal 2: Foster a competitive and sound surface transportation system that provides reliable service at reasonable rates.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Goal 2.3.1: Conduct public hearings and listening sessions on matters of economic import, including, when applicable, rate procedures.			
Performance Measure 2.3.1.1: Number of public events convened on matters of economic import	**2**	**2**	**NA**
Objective 2.4: Provide oversight of passenger rail service in order to carry out statutory directives			
Performance Goal 2.4.1: Monitor the On-Time Performance (OTP) and delays of Amtrak's routes and trains as they provide passenger service over the nation's rail network			
Performance Measure 2.4.1.1: Administratively establish the Office of Passenger Rail in FY23	**Achieve**	**Achieved**	**NA**
Performance Measure 2.4.1.2: Proportion of quarters in which quarterly data is analyzed and provided to the Board within 10 business days of posting by the FRA	**75%**	**100%**	**75%**
Performance Goal 2.4.2: Enforce OTP through efficient adjudication of OTP complaints and Board-initiated investigations, when appropriate			

Goal 2: Foster a competitive and sound surface transportation system that provides reliable service at reasonable rates.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Measure 2.4.2.1: Proportion of non -"grant stamp" decisions related to PRIIA Section 213 in which a plan and deadline for completion is established	**100%**	**100%**	**100%**
Performance Measure 2.4.2.2: Proportion of non -"grant stamp" decisions related to PRIIA Section 213 in which established deadlines are achieved	**75%**	**50%**	**75%**
Objective 2.5: Monitor the service and operations of carriers and take appropriate action where conditions warrant.			
Performance Goal 2.5.1: Investigate changes in service metrics and/or reports from stakeholders.			
Performance Measure 2.5.1.1: Number of Class 1 Railroads audited by the STB within the FY	**7**	**7**	**6**
Performance Goal 2.5.2: Issue service letters, perform site visits, and hold meetings and hearings to ensure accountability and service reliability.			
Performance Measure 2.5.2.1: Number of service letters issued	**NA**	**4**	**NA**
Objective 2.6: Promote a climate that encourages carriers to invest in present and future capacity needs.			

Goal 2: Foster a competitive and sound surface transportation system that provides reliable service at reasonable rates.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Goal 2.6.1: Engage and communicate with stakeholders regarding the investment, maintenance, and development of the surface transportation system.			
Performance Measure 2.6.1.1: Proportion of recordations entered into the Board's public database within one business day	**90%**	**100%**	**90%**
Performance Measure 2.6.1.2: Total number of major infrastructure investments reported by Class 1 railroads	**NA**	**12**	**NA**
Performance Measure 2.6.1.3: Proportion of depreciation studies timely completed	**100%**	**100%**	**100%**

Goal 3: Provide an accessible, data-driven, and time- and cost-efficient regulatory process that enables stakeholders in the surface transportation industry to plan and conduct their operations effectively			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
<u>Performance Goal 3.0.1:</u> Make key, disclosable information from the Board's internal case monitoring and management system available to the public so that stakeholders can be informed about the expected timing for specific Board decisions.			
Performance Measure 3.0.1.1: Proportion of quarterly reports timely provided to Congress on status of rate reasonableness cases, formal complaints, informal complaints, and pending regulatory proceedings	**100%**	**100%**	**100%**
Performance Measure 3.0.1.2: Publish Semi-annual Regulatory Agenda	**Achieve**	**Achieved**	**Achieve**
Objective 3.1: Provide well-defined formal and informal dispute resolution processes to enable parties to make informed decisions about how to best resolve their disputes.			
<u>Performance Goal 3.1.1:</u> Offer alternative dispute resolution services that facilitate private sector solutions to problems.			
Performance Measure 3.1.1.1: Number of formal alternative dispute resolutions initiated	**NA**	**2**	**NA**

Goal 3: Provide an accessible, data-driven, and time- and cost-efficient regulatory process that enables stakeholders in the surface transportation industry to plan and conduct their operations effectively			
Performance Measure 3.1.1.2: Number of informal dispute resolutions initiated	**NA**	**138**	**NA**
<u>Performance Goal 3.1.2:</u> Hold conferences, hearings, and oral arguments and provide adequate guidance to the parties as to the methods the Board intends to use to adjudicate disputes.			
Performance Goals and Measures	FY24 Target	FY24 Actual	FY25 Target
Performance Measure 3.1.2.1: Number of conferences, hearings, and oral arguments hosted	**3**	**11**	**12**
Objective 3.2: Reach timely adjudicatory decisions by adhering to appropriate internal and external deadlines.			
<u>Performance Goal 3.2.1:</u> Establish internal timelines and deadlines for work products needed to support Board decisions.			
Performance Measure 3.2.1.1: Proportion of weeks in which the Board is provided with a weekly internal deadline report	**90%**	**96%**	**90%**

Goal 4: Employ a skilled and diverse workforce, encourage innovative leadership at all levels of STB, and apply best practices in a collaborative and well-supported environment.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Goal 4.0.1: Ensure that Board members and staff are properly trained on and abide by applicable ethics rules.			
Performance Measure 4.0.1.1: Proportion of STB employees who complete required annual ethics training	**100%**	**100%**	**100%**
Performance Measure 4.0.1.2: Proportion of employee's ethics inquiries responded to within 48 hours	**80%**	**100%**	**80%**
Objective 4.1: Develop and employ a skilled and diverse workforce community reflecting diversity, equity, inclusion, and accessibility (DEIA).			
Performance Goal 4.1.1: Employ a diverse workforce community			
Performance Measure 4.1.1.1: Proportion of positions filled within 80 days of SF52 submission	**60%**	**0%**	**50%**
Performance Measure 4.1.1.2: Proportion of STB staff with a reportable disability	**12%**	**21%**	**12%**
Performance Measure 4.1.1.3: Proportion of STB staff with a targeted reportable disability	**2%**	**5%**	**2%**

Goal 4: Employ a skilled and diverse workforce, encourage innovative leadership at all levels of STB, and apply best practices in a collaborative and well-supported environment.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Measure 4.1.1.4: Schedule A hiring authority used to hire candidates with disabilities for positions	**Y/N**	**N**	**Y**
Performance Measure 4.1.1.5: Submit annual State of Agency brief to Chairman	**Achieve**	**Achieved**	**Achieve**
Performance Measure 4.1.1.6: Number of Reasonable Accommodation requests where processing time exceeds 20 days	**≤1**	**1**	**≤1**
Objective 4.2: Encourage innovative and inclusive leadership at all levels of STB that, among other things, addresses our changing work environment.			
Performance Goal 4.2.1: Analyze Federal Employee Viewpoint Results and other agency surveys to identify management practices that would improve employee satisfaction.			
Performance Measure 4.2.1.1: OPM Employee Engagement Index	**73%**	**79%**	**73%**
Performance Measure 4.2.1.2: Number of items identified as strengths from Federal Employee Viewpoint survey results	**75**	**75**	**75**
Objective 4.3: Apply best practices in a collaborative and well-supported environment incorporating data-driven decision-making.			

Goal 4: Employ a skilled and diverse workforce, encourage innovative leadership at all levels of STB, and apply best practices in a collaborative and well-supported environment.			
Performance Goals and Measures	**FY24 Target**	**FY24 Actual**	**FY25 Target**
Performance Goal 4.3.1: Ensure agency data is consistent and accessible across the agency to form the basis for data-based decision-making.			
Performance Measure 4.3.1.1: Proportion of data stored in the cloud environment	**95%**	**100%**	**100%**
Performance Goal 4.3.2: Implement recommendations from Data Maturity Assessment efforts to apply Data Management best practices.			
Performance Measure 4.3.2.1: Number of Data Governance Board meetings in which the Data Advisory Group reports on progress on priority goals for data modernization. **Performance Measure 4.3.2.1:** Data advisory group and data governance board convene annually to review and revise priority goals and review prior year accomplishments.	**2** **NA**	**1** **NA**	**NA** **Achieve**
Performance Measure 4.3.2.2: Number of agency-wide trainings and seminars on data governance, STB data lifecycle, and priority goals	**NA**	**NA**	**1**

Agency Oversight and Mission Challenges

Regulatory Responsibility and Oversight

The Board is charged with advancing the national transportation policy goals and promoting an efficient, competitive, safe, and cost-effective freight rail network.

While a majority of the Board's work involves freight railroads, the STB's involvement with passenger rail matters has increased. The STB also performs certain oversight of the intercity bus industry, non-energy pipelines, household goods carriers' tariffs, and rate regulation of non-contiguous domestic water transportation (marine freight shipping involving the mainland United States, Hawaii, Alaska, Puerto Rico, and other U.S. territories and possessions). The STB also has certain regulatory authority over the National Railroad Passenger Corporation (Amtrak); its operations on other railroads' tracks; disputes over use; and cost allocation for Amtrak operations. The agency has wide discretion to tailor its regulatory approach to meet the Nation's changing transportation needs.

The STB is committed to vigilant oversight and the rendering of efficient, timely, and sound resolution of surface transportation issues and disputes. Where regulatory requirements can be eliminated or reduced, the Board applies its exemption authority to the maximum extent consistent with the law to streamline approval processes.

The Board's regulatory jurisdiction includes, among other things, railroad rate and practice reasonableness, mergers, line acquisitions, new rail line construction, and abandonments of existing rail lines. Because the economics of freight rail regulation affect the national transportation network and are important to our nation's economy. For this reason, Congress gave the STB sole jurisdiction over railroad rates, practices, and service. Congress also gave the STB sole jurisdiction over rail mergers and consolidations, abandonments of existing rail lines, and new rail line constructions, exempting STB-approved transactions from federal antitrust laws and state and municipal laws. And, the Board has authority, which was provided under the STB Reauthorization Act, to investigate issues of national or regional significance on its own initiative.

To carry out its regulatory responsibilities, the Board primarily engages in three types of formal activities: adjudication, rulemaking, and licensing. First, the Board adjudicates disputes between shippers and railroads regarding the reasonableness of the carriers' rates and practices or related to other statutory or regulatory provisions. In some instances, the Board also adjudicates disputes between the carriers themselves, or between the carriers and local communities in which their lines are located.

Second, the Board conducts rulemaking proceedings, in which the agency proposes, modifies, or eliminates regulations to carry out the agency's mission. After issuing a notice of the proposed rulemaking, the Board receives comments from its stakeholders and other interested parties and based on those comments, decides whether and how to adopt the proposed regulations. Third, the Board licenses rail line acquisition, construction, abandonment, or discontinuance of service, as well as rail carrier mergers and consolidations, to ensure that the transactions satisfy applicable statute and regulation.

Collaborative Discussions

In FY 2024, the Board continued to hold collaborative meetings pursuant to Section 5 of the STB Reauthorization Act, which permits a majority of the Board to hold a meeting that is not open to public observation to discuss official agency business, provided that certain conditions are met[2].

Quarterly Reports

The Board has continued to prepare and post its quarterly reports on rate-review metrics, formal and informal rail service complaints, and unfinished regulatory proceedings. The reports can be viewed on the STB website, www.stb.gov.

Investigations

The STB Reauthorization Act provided a basic framework for the Board to conduct investigations on its own initiative. The STB established a three-stage process for conducting investigations: preliminary fact-finding, Board-initiated investigation, and formal Board proceeding. *Rules Relating to Board Instituted Investigations*, EP 731 (STB served May 16, 2016). No formal investigations were conducted in FY 2024 under those rules.

Railroad Restructuring

Mergers and Consolidations

When two or more railroads seek to consolidate through a merger or common control arrangement, the Board's prior approval is required under 49 U.S.C. §§ 11323-25. By law, the STB's authorization generally exempts such transactions from all other laws (including antitrust laws) to the extent necessary for carriers to consummate an approved transaction. Carriers may seek Board authorization either by filing an application under 49 U.S.C. §§ 11323-25 or by seeking an exemption under 49 U.S.C. § 10502 from the full application procedures. The procedures to be followed in such cases vary depending on the type of transaction involved. Where a merger or acquisition involves only Class II or III (i.e., smaller) railroads whose lines would not connect with each other, carriers need only follow a simple notification procedure to

[2] In particular, no formal or informal vote or other official agency action may be taken at the meeting; each individual present at the meeting must be a member or an employee of the Board; and the General Counsel of the Board must be present at the meeting. In addition, after the meeting's conclusion, the Board must make available to the public a list of the meeting's participants and a summary of the matters discussed at the meeting, except for any matters the Board properly determines may be withheld from the public under 5 U.S.C. § 552b(c). The disclosure must be made two days after the meeting, unless the discussion directly relates to an ongoing proceeding before the Board, in which case the Board shall make the disclosure on the date of the final Board decision.

invoke a class exemption (an across-the-board exemption from the full application procedures, applicable to a broad class of transactions) at 49 C.F.R.§ 1180.2(d)(2). When Class I (i.e., larger) carriers are involved in merger activities, more rigorous procedures apply, and carriers may be required to file "safety integration plans" under rules that the Board has issued jointly with the Federal Railroad Administration (FRA).

Pooling
Rail carriers may seek approval to agree, or to combine, with other carriers to pool or divide traffic, services, or earnings.

Line Acquisitions
Board approval is required for a non-carrier or a Class II or Class III railroad to acquire or operate an existing line of railroad. The acquisition of an existing line by a Class I railroad is treated as a form of carrier consolidation under a separate procedure. Non-carriers or Class II or III railroads may seek exemptions under certain conditions, and there are expedited procedures for obtaining Board authorization under several class exemptions for certain types of transactions that generally require minimal scrutiny.

For non-connecting lines, Class II and Class III railroads may choose to use a class exemption, and Class III railroads may acquire and operate additional lines through a simple notification process. Such acquisitions resulting in a carrier having at least $5 million in annual net revenues require additional advance notice of the proposed transaction.

Non-carriers may acquire rail lines under a class exemption. Required notification, together with the Board's ability to revoke class exemptions in certain transactions, prevent exemption misuse. Exemptions simplify the regulatory process, while continuing to protect the public interest, and help preserve rail service in many areas of the country.

Trackage Rights
Trackage rights arrangements allow a railroad to operate its trains over the track of another railroad, which may or may not continue to provide service over the line at issue. Such arrangements can improve the operating efficiency for the carrier acquiring the rights by providing alternative, shorter, and faster routes. Local trackage rights may introduce new competition, thus giving shippers service options. The Board's prior approval is required for trackage rights arrangements. The Board maintains a class exemption for the acquisition or renewal of trackage rights through a mutual carrier arrangement. A separate class exemption also exists for temporary trackage rights for overhead operations that are limited to one year in duration.

Leases by Class I Carriers
Leases and contracts for the operation of rail lines by Class I railroads require Board approval. Carriers may seek Board authorization by filing either an application or a petition for exemption, and the agency maintains a class exemption for the renewal of a previously authorized lease.

Line Constructions
New rail line construction requires Board authorization. Carriers may seek Board authorization by filing either an application or a petition for exemption. A simple notification procedure is available for the construction of connecting track on an existing rail right-of-way, on land owned by the connecting railroads, and for joint track relocation projects that do not disrupt service to shippers.

The agency can compel a railroad to permit a new line to cross its tracks if doing so would not interfere with the operation of the existing line and if the owner of the existing line is compensated. If railroads cannot agree to terms, the Board can prescribe appropriate compensation.

Line Abandonments
Railroads must obtain Board approval to abandon a rail line, or to discontinue all rail service over a line that will remain part of the interstate rail network. Abandonment or discontinuance authority may be sought by the operating rail carrier itself, or an "adverse" abandonment or discontinuance action may be brought by an entity opposing a line's continued operation.

The agency maintains a class exemption providing a streamlined notification procedure for the abandonment of lines over which there has been no traffic in two consecutive years that could not have been rerouted over other lines.

Preservation of Rail Lines
The Board administers three programs designed to preserve railroad service or rail rights-of-way, as discussed below.

1. **Offer of Financial Assistance**
   If the Board finds that a railroad's abandonment proposal should be authorized, and the railroad receives an offer—known as an Offer of Financial Assistance—by another party to acquire or subsidize continued rail operations on the line to preserve rail service, the Board may require the line to be sold for that purpose or operated under subsidy for one year. Where parties cannot agree on a purchase price, the Board is authorized to set the price at fair market value, and the offeror may either agree to that price or withdraw its offer.

2. **Feeder Line Development Program**
   When railroad service is inadequate for a majority of shippers transporting traffic over a particular line, or the line has been designated in a carrier's system diagram map as a

candidate for abandonment, the Board can compel the carrier to sell the line to a party that will provide service.

3. **Trail Use/Railbanking**

The Board administers the National Trails System Act's "railbanking" program allowing railroad rights-of-way approved for abandonment to be preserved for the future restoration of rail service and for interim use as recreational trails. When a railroad and a trail sponsor agree to negotiate for interim trail use, the agency may issue a Certificate of Interim Trail Use (issued in an abandonment application proceeding) or a Notice of Interim Trail Use (issued in an abandonment exemption proceeding) allowing the parties to negotiate a trail use agreement. If a trail use agreement is reached, the right-of-way remains under the agency's jurisdiction.

Liens on Rail Equipment

Liens on rail equipment intended for use in interstate commerce must be filed with the Board to become valid. Subsequent assignments of rights or release of obligations under such instruments must also be filed with the agency. Such liens maintained by the Board are preserved for public inspection.

Railroad Rates and Related Matters

Cost of Capital

Each year, the Board determines the after-tax, composite cost of capital for the freight railroad industry (i.e., the STB's estimate of the average rate of return needed to persuade investors to provide such capital) and uses that cost-of-capital figure for a variety of regulatory purposes. It is used in maximum reasonable railroad rate cases, feeder line applications, rail line abandonments, trackage rights cases, rail merger reviews, URCS, and, more generally, in annually evaluating the adequacy of individual railroads' revenues and in the annual Railroad Revenue Adequacy determination.

Common Carriage or Contract Carriage

Under Federal law, railroads have a common carrier obligation to provide transportation or service upon reasonable request. A railroad can provide that transportation or service either under rate and service terms agreed to under contract with a shipper or under common- carriage rate and service terms stated in a carrier's tariffs. Rate and service terms established by contract are not subject to Board regulation, except for limited protection against discrimination involving agricultural products.

Railroads are also required to file with the Board summaries of all contracts for the transportation of agricultural products within seven days of the contracts' effective dates. Summaries, which must contain specific information contained in 49 C.F.R. pt. 1313, are available on both the STB's and the individual carrier's websites.

Rate Disclosure Requirements: Common Carriage
A railroad's common-carriage rates and service terms must be disclosed upon request, and advance notice must be given for rate increases or changes in service terms. Rates and service terms for agricultural products and fertilizer must also be published. These regulatory requirements generally do not apply in instances where the Board has exempted from regulation the class of commodities or rail services involved. Class exemptions exist for certain agricultural products, intermodal traffic, boxcar traffic, and other miscellaneous commodities.

Rate Challenges: Market-Dominance Determination
The Board has jurisdiction over complaints challenging the reasonableness of a common-carriage rate only if a railroad has "market dominance" over the traffic involved. Market dominance refers to an absence of effective competition from other railroads or transportation modes for a specific movement to which a rate applies.

By law, the Board cannot find that a railroad has market dominance over a movement if the rate charged results in a revenue-to-variable cost percentage of less than 180 percent. The Board's URCS is used to provide a measurement of a railroad's systemwide average variable costs of performing various rail services.

Where the revenue-to-variable cost threshold is exceeded, the Board examines whether competition in the marketplace effectively restrains a railroad's pricing.

Rate Challenges: Rate-Reasonableness Determination
To assess whether a challenged rate is reasonable, the Board has historically used constrained market pricing (CMP) principles. These principles limit a railroad's rates to levels necessary for an efficient carrier to make a reasonable profit. CMP principles recognize the need for pricing flexibility, but they also impose constraints on a railroad's ability to charge higher rates on "captive" traffic (traffic with no alternative means of transportation). One CMP constraint is the stand-alone cost (SAC) test. Under this constraint, a railroad may not charge a shipper more than it would cost to build and operate a hypothetical new, optimally efficient railroad (a stand-alone railroad) tailored to serve a selected traffic group that includes the complainant's traffic.

A rate could also be challenged under a simplified version of SAC, known as Simplified SAC, which can be used in any rate case[3]. There is also a Three-Benchmark methodology for smaller cases, under which a challenged rate is evaluated using three benchmark figures and a comparable group of traffic. A shipper challenging a rate may choose to present evidence using either a Simplified SAC or Three-Benchmark methodology but with limits on the relief available

[3] No case has ever been litigated to completion under this methodology.

if the Three-Benchmark methodology is used. The maximum recovery for Three- Benchmark cases is $4 million, indexed for inflation[4].

The Board has recognized that, for smaller disputes, the litigation costs required to bring a case under the Board's established rate reasonableness methodologies can quickly exceed the value of the case. Therefore, the Board established two new rate review options: a "final offer" rate review option, adopted in *Final Offer Rate Review*, Docket No. EP 755, and an option for voluntary arbitration, adopted in *Joint Petition for Rulemaking to Establish a Voluntary Arbitration Program for Small Rate Disputes*, Docket No. EP 765.

Railroad Service

General Authority

The Board has broad authority to address the adequacy of the service provided by a railroad to its shippers and connecting carriers and the reasonableness of a railroad's rules and practices. Among its broad remedial powers, the Board may compel a railroad to permit alternative service by another railroad, perform switching operations for another railroad, or provide access to its terminal for another railroad. If the Board determines that there has been a substantial, measurable deterioration or other demonstrated inadequacy in rail service, it can issue temporary service orders during rail service emergencies by directing a railroad to operate, for a maximum of 270 days, the lines of a carrier that has ceased operations. Finally, the Board has authority to address the reasonableness of a rail carrier's rules and practices.

Board/Stakeholder Discussions

Except for discussions of matters pending before the Board and rulemaking proposals to which the Board's ex parte communication prohibitions apply, the agency welcomes informal stakeholder meetings with the Board members and staff to discuss general service, transportation, and other issues of concern. During FY 2024, the Board continued to foster industry dialogue about railroad service through meetings of the Board's Advisory Committees.

Communications Between Railroads and Their Customers

During FY 2024, the Board continued to encourage railroads to establish regular communications with their customers as a productive way of preventing and addressing rail service concerns. In addition, RCPA continued to facilitate communication between railroads and their customers in their dispute resolution work, while regularly monitoring the rail industry's operating performance in order to identify service disruptions.

Rail Labor Matters

Railroad employees adversely affected by certain Board-authorized rail restructurings are entitled to protection prescribed by law. Standard employee protective conditions address wage

[4] Five Three-Benchmark cases have been filed with the Board. The Board issued a decision on the merits in four of those cases. One case settled after the evidentiary record was complete but before the Board ruled on the merits.

and salary protection and changes in working conditions. Such employee protection provides procedures for dispute resolution through negotiation and, if necessary, arbitration. Arbitration awards are appealable to the agency under limited criteria giving great deference to arbitrators' expertise.

Environmental Review

Under NEPA, the Board must consider the environmental impacts of its actions before making final decisions in certain cases filed before it. OEA assists the Board in its decision-making process by furthering the purposes of NEPA—informing the decision makers of the likely environmental impacts as a result of their actions and providing the public with the opportunity to participate in the environmental review process.

OEA ensures the Board's compliance with the regulations of the President's Council on Environmental Quality and the Board's regulations implementing NEPA. It determines whether certain cases filed with the Board are categorically excluded from environmental review or may require either an Environmental Assessment (EA) or an Environmental Impact Statement (EIS). In conducting environmental reviews on behalf of the Board for various rail line proposals, OEA strives to achieve an efficient, cost-effective, inclusive, and legally defensible process. The Board typically conducts environmental reviews for rail line construction proposals, abandonments, and mergers.

Financial Condition of Railroads

The Board monitors the financial condition of railroads as part of its oversight of the rail industry. The agency prescribes a Uniform System of Accounts for railroads to use for regulatory purposes. The Board requires Class I railroads to submit reports containing financial and operating statistics, including employment and traffic data. Based upon information submitted by carriers, the Board compiles, among other things, monthly and quarterly employment reports, and annual wage statistics of Class I railroads, as well as quarterly rail fuel surcharges reports. This information is posted on the STB's website.

The Board publishes quarterly rail cost adjustment factor (RCAF) indices to reflect changes in costs incurred by the rail industry. These indices include an unadjusted RCAF (reflecting cost changes experienced by the railroad industry, without reference to changes in rail productivity) and a productivity adjusted RCAF (reflecting national average productivity changes, as originally developed and applied by the ICC, based on a five-year moving average). Additionally, the Board publishes the RCAF-5 index that also reflects national average productivity changes but is calculated as if a five-year moving average had been applied consistently from the productivity adjustment's inception in 1989.

Amtrak and Passenger Rail
The Board has certain regulatory authority involving Amtrak, which has the right to operate over other railroads' track. The Board has authority to address disputes between Amtrak and railroads or regional transportation authorities concerning shared use of tracks and other facilities (including disputes concerning Amtrak's statutory right of preference over freight transportation), and to set the terms and conditions of shared use if the parties fail to reach voluntary agreements.

During an emergency, the Board may require a rail carrier to provide facilities, on terms prescribed by the Board, to enable Amtrak to conduct its operations. The Board also has authority to direct commuter rail operations in the event of a cessation of service by Amtrak. The *Passenger Rail Investment and Improvement Act of 2008* (PRIIA) and the *Fixing America's Surface Transportation Act of 2015* (FAST Act) expanded the Board's jurisdiction over passenger rail. PRIIA authorizes the STB to institute investigatory action under certain circumstances and, if appropriate, to award damages or other relief and to identify reasonable measures to improve performance on passenger rail routes. The FRA and Amtrak developed new on-time performance metrics and standards, and the FRA now publishes quarterly on time performance metrics. The Board's Office of Passenger Rail is responsible for investigating and analyzing issues regarding Amtrak on-time performance.

Under certain circumstances, the Board may be called upon to set terms for access to Amtrak equipment, service, and facilities by non-Amtrak passenger railroads, and, upon request, the STB provides mediation services to assist dispute resolution regarding commuter-rail access to freight rail services and facilities. The Board also has jurisdiction over certain non-Amtrak passenger services, including over a passenger railroad operating in "a State and a place in the same or another State as part of the interstate rail network." Excluded from this jurisdiction, however, is "mass transportation provided by a local government authority."

Motor Carriage
Pooling Arrangements
Motor carriers seeking to pool or to divide their traffic, services, or earnings among themselves must apply for Board approval.

Household Goods Carriage
Household goods motor carriers are required to publish tariffs and make them available to shippers and the Board upon request. Such tariffs must include an accurate description of the services offered and the applicable rates, charges, and service terms for household goods moves. Regulations also require the Board to approve the terms by which household goods motor carriers may limit their liability for loss and damage of the goods.

Intercity Bus Industry
Intercity bus carriers must obtain Board approval for mergers and similar consolidations and for pooling arrangements between and among carriers. Such approval is commonly granted through a streamlined notice-of-exemption process that applies to transactions within a single corporate family. The agency can also require intercity bus carriers to provide through routes with other carriers.

Water Carriage
The Board has jurisdiction over transportation by or with a water carrier in the noncontiguous domestic trade, that is, transportation between the U.S. mainland and Alaska, Hawaii, and the U.S. territories of American Samoa, the Northern Mariana Islands, Guam, the Virgin Islands, and Puerto Rico.

Tariff Requirements
Carriers engaged in the noncontiguous domestic trade are required to file tariffs with the Board containing their rates and service terms for such transportation. Tariffs are not required for transportation provided under private contracts between carriers and shippers or for transportation provided by freight forwarders.

Complaints
If a complaint is filed with the Board, the agency must determine the reasonableness of water or joint motor-water rates in the noncontiguous domestic trade.

Pipeline Carriage
The Board regulates the interstate transportation by pipeline of commodities other than oil, gas, or water. Specifically, the Board regulates pipeline commodities such as coal slurry and anhydrous ammonia. Pipeline carrier rates and practices must be reasonable and nondiscriminatory.

Compliance with Laws

The STB fully recognizes that internal controls are fundamental to the systems and processes it uses to manage its operations and achieve its strategic goals. The Board strives to continually evaluate and improve its processes and procedures to ensure a strong system of internal controls.

Antideficiency Act (ADA)

The ADA prohibits an officer or employee of the U.S. Government from:

- Making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law;
- Involving the federal government in any obligation to pay money before funds have been appropriated for that purpose unless otherwise allowed by law;
- Accepting voluntary services for the U. S., or employing personal services not authorized by law, except in cases of emergency involving the safety of human life or the protection of property; and
- Making obligations or expenditures in excess of an apportionment or reapportionment, or in excess of the amount permitted by Agency regulations.

There were no known ADA violations in FY 2024 at the STB.

Federal Managers' Financial Integrity Act

The FMFIA mandates that agencies establish controls to reasonably ensure that: (i) obligations and costs comply with applicable laws; (ii) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted. This Act encompasses program, operational, and administrative areas as well as accounting and financial management. The FMFIA requires that the Chairman provide an assurance statement as to the adequacy of management controls and conformance of financial systems to government-wide standards. The assurance must acknowledge that the STB managers are held accountable for efficient and effective performance of their duties in compliance with applicable laws and regulations and for maintaining the integrity of their activities through controls.

The Chairman's assurance statement is provided in this report. This statement was based on various sources, including management knowledge gained from the daily operation of the STB's programs and reviews, discussions with the Managing Director and other Office Directors, agency financial statements, annual performance plans, and the DOT Office of Inspector General (OIG) audit reports.

The STB received an unmodified audit opinion for FY 2024. During interim testing, the Board's external auditors identified a material weakness related to the preparation and review of adjusting entries, which resulted in the material misstatement of balances that were reported in the agency's June 30, 2024 Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The errors were corrected, and a Corrective Action Plan will be developed to address the FY 2024 finding.

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that agencies establish and maintain financial management systems that substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Standard General Ledger (USSGL). The Board can provide reasonable assurance that it complies with the objectives of FFMIA. The STB reviewed the Statements on Standards for Attestation Engagements (SSAE 18), Reporting on Controls at the Service Organization reports for the DOT Enterprise Service Center (ESC) and the Department of Interior—Interior Business Center, which are the Board's Federal shared-service providers for financial management and payroll systems. The shared-service providers' systems are compliant with Federal financial management system requirements, Federal accounting standards, and the USSGL.

Debt Collection Improvement Act of 1996

The Debt Collection Improvement Act enhances the ability of the government to service and collect debts. The Act centralized the collection of non-tax delinquent debt owed to the government. Federal agencies are required to refer delinquent accounts in excess of 180 days to the Department of Treasury (Treasury) for collection. The Bureau of Fiscal Services conducts the collection of delinquent debts through the Cross-Servicing Program and the Treasury Offset Program, where the names and taxpayer identification numbers (TIN) are matched against the TINs of recipients of government payments. The balance owed to the government is deducted or offset from the payment to the entity to satisfy the debt. The goal of the STB is to minimize the delinquent debt owed to the government.

Prompt Payment Act of 1982

This Act requires agencies to make timely payments to vendors for supplies or services rendered on behalf of the agency. Agencies are penalized when payments are made after the due date. Agencies shall take cash discounts when they are economically justified. The STB reported 99% of invoices were paid on time in FY 2024, while late payments resulted in interest charges of $12.00 (on total payments of $4.9 million), less than .000002 % of total dollars disbursed for FY 2024.

Performance Measure Summary

The STB relies upon ESC for its financial accounting system. The agency acquires travel management, accounting, and financial services from ESC, and procurement services from DOT through the DOT Working Capital Fund. The Board verifies and reconciles all financial statements and reports prior to publication and has remained in compliance with all reporting thresholds.

DATA Act Requirements

ESC implemented software that enabled the Board to comply with the requirement of the DATA Act to start capturing award information in financial systems effective January 1, 2017. The STB submitted timely files for DATA Act Reporting for FY 2024.

Inspector General Act of 1978 (as amended in 1988) and Inspector General Reform Act of 2008, Section 5(b) of the Inspector General Act of 1978

While the STB Reauthorization Act removed the requirement for DOT to provide administrative support to the Board, it provided authority to the DOT OIG to review the financial management, property management, and business operations of the Board, including internal accounting and administrative control systems, to determine the Board's compliance with applicable Federal laws, rules, and regulations. In FY 2024, the DOT OIG engaged an independent public accounting firm to audit the Board's financial statements. As further explained in the Financial Overview section of the report and mentioned above, the STB received an unmodified audit opinion for FY 2024.

Chairman's Statement of Assurance

This statement provides the Surface Transportation Board's (STB's or Board's) fiscal year (FY) 2024 Federal Managers' Financial Integrity Act of 1982 (FMFIA) assurance statement and summarizes noteworthy internal control and management efforts in support of that assurance.

This statement reflects the status for the year ended September 30, 2024.

FMFIA (Public Law (P.L.) 97-255)
STB management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of FMFIA. The STB conducted its assessment of risk and internal control in accordance with the Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of the assessment, the STB can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2024, with the exception of the material weakness identified in the June 2024 statements discussed below:

The Board's external auditors identified and reported to us a material weakness related to the preparation and review of adjusting entries, which resulted in the material misstatement of balances that were reported in the agency's June 30, 2024, Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The errors were corrected, and a Corrective Action Plan will be developed to address the FY 2024 finding.

The objectives of Sections 2 and 4 of FMFIA are listed below:

i. Obligations and costs are in compliance with applicable law,
ii. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation,
iii. 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,
iv. Audit findings are promptly resolved, and
v. Financial management systems (if applicable) conform to principles, standards, and related requirements prescribed by the Comptroller General.

The STB is reporting no other material weaknesses or financial system non-compliance for the year ended September 30, 2024.

OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control; Appendix A: Management of Reporting and Data Integrity Risk

STB management is responsible for establishing and maintaining effective internal control over reporting. The STB conducted its assessment of the effectiveness of STB's internal control over reporting in accordance with the requirements of OMB Circular A-123, Appendix A. During FY 2024, the STB documented and assessed internal controls over two business processes:

- Procure to Pay – Test of Effectiveness
- Budget Formulation and Execution – Test of Design

The STB also assessed its Internal Controls over Reporting at the Entity-level using an Internal Control Self-Assessment (ICSA). The scope of this assessment is based on a five-year rotation schedule, which evaluates the five components of the internal control framework established by the Government Accountability Office. For FY 2024, the component under review was Monitoring.

A review was also performed on the annual Statement on Standards for Attestation Engagements 18 (SSAE 18) Service Organization Control (SOC) Type II Report from the Department of Transportation (DOT) Enterprise Services Center (ESC) to determine if the financial systems complied with Federal Financial Management system requirements.

Based on the results of the assessment, the STB provides reasonable assurance that internal control over reporting was operating effectively, and no material weaknesses other than the issue discussed above were identified.

Government Charge Card Abuse Prevention **Act (Charge Card Act) of 2012 (P.L. 112-194) and *OMB Circular A-123, Appendix B: A Risk Management Framework for Government Charge Card Programs.***

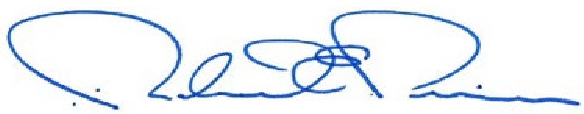
The STB has reviewed the Purchase and Travel Card programs for compliance with the Charge Card Act, and the Travel, Purchase, and Fleet Card programs for compliance with OMB Circular A-123, Appendix B requirements. Based on these reviews, the STB can provide reasonable assurance that policies and controls are in place to mitigate the material risk of fraud, waste, abuse, and inappropriate charge card practices.

Payment Integrity Information Act of 2019 (PIIA; P.L. 116-117)
OMB Circular A-123, Appendix C: Requirements for Payment Integrity Improvement

In FY 2024, the STB conducted a review of its program and activities that it administers and based on the results, can provide reasonable assurance that they conform with the requirements of PIIA and OMB Circular A-123, Appendix C.

Federal Information Security Modernization **Act of 2014 (FISMA) (P.L. 113-283)**
The DOT Office of Inspector General (OIG) conducted the FY 2024 audit of the STB's information security program and practices, as required by the FISMA. Based on the audit report results, the OIG identified nine new recommendations for remediation in FY 2024. The Board's maturity rating remained at "Consistently Implemented" in four domains and "Managed and Measurable" in one domain. Three domains moved from "Defined" to "Consistently Implemented," and one domain moved from "Ad-Hoc" to "Defined."

Three FY 2021 FISMA audit recommendations have been closed in FY 2024 and only two remain open. The Board will continue to work on implementing solutions to address the remaining FY 2021 recommendations.



Robert E. Primus
Chairman

Dated: November 6, 2024

Program Performance Information

Overview

The STB, through its strategic plan and performance budget, provided a performance plan to Congress pursuant to the GPRA Modernization Act. The Board's performance goals are organized to achieve its strategic goals. The Board's significant accomplishments in FY 2024 include issuing 336 decisions addressing rail licensing, unreasonable practice complaints, rate reasonableness, declaratory orders, ex parte proceedings, and other matters. In addition, the Board was active in court related work, defending the Board's decisions in courts of appeals, and in activities related to FOIA and ethics.

FY 2024 Activities and Accomplishments

Rail Mergers

In *Canadian National Railway Company and Grand Trunk Corporation—Control—Iowa Northern Railway Company*, Docket No. FD 36744, et al., the Board on February 29, 2024, accepted for consideration as a "minor" transaction an application filed on January 30, 2024, by Canadian National Railway Company (CNR) and Grand Trunk Corporation (GTC), together with the Iowa Northern Railway Company (Iowa Northern). The Application sought Board approval for CNR and GTC to acquire control of Iowa Northern, a Class III rail carrier that operates a total of approximately 218 route miles in the state of Iowa. The Board also accepted for consideration two verified notices of exemption seeking Board approval of transactions involving mutual trackage rights between Iowa Northern and the Chicago, Central & Pacific Railroad Company, an indirect subsidiary of GTC.

On March 29, 2024, the Board denied Canadian Pacific Kansas City's petition to reconsider the Board's classification of the proposed CN/Iowa Northern control transaction as "minor." However, the Board extended the procedural schedule and directed the applicants to provide additional evidence.

In *Canadian Pacific Railway Limited—Control—Kansas City Southern (General Oversight)*, Docket No. FD 36500 (Sub-No. 6), on April 5, 2024, the Board denied the request of the Coalition to Stop CPKC to modify the reporting requirements the Board imposed in the oversight proceeding established last year following the Board's authorization of the Canadian Pacific/Kansas City Southern merger.

Rail Service Oversight and Monitoring

In *Urgent Issues in Freight Rail Service—Railroad Reporting*, Docket No. EP 770 (Sub-No. 1), on January 31, 2024, to help assess the durability of service recovery efforts, the Board extended the period for temporary reporting of employment data for all Class I carriers to December 31, 2024, and required certain updated information from BNSF Railway Company, CSX Transportation, Inc., Norfolk Southern Railway Company, and Union Pacific Railroad Company. Given recent service improvements, the Board declined to extend the service performance data reporting previously required in this docket.

In *Oversight Hearing Pertaining to Union Pacific Railroad Company's Embargoes*, Docket No. EP 772, on April 17, 2024, the Board explained its findings from its review of Union Pacific Railroad Company's embargoes. The Board observed that, following the Board's December 2022 hearing on this issue, UP made certain changes to its embargo-related practices, and its use of embargoes decreased by more than 80% from 2022 to 2023. In light of those developments, the Board concluded that the proceeding could be closed. At the same time, however, the Board noted that it expects UP to continue to work to reduce and minimize its use of congestion embargoes going forward and that the agency intends to monitor UP's progress in that regard.

In *Growth in the Freight Rail Industry*, Docket No. EP 775, on July 15, 2024, the Board announced a hearing to be held September 16 and 17, 2024. Freight rail is critically important to the Nation's economy, and the Board has an interest in the health and growth of the industry, as well as in rail customers' need to move their goods efficiently and reliably. While there have been some shifts in volume may not be primarily within the control of rail carriers, the Board has observed that over the past ten years carload volumes have not grown and have in fact decreased. The hearing explored: how industry participants are strategizing and innovating to reverse this recent trend and achieve freight rail growth; shippers' plans or desire for future use of rail; factors that may affect shipment decisions; and what rail carriers are doing and can do to increase shippers' use of rail. This hearing presented a chance to discuss opportunities for growth in the freight rail industry, as well as the challenges and effects associated with a failure to grow.

Finally, the Board, through its Office of Public Assistance, Governmental Affairs, and Compliance (OPAGAC), continued its regular calls with each Class I railroad to monitor rail service across the network and maintain awareness of positive and negative developments in the industry. These calls are informed by, among other things, the rail service performance data that the Class I railroads and the Chicago Transportation Coordination Office report to the Board on a weekly basis. OPAGAC's Rail Customer and Public Assistance (RCPA) program reviews the data to identify performance trends and outliers and to make year-over-year and month-over-month comparisons in performance. RCPA also monitors and tracks embargoes.

In addition to the above, the Board also addressed a number of service complaint cases filed by individual shippers. Those cases are discussed under Service, Rate, and Other Complaint Cases, below.

Rulemakings

In *Reciprocal Switching for Inadequate Service*, Docket No. EP 711 (Sub-No. 2), the Board on April 30, 2024, adopted new regulations that provide for the prescription of reciprocal switching agreements as a means to promote adequate rail service through access to an additional line haul carrier. Under the new regulations, eligibility for prescription of a reciprocal switching agreement will be determined in part using objective performance standards that address reliability in time of arrival, consistency in transit time, and reliability in providing first-mile and last-mile service.

In *Revisions to Regulations for Expedited Relief for Service Emergencies,* Docket No. EP 762, the Board on January 24, 2024, adopted a final rule amending its emergency service regulations. Specifically, the final rule modifies the procedures for parties seeking a Board order directing an incumbent carrier to take action to remedy a service emergency by modifying the informational requirements, shortening filing deadlines, and establishing a timeframe for Board decisions. The rule allows the Board to act on its own initiative or on petition. It also establishes a second, more accelerated process for seeking relief in the event of certain acute service emergencies where relief under the standard process would be ineffective.

Service, Rate and Other Complaint Cases

In *State of Oklahoma by and through the Oklahoma Department of Transportation and Blackwell Industrial Authority—Alternative Rail Service—Line of Blackwell Northern Gateway Railroad Company*, Docket No. FD 36762, the Board on March 1, 2024, permitted Chicago, Rock Island & Pacific Railroad, LLC, to provide emergency local rail service for 30 days over a line of railroad owned by the State of Oklahoma and the Blackwell Industrial Authority. On March 28, 2024, the Board extended that order for an additional 120 days, to July 29, 2024, and on July 26, 2024, extended it further to November 26, 2024.

In *Omaha Public Power District v. Union Pacific Railroad Company*, Docket No. NOR 42173, a case challenging the reasonableness of a Union Pacific Railroad Company rate for transporting unit trains of coal to Omaha Public Power District's (OPPD) power station in Omaha, Neb., the Board on November 22, 2023, granted OPPD's unopposed motion to dismiss the case with prejudice in light of the parties' settlement of the dispute.

In *Sanimax USA LC v. Union Pacific Railroad Company,* Docket No. NOR 42171, the Board on November 3, 2023, denied Union Pacific Railroad Company's second motion to dismiss and set a procedural schedule for submission of damages evidence. Thereafter, the Board twice postponed briefing on damages at the parties' request to facilitate settlement negotiations. On February 12, 2024, the parties notified the Board that they had settled their dispute and requested that the Board dismiss the complaint with prejudice and discontinue the proceeding. The Board granted that request on February 15, 2024.

On December 13, 2023, the Board granted Navajo Transitional Energy Company's unopposed motion to dismiss with prejudice all pending claims in *Navajo Transitional Energy Company, LLC—Ex Parte Petition for Emergency Service Order*, Docket No. NOR 42178, and *Navajo Transitional Energy Company, LLC v. BNSF Railway Company*, Docket No. FD NOR 42179, in light of the parties' settlement. In that decision, the Board also lifted the preliminary injunction it issued on June 23, 2023, in Docket No. NOR 42178, but declined to vacate the June 23, 2023 decision.

In *Released Rates of Motor Common Carriers of Household Goods*, Docket No. RR 999, the Board on January 17, 2024, denied a petition requesting an advisory opinion and a new released rates order.

In *Victor Insulators, Inc. v. Finger Lakes Railway Corp. and Ontario Central Railroad Corp.,* Docket No. NOR 42176, Victor Insulators, Inc., filed an amended complaint in March 2023 alleging that Finger Lakes Railway and Ontario Central Railroad were violating federal law by failing to provide transportation or service upon reasonable request and by entering into an arrangement to prevent the continuous carriage of freight. On November 13, 2023, the Board granted in part and denied in part the railroads' joint motion to dismiss the amended complaint. Shortly thereafter, on November 20, 2023, the Board granted Victor Insulators' request to withdraw its amended complaint and discontinue further proceedings.

Amtrak and Passenger Rail

In *Application of The National Railroad Passenger Corporation Under 49 U.S.C. § 24308(e)—CSX Transportation, Inc., and Norfolk Southern Railway Company*, Docket No. FD 36496, the parties, on November 21, 2022, informed the Board that they had agreed to settlement terms that, when fully implemented, will lead to a complete resolution of this proceeding. The proceeding involves an application by Amtrak to operate additional trains over certain lines of the CSX and Norfolk Southern rail systems. To allow the parties additional time needed to effectuate those terms, the Board granted the Parties' request to hold the proceeding in abeyance but required that a status report be filed by June 30, 2023, if the settlement terms were not fulfilled. Subsequently, the Board granted two requests from the parties to continue to hold the proceeding in abeyance, then the Board held a hearing on February 14, 2024, to hear testimony on the status of implementation of the settlement agreement. Following the hearing the Board issued a decision that continued to hold the proceeding in abeyance and directed the parties to file a joint status report with certain information. Subsequently, the Board has granted two more joint motions to hold the proceeding in abeyance.

In *Complaint & Petition of the National Railroad Passenger Corp. Under 49 U.S.C. § 24308(f)—for Substandard Performance of Amtrak's Sunset Limited Trains 1* & 2, Docket No. NOR 42175, the Board, on July 11, 2023, instituted an investigation and propounded document requests and interrogatories to Amtrak and various other railroads based upon the complaint and petition for an on-time performance investigation filed by Amtrak on December 8, 2022. On August 19, 2024, the Board established a schedule for the filing of pleadings and provided guidance on subjects to be addressed in those pleadings and denied a request by Amtrak pertaining to certain records of Union Pacific Railroad Company. And on September 26, 2024, the Board ordered several railroads to provide additional information about certain train delay events. The Board's work, led by the Board's Office of Passenger Rail (OPR), has included investigating the root cause of over 1,000 delays to the Sunset Limited.

OPR continues to analyze the quarterly Amtrak on-time performance data released by the Federal Railroad Administration (FRA). OPR provides the Board with observations about trends and its assessment of the data. OPR continues to build its office through the hiring of personnel to ensure it can meet of the needs of the agency and the public. In addition, on November 13, 2023, the Board issued notice of establishment of the Passenger Rail Advisory Committee (PRAC) which will provide advice and guidance to the Board on issues surrounding railroad passenger transportation services.

In *Application of Union Pacific Railroad Company for Mediation Under 49 U.S.C. § 28502*, Docket No. FD 36800, the Board directed Union Pacific Railroad Company (UP) and the Commuter Rail Division of the Regional Transportation Authority, D/B/A Metra (Metra) to engage in mediation relating to Metra's use of three UP rail lines for Metra's commuter rail service.

Finally, throughout FY 2024, OPAGAC monitored Amtrak's performance through publicly available information and responded to informal inquiries about Amtrak. OPAGAC staff also met regularly with Amtrak staff to discuss Amtrak's publicly available, monthly, on-time performance operating statistics.

Declaratory Orders

In *Grafton and Upton Railroad Company—Petition for Declaratory Order*, Docket No. FD 36696, the Board issued a declaratory order finding that the use of eminent domain by the Town of Hopedale, Mass., to take property on which Grafton and Upton Railroad Company plans to construct a transloading facility and related rail facilities, as well as an order by the Hopedale Conservation Commission requiring a permit to construct those facilities, are preempted.

In *MMD Investment, LLC—Petition for Declaratory Order*, Docket No. FD 36678, the Board granted in part a request for a declaratory order and found that tracks on a right-of-way owned by Conrail in Irvington, N.J., are excepted tracks under 49 U.S.C. § 10906 and therefore not subject to the Board's licensing authority. The Board, however, declined to declare whether those tracks had been abandoned, as on that issue there was no dispute between the parties or uncertainty to resolve.

In *Wisconsin Central Ltd.—Petition for Declaratory Order—Interchange with Soo Line Railroad Company*, Docket No. FD 36397, the Board found that Wisconsin Central, Ltd.'s proposal to unilaterally designate the Belt Railway of Chicago's Clearing Yard as the location where it will receive traffic in interchange from Soo Line Railroad Company is not consistent with the reasonableness requirement of 49 U.S.C. § 10742.

In *Town of Smithtown, N.Y.—Petition for Declaratory Order*, Docket No. FD 36575 (Sub No. 1), the Board denied the Town of Smithtown's petition for declaratory order concerning the extent of the Board's jurisdiction over transloading activities because the case law on that issue is well-established, but the Board provided guidance to the parties on that issue. The Board also denied Smithtown's request to declare in the abstract what would constitute a "reasonable request" under 49 U.S.C. § 11101(a) for the rail transportation of hazardous materials.

In *Tenth Avenue Neighbors—Petition for Declaratory Order*, Docket No. FD 36654, the Board denied a premature request for a declaratory order on whether a rail spur owned by Pitman Family Farms, and/or its affiliate Bel's Poultry, LLC, is subject to the Board's jurisdiction, but provided general guidance on the circumstances under which state or local regulation may be preempted under 49 U.S.C. § 10501(b).

Licensing

Major and Significant Transactions

In *Canadian Pacific Kansas City Limited and The Kansas City Southern Railway Company, D/B/A CPKC—Acquisition and Operation—Certain Rail Line of Meridian & Bigbee Railroad, L.L.C. in Lauderdale County, Miss., and Choctaw and Marengo Counties, Ala.,* Docket No. FD 36732, et al., the Board accepted for consideration the primary application filed October 6, 2023, by Canadian Pacific Kansas City Limited, on behalf of itself and its wholly owned subsidiary, The Kansas City Southern Railway Company (KCS). The Application sought Board approval for KCS to acquire from Meridian & Bigbee Railroad, L.L.C., and operate approximately 50.4 route miles of rail line between Meridian, Miss., and Myrtlewood, Ala.

In *CSX Transportation, Inc.—Acquisition and Operation—Rail Line of Meridian & Bigbee Railroad*, L.L.C., Docket No. FD 36727, et al., the Board accepted the primary application filed October 6, 2023, by CSX Transportation Inc. (CSXT), and accepted for consideration two related filings. The application seeks Board approval for CSXT to acquire and operate the assets comprising the rail line of Meridian & Bigbee Railroad, L.L.C., that runs approximately 93.68 miles between the cities of Burkville, Ala., and Myrtlewood, Ala., in Lowndes, Dallas, Wilcox and Marengo Counties.

In *Townline Rail Terminal, LLC—Construction and Operation Exemption—in Suffolk County, N.Y.,* Docket No. FD 36575, Townline Rail Terminal, LLC, filed in 2022 a petition for exemption to construct and operate a new rail line in Smithtown, Suffolk County, N.Y. On November 13, 2023, the Board denied a motion by the Townline Association Inc., to dismiss the petition for exemption. The Board found that Townline would be a rail carrier engaged in rail transportation, and that therefore the proposed construction is subject to the Board's jurisdiction. Subsequently, on August 15, 2024, the Board issued its merits decision authorizing Townline to construct and operate the proposed new rail line, subject to environmental mitigation conditions.

In *DesertXpress Enterprises, LLC, and Desertxpress HSR Corporation—Construction and Operation Exemption—in Victorville, Cal. and Las Vegas, Nev.,* Docket No. FD 35544, the Board granted a request to reopen and authorize construction and operation of a modified alignment of the high-speed passenger rail project at issue in this docket, subject to environmental mitigation measures.

In *Desertxpress Enterprises, LLC—Authority to Construct and Operate—Petition for Exemption from 49 U.S.C. 10901—Passenger Rail Line Between the Victor Valley, Cal. and Rancho Cucamonga, Cal.,* Docket No. FD 36488, the Board authorized DesertXpress Enterprises, LLC, to construct and operate approximately 50 miles of new rail line between the Victor Valley, Cal., and Rancho Cucamonga, Cal., subject to environmental mitigation conditions.

In *Van Pool Transportation LLC—Acquisition of Control—PLSIII LLC*, Docket No. MCF 21111, the Board in November 2023 tentatively approved and authorized Van Pool Transportation LLC to acquire control of interstate passenger motor carrier PLSIII LLC (PLS), by acquiring all the outstanding equity interests in PLS from Founders Mobility LLC, the sole member of PLS. The authority became effective on January 3, 2024.

In *TBL Group, Inc.—Acquisition of Control—East Coast Transportation Company of North Florida LLC*, Docket No. MCF 21112, the Board in November 2023, tentatively approved and authorized TBL Group, Inc., a holding company, to acquire substantially all of the business operations and assets of East Coast Transportation Company of North Florida LLC. The authority became effective on January 3, 2024.

In *Van Pool Transportation LLC—Acquisition of Control—TransAction Corporate Shuttles, Inc*., Docket No. MCF 21119, the Board on September 27, 2024, tentatively approved and authorized Van Pool Transportation LLC to acquire control of an interstate passenger motor carrier, TransAction Corporate Shuttles, Inc., from its sole shareholder, the Cynthia Cain Frené Revocable Trust, subject to the owners of Van Pool filing to join the application.

In *Student Transportation of America, Inc. et al.—Acquisition of Control—West Point Tours, Inc.*, Docket No. MCF 21121, the Board on September 11, 2024, tentatively approved and authorized Student Transportation of America, Inc., to acquire all the voting securities of West Point Tours, Inc. a passenger motor carrier.

In *Port Authority of Kansas City, Mo.—Construction and Operation Exemption—in Jackson and Clay Counties*, Mo., Docket No. FD 36406, the Board directed the Port Authority of Kansas City, Missouri, to file a verified supplement clarifying its plan to access other entities' rail lines and tracks as part of its proposed rail line construction and continued to hold the environmental review in abeyance pending further Board order.

In *Lake Providence Port Commission—Feeder Line Application—Line of Delta Southern Railroad Located in East Carroll and Madison Parishes, La.,* Docket No. FD 36447, the Board denied Delta Southern Railroad's motion to reject the Lake Providence Port Commission's amended feeder line application and terminate this proceeding. The Board conditionally accepted the amended feeder line application on December 11, 2023, and discovery related to valuation of the line proceeded. In August 2024, the Board placed the case in abeyance in light of pending state court litigation relating to the authority of Lake Providence Port Commission under Louisiana state law to proceed with its request for a Board-ordered sale of the line.

In *Metro North Commuter Railroad Company—Exemption—from 49 U.S.C. Subtitle IV*, Docket No. FD 32639 (Sub-No.1), the Board granted a request to partially revoke a 49 U.S.C. Subtitle IV exemption previously granted to Metro-North Commuter Railroad Company.

In *BNSF Railway Company—Terminal Trackage Rights—Kansas City Southern Railway Company and Union Pacific Railroad Company*, Docket No. FD 32760 (Sub-No. 46), the Board identified an apparent error in the parties' evidence regarding the proposed methods for determining compensation for BNSF Railway Company's terminal trackage rights over the Rosebluff Lead and ordered the parties to submit supplemental analysis and data.

In *Union Pacific Railroad Company—Construction and Operation Exemption—in Maricopa County, Ariz*., Docket No. FD 36501, the Board on December 11, 2023, directed Union Pacific Railroad Company (UP) to provide documents and information relating to ground disturbances that occurred within designated archaeological sites within the proposed right-of-way of UP's rail line construction project in Maricopa County, Mesa, Ariz. The Board further set a briefing schedule for submissions on the issue of whether UP has engaged in "anticipatory demolition" of historic properties in violation of Section 110(k) of the National Historic Preservation Act. On March 26, 2024, the Board placed the briefing schedule in abeyance and directed UP to provide a sworn verification and affidavit as specified in the Board's December 2023 decision.

In *Macquarie Infrastructure Partners V GP, LLC—Control Exemption—Northern Indiana Railroad Company, LLC*, Docket No. FD 36729, the Board authorized Gulf & Atlantic Railways, LLC, to acquire ownership and direct control over the Northern Indiana Railroad Company (NIRC). As a result, Macquarie Infrastructure Partners V GP, LLC; Macquarie Infrastructure Partners V fund vehicle; and MIP V Rail, LLC acquired indirect control of NIRC.

In *Allied Van Lines et al.—Pooling*, Docket No. MCF 21114, the Board in January 2024 approved a motor carrier pooling application filed by Allied Van Lines, Inc.

In *North American Van Lines et al.—Pooling,* Docket No. MCF 21115, the Board in January 2024, approved a motor carrier pooling application filed by North American Van Lines, Inc.

In *Essex Equity Partners MJT, LLC–Acquisition of Control—Xplore KY LLC and MJT Nashville LLC*, Docket No. MCF 21116, the Board on July 19, 2024, granted Essex Equity Partners MJT, LLC, Lawrence Boyce, and Terry Stapp, all noncarriers, after-the-fact authority to acquire indirect control of two interstate passenger motor carriers, Xplore KY LLC and MJT Nashville LLC.

In *Bus Company Holdings Topco LP and Bus Company Holdings US LLC—Acquisition of Control of Assets—Chenango Valley Bus Lines, Inc. et al.*, Docket No. MCF 21117, the Board tentatively approved and authorized Bus Company Holdings Topco LP and Bus Company Holdings US LLC, both noncarriers, along with certain of their subsidiaries, to control the assets of certain interstate passenger motor carriers controlled by Coach USA, Inc.

In *Wilmington Terminal Railroad, Limited Partnership—Operation Exemption—North Carolina State Ports Authority,* Docket No. FD 36753, the Board waived the 60-day advance notice requirement with respect to Wilmington Terminal Railroad, Limited Partnership's exemption for continued operation of approximately 18 miles of rail line in Wilmington, N.C., and allowed the exemption to take effect on March 9, 2024.

In *Savage Tooele Railroad Company—Construction and Operation Exemption—Line of Railroad in Tooele County, Utah*, Docket No. FD 36616, the Board authorized Savage Tooele Railroad Company to construct and operate approximately 11 miles of rail line in Tooele County, Utah, subject to certain environmental mitigation conditions.

In *Union Pacific Railroad Company—Operation Exemption—in Toole County, Utah.,* Docket No. FD 36741, the Board granted Union Pacific Railroad Company the authority to reinstitute common carrier service over 1.04 miles of rail line in Tooele County, Utah, and denied BNSF Railway Company's motion to institute a proceeding.

In *TGS Cedar Port Railroad LLC—Operation Exemption—in Chambers County, Tex.,* Docket No. FD 36627, the Board denied requests to revoke an exemption that took effect in August 2022 and found that the statement at issue in the verified notice of exemption filed by TGS Cedar Port Railroad was not false or misleading.

In *Gméxico Transportes, S.A.B. de C.V.—Acquisition of Control Exemption—CG Railway, LLC*, Docket No. FD 36701, the Board rejected as incomplete a petition for exemption for Gméxico Transportes, S.A.B. de C.V. to acquire indirect control of CG Railway, LLC (CGR), which operates rail-ferry service between the Port of Mobile, Alabama, and the Port of Coatzacoalcos, Mexico. Rejection of the petition was without prejudice to the parties' ability to file anew a complete, correct petition or application. The Board also directed CGR and its owners to respond to questions concerning, respectively, authorization for CGR's current operations and for the transaction in which CGR's current owners acquired CGR. Thereafter, the applicants submitted further information, and CGR sought and obtained after-the-fact Board authority to operate the rail ferry service between the Port of Mobile and the U.S. maritime boundary in the Gulf of Mexico, in CG Railway—Operation Exemption—Rail Ferry Service, Docket No. 36775. In May 2024, Gméxico Transportes, S.A.B. de C.V. filed a new petition for exemption to acquire control of CGR, in *Gméxico Transportes, S.A.B. de C.V.—Acquisition of Control Exemption—CG Railway, LLC*, Docket No. FD 36780. The Board granted that petition on August 13, 2024.

In *TBL Group, Inc.—Control—JKS Limousines, LLC d/b/a Windy City Limousine Company, LLC*, Docket No. MCF 21113, et al., the Board in April 2024, rejected a motor carrier application filed by TBL Group, Inc. and denied a related request for interim approval.

In *Ann Arbor Railroad, Inc.—Lease Renewal and Operation Exemption with Interchange Commitment—Norfolk Southern Railway Company*, Docket No. FD 35729 (Sub-No. 1), the Board waived a 60-day advance notice requirement with respect to Ann Arbor Railroad Inc.'s exemption to enter into an amended lease agreement for approximately 3.69 miles of rail line in Toledo, Ohio, and allowed the exemption to take effect on April 19, 2024.

In *Grainbelt Corporation—Trackage Rights Exemption—BNSF Railway Company,* Docket No. FD 36486 (Sub-No. 7), the Board authorized the expiration of certain Board-approved trackage rights by Grainbelt Corp. over the lines of BNSF railway in Oklahoma and Texas.

In *The Lowville & Beaver River Railroad Company—Acquisition Exemption—Lewis County Industrial Development Agency*, Docket No. FD 36763, the Board denied a petition to stay the effective date of an exemption granting The Lowville & Beaver River Railroad Company after-the-fact authority to acquire a rail line in Lewis County, N.Y.

In *Peninsula Corridor Joint Powers Board—Acquisition Exemption—San Mateo County Transit District*, Docket No. FD 36756, the Board granted the Peninsula Corridor Joint Powers Board authority to acquire all the rights, title, and interest of the San Mateo County Transit District in a line of railroad and related right-of-way in the County of San Mateo, Cal.

In *Savannah Industrial Transportation, LLC—Operation Exemption—in Effingham County, Ga.*, Docket No. FD 36489, et al., the Board in May 2024 reiterated that its August 2023 decision (which directed Savannah Industrial Logistics and Savannah Industrial Transportation to seek after-the-fact construction and operating authority, respectively, with respect to an already-constructed rail line in Georgia) permitted Savannah Industrial Transportation to provide rail service in the meantime only to the one shipper that was already located on the line and receiving rail service as of August 1, 2023. The Board also declined to grant additional permissions.

In *Tarantula Corporation—Acquisition of Control Exemption—Texas Central Railroad Company*, Docket No. FD 36759, the Board authorized Tarantula Corporation to acquire the controlling stock of Texas Central Railroad Company.

In *San Joaquin Valley Railroad Co.—Lease and Operation Exemption Including Interchange Commitment—BNSF Railway Company*, Docket No. FD 36765, the Board waived the 60-day advance notice requirement with respect to San Joaquin Valley Railroad Company's exemption to extend the term of its lease for approximately 2.0 miles of rail line in Kern County, Cal., and allowed the exemption to take effect on June 14, 2024.

In *Bay Colony Railroad Corporation—Acquisition and Operation of Rail Line—in Norfolk County, Mass.,* Docket No. FD 36746, et al., the Board granted Bay Colony Railroad Corporation after-the-fact authority to acquire and operate an easement for a 3.4-mile rail line and confirmed that a connecting 0.1-mile rail line remained subject to a modified certificate of public convenience and necessity. The Board also granted Massachusetts Coastal Railroad, LLC, the authority to acquire from Bay Colony and operate the same rail lines.

In *Great Lakes Terminal Railroad, LLC—Acquisition & Operation Petition for Exemption—Great Lakes Terminal, LLC,* Docket No. FD 36764 (Sub-No. 1), the Board granted Great Lakes Terminal Railroad, LLC, after-the-fact authority to lease and operate approximately 22,568 feet of track in Chicago, Ill.

In *Alameda Belt Line—Operation Exemption—Board of Harbor Commissioners of the Port of Los Angeles*, Docket No. FD 36787, the Board issued a notice of exemption to permit Alameda Belt Line, a private entity owned in equal parts by BNSF Railway Company and Union Pacific Railroad Company, to assume by subcontract the dispatching operations over the Alameda Corridor in Los Angeles, Cal.

In *Virginia Passenger Rail Authority—Acquisition and Operation of Certain Assets of Norfolk Southern Railway Company in Fairfax and Prince William Counties, And the Cities of Manassas Park, Manassas and Alexandria, Va.*, Docket No. FD 36784, the Board found that Virginia Passenger Rail Authority does not need Board authority to acquire certain real property, track, and other improvements on a rail line owned by Norfolk Southern Railway Company (NSR) or to obtain an easement for passenger rail purposes on a connecting NSR rail line. The Board therefore dismissed VPRA's petition seeking such authority.

In *City of Charlotte, N.C.—Acquisition Exemption—Norfolk Southern Railway Company*, Docket No. FD 36785, the Board found that the City of Charlotte, N.C. (the City), does not need Board authority to acquire certain rail assets owned by Norfolk Southern Railway Company and granted the City's motion to dismiss its notice of exemption seeking such authority.

In *Waterloo Railroad, LLC—Change of Operator Exemption with Interchange Commitment—Union Pacific Railroad Company*, Docket No. FD 36798 et al., the Board issued a notice of exemption to permit Waterloo Railroad, LLC, to replace Iowa Northern Railway Company (IANR) as the lessee and operator of a rail line owned by Union Pacific Railroad Company. In addition, the Board denied as moot IANR's petition for exemption to discontinue its service over that line that was filed in a separate docket.

In *Avalon Motor Coaches, LLC et al.—Acquisition of Control—Kerrville Bus Company Inc. et al.*, Docket No. MCF 21120 TA et al., the Board permitted Avalon Transportation, LLC, and Avalon Motor Coaches, LLC (collectively, Avalon), to manage and operate certain assets of several Coach USA, Inc., subsidiaries (Coach USA Subsidiaries) on an interim basis pending determination of a related application for Avalon to purchase such assets of the Coach USA Subsidiaries.

Other Transactions

Abandonments/Discontinuances

In *R. J. Corman Railroad Property, LLC–Abandonment Exemption–in Scott, Campbell, and Anderson Counties, Tenn*., Docket No. AB 1296X, et al., the Board in October 2023 sought clarification from the petitioner as to the extent of the line at issue in Docket No. AB 1296 (Sub-No. 1X) and extended the interim trail use negotiating period for the line at issue in Docket No. AB 1296X.

In *R.J. Corman Railroad Property, LLC—Abandonment Exemption—in Campbell County, Tenn*., Docket No. AB 1296 (Sub-No. 1X), the Board on March 1, 2024, permitted R. J. Corman Railroad Property, LLC, to abandon approximately 3.67 miles of rail line in Campbell County, Tenn., subject to standard employee protective conditions.

In *Austin Area Terminal Railroad, Inc.—Discontinuance of Service Exemption—in Bastrop, Burnet, Lee, Llano, Travis, and Williamson Counties, Tex.,* Docket No. AB 578X, the Board denied an appeal of a decision issued by the Director of the Office of Proceedings rejecting Austin Area Terminal Railroad, Inc.'s verified notice of exemption to discontinue common carrier rail service over approximately 162 miles of rail line. The Board, however, granted on its own motion an exemption allowing Austin Area Terminal Railroad to discontinue common carrier rail service.

In *CSX Transportation, Inc.—Abandonment Exemption—Pinellas County, Fla.,* Docket No. AB 55 (Sub No. 794X), the Board on November 14, 2023, reopened the proceeding and revoked a notice of interim trail use or abandonment (NITU) issued to CSX Transportation, Inc., and the

Georgetown and High Line Railway Company for a rail line in Florida. Thereafter, on January 12, 2024, the Board reopened the proceeding and issued a NITU to CSX Transportation, Inc., and the City of St. Petersburg for the line.

In *Norfolk Southern Railway Company—Abandonment Exemption—in the City of Greensboro, N.C.,* Docket No. AB 290 (Sub-No. 404X), the Board clarified that a portion of the width of a railbanked right-of-way in North Carolina, which is not needed to permit the reactivation of rail service, is no longer part of the notice of interim trail use or abandonment.

In *Mohawk, Adirondack & Northern Railroad Corporation—Abandonment Exemption—in Lewis and Jefferson Counties, N.Y.,* Docket No. AB 768X, et al., the Board placed two abandonment proceedings in abeyance and directed the carriers to provide additional information.

In *Katahdin Railcar Services LLC—Discontinuance of Service Exemption—in Monroe County, Ohio*, Docket No. AB 1336X, the Board allowed Katahdin Railcar Services LLC to discontinue service over approximately 12.2 miles of rail line in Monroe County, Ohio.

In *Allegheny Valley Railroad Company—Abandonment Exemption—in Allegheny County, Pa.,* Docket No. AB 1233 (Sub-No. 2X), the Board denied a request to waive an environmental regulation and deemed the filing date for a verified notice of exemption to abandon a line in Pennsylvania to be March 14, 2024.

In *Snohomish County—Adverse Abandonment—GNP RLY, INC., in Snohomish County, Wash*, Docket No. AB 1331, the Board granted Snohomish County's application for adverse abandonment of a rail line in that county subject to interim trail use/railbanking, environmental, and labor protective conditions.

In *Allegheny Valley Railroad Company -- Abandonment Exemption -- in Allegheny County, Pa*., Docket No. AB 1233 (Sub-No. 2X), the Board denied Amtrak's request to impose a condition on Allegheny Valley Railroad Company's abandonment of a rail line in Allegheny County, Pa., and allowed AVR's abandonment exemption to become effective.

Environmental Review

The Board considers environmental impacts in its decision-making process under the National Environmental Policy Act (NEPA) and related laws and regulations. By preparing the requisite environmental reviews and inviting the public to participate in the Board's environmental review process, the Board ensures its compliance with NEPA. The Board documents its NEPA findings by preparing Environmental Impact Statements (EISs) or Environmental Assessments (EAs), which assess the potential environmental impacts that could result from Board decisions.

During FY 2024, OEA worked on 10 EISs and 26 EAs in rail projects, comprising rail line constructions, rail line abandonments and acquisitions. During FY 2024, 163 cases before the

Board fell within a categorical exclusion from NEPA review. These cases included leases, operating exemptions, declaratory orders, rulemakings, transactions involving corporate changes, and certain acquisitions and discontinuances.

Environmental Impact Statements

The EISs addressed projects such as the proposed construction and operation of a rail line in Eagle Pass, Texas. The Board served as a cooperating agency in environmental reviews for rail constructions in Nevada and California. The Board is also monitoring environmental mitigation in rail construction cases in Alaska, Utah, and South Carolina and in the acquisition of KCS by Canadian Pacific.

Environmental Assessments

The EAs addressed 10 rail line construction cases that would provide passenger service or rail service to various industrial complexes and port facilities; the acquisitions of a rail line in Alabama and Mississippi; and 16 rail line abandonments. Finally, the Board has continued working towards completion of the National Historic Preservation Act requirements for a complex rail line abandonment in Jersey City, N.J.

Alternative Dispute Resolution

The Board has established arbitration and mediation rules to help parties informally resolve disputes and avoid costly litigation, and the Board actively encourages parties to use alternative dispute resolution. Mediation efforts have facilitated the settlement of cases and satisfactorily addressed other conflicts. Successful mediation settlements result in significant savings of litigation expenses to the parties, allow both sides to reach mutually satisfactory agreements, and make available the Board's limited staff resources to work on other matters.

The Board continued to engage the expertise of the Federal Mediation and Conciliation Service in FY 2024 to conduct Board-sponsored mediations with Board staff. This partnership has greatly enhanced the Board's mediation services offered to our stakeholders. In FY 2024, the Board held two mediations, one of which is ongoing and one of which did not reach a successful resolution. To date, there has not been an arbitration case filed under the Board's mediation and arbitration procedures.

Public Outreach and Informal Dispute Resolution

OPAGAC continues to provide shippers, carriers, state and local governments, and members of the public with an accessible and effective resource for resolving certain disputes on an informal basis. OPAGAC's RCPA program works to resolve conflicts that might otherwise be submitted to the Board for adjudication, thereby conserving stakeholder and agency resources.

In FY 2024, RCPA handled 1,322 inquiries from stakeholders, of which approximately 138 pertained to shipper-railroad disputes. RCPA worked with parties to successfully resolve matters related to timely fulfillment of car orders, availability of rail resources, track maintenance, interchange operations, inter-carrier disputes, switching services, car storage, rates and charges, track lease agreements, and responsibility for spur track.

RCPA also informally assisted customers of household goods (HHG) moving companies to resolve service and rate disputes. The Federal Motor Carrier Safety Administration (FMCSA) has primary regulatory and enforcement jurisdiction in this area. RCPA maintained its informal engagement with FMCSA to discuss HHG trends and with the Federal Maritime Commission to discuss issues of common interest.

In addition to its dispute resolution function, OPAGAC also serves as a primary liaison between the public and the Board. OPAGAC fields inquiries from Board practitioners, other agencies, state, local and foreign governments, members of Congress, as well as from members of the broader public to provide those parties with a better understanding of the laws and regulations administered by the Board, as well as proceedings before the Board.

Court Actions and Other Legal Matters

In FY 2024, the Office of the General Counsel (OGC) handled a variety of cases on behalf of the Board:

In the area of new-carrier entry, in December 2023, the D.C. Circuit denied a petition for rehearing en banc of the Court's August 2023 decision vacating and remanding a Board decision authorizing, through an exemption, the construction and operation of a rail line in Utah. *See Eagle Cnty., Colo., et al. v. Surface Transportation Board, et al., Nos. 22-1019 and 22-1020 (reviewing Seven Cnty. Infrastructure Coal.—Rail Constr. & Operation Exemption—in Utah, Carbon, Duchesne, & Uintah Cntys., Utah,* FD 36284, (STB served Dec. 5, 2021)). The project proponents petitioned the Supreme Court for a writ of certiorari, which the Court granted on June 24, 2024. *Seven Cnty Infrastructure Coal., et al., v. Eagle Cnty, CO, et al.*, No. 23-975 (S. Ct.) Briefing began on August 28, 2024, and will conclude on November 18, 2024. Oral argument has not yet been scheduled.

In the area of combinations and mergers, the Board successfully defended its decision finding that Norfolk Southern Railway Company had not been authorized to acquire control over the Norfolk & Portsmouth Belt Line Railroad Company in the context of a major 1982 consolidation, nor had it obtained control through later corporate-family exemptions that did not mention the Belt Line. *Norfolk Southern Railway Co.—Pet. for Dec. Order*, Docket No. FD 36522 (STB served June 17, 2022). After the D.C. Circuit asserted jurisdiction over the matter and affirmed the Board's ruling in all respects (see *Norfolk Southern Railway Co. v. Surface Transportation Board*, No. 22-1209 (D.C. Cir. Jun. 30, 2023)), Norfolk Southern petitioned the Supreme Court for a writ of certiorari, which the Solicitor General and the Board opposed. The Supreme Court denied certiorari on April 15, 2024. *Norfolk Southern Ry. v. STB, et al.*, No. 22-

1209 (S. Ct.). A parallel complaint challenging the Board's decision filed by Norfolk Southern in the Eastern District of Virginia, the court that had initially referred the matter to the Board, was voluntarily dismissed following the Supreme Court's denial of certiorari. *See Norfolk Southern Railway Co. v. Surface Transportation Board*, No. 2:22-cv-00385-EWH- LRL (E.D. Va.).

The Board is defending its final rule providing for the prescription of a reciprocal switching agreement as a means to promote adequate rail service. *Reciprocal Switching for Inadequate Rail Serv.*, EP 711 (Sub-No. 2) (STB served Apr. 30, 2024). CSXT, Union Pacific and Canadian National are seeking review of the Board's decision in the Seventh Circuit. *Grand Trunk., et al. v. STB, et al.*, No. 24-1811 (7th Cir.). Briefing concluded in September 2024. Oral argument has not yet been scheduled.

In the area of combinations and mergers, the Board is defending its decision approving the combination of Canadian Pacific and Kansas City Southern, which was the first merger of Class I carriers approved by the Board in over 25 years. *Can. Pac. Ry.—Control—Kansas City S.*, FD 36500 (STB served Mar. 15, 2023). Chicago-area commuter rail system Metra and a coalition of Chicago-area local government entities are seeking review of the decision in the D.C. Circuit. *Coalition to Stop CPKC, et al. v. Surface Transportation Board, et al.*, Nos. 23-1165, and 23-1274 (D.C. Cir.). (Union Pacific had also sought review but withdrew its appeal prior to briefing.) The petitioners filed opening briefs in February 2024 and further briefing was extended to accommodate settlement discussions between Metra and the combined company Canadian Pacific Kansas City. Metra voluntarily withdrew its appeal in late July 2024. Following motions practice concerning the scope of the Coalition's appeal, the Court set a new briefing schedule, which will conclude in early 2025.

In the area of interchange, the Board is defending its decision concluding that Canadian National's proposal for receiving traffic from Canadian Pacific Kansas City is inconsistent with the statutory reasonableness requirement *Wisc. Cent. Ltd.—Pet. for Declaratory Order*, FD 36397 (STB served Jan. 29, 2024). Canadian National sought review of the decision in the Seventh Circuit. The Board's brief was filed on July 17, 2024, and oral argument has been scheduled on November 15, 2024.

In the area of rates, the Eighth Circuit vacated the Board's rulemaking decision adopting "Final Offer Rate Review" procedures, which would give shippers a practical way to seek rate relief through accelerated procedural schedules, flexible rate reasonableness standards, and "final offer" procedures for selecting the rate that will be prescribed for the future. Upon petitions for review by Union Pacific and the Association of American Railroads, the court found that FORR constituted formal adjudication under the Administrative Procedure Act (APA) and did not comply with the APA's burden of proof requirements applicable to such proceedings. The court also found that FORR impermissibly permitted the parties, instead of the Board, to prescribe the maximum rate. *Union Pacific Railroad Company and the Association of American Railroads v. Surface Transportation Board*, Nos. 22-3648 & 23- 1325 (8th Cir, Aug. 20, 2024.).

The Board's decision adopting arbitration procedures for small rate cases has been challenged in court by railroad interests. The arbitration program, which followed the contours but not all the details of a program that the rail industry recommended, would have postponed FORR's application for a period of at least five years, but only if all Class I railroads opted into the program; because only one railroad did so, the program is currently inoperable. *Joint Pet. for Rulemaking to Establish a Voluntary Arb. Program for Small Rate Disputes*, EP 765 (STB served Dec. 19, 2022). The court case is currently in abeyance as the Board considers administrative petitions for reconsideration. *Grand Trunk Corp. and Illinois Central Railroad Co. v. Surface Transportation Board*, No. 22-3289 (7th Cir.)

The Board successfully argued that a writ of mandamus should not issue in an informational proceeding related to revenue adequacy. Western Coal Traffic League filed a petition in the D.C. Circuit asking the court to direct the Board either to initiate rulemakings on revenue adequacy issues or to issue an order closing out its informational proceedings in *Hearing on Revenue Adequacy*, Docket No. EP 761, and Railroad Revenue Adequacy, Docket No. EP 722. The Board had instituted proceedings and held hearings on general revenue adequacy issues, but it has not proposed any rules. The court dismissed the mandamus petition for lack of jurisdiction, finding that it had no current or prospective jurisdiction to aid or protect given that the Board had not committed to propose revenue adequacy rules and was only seeking input. In *re: Western Coal Traffic League*, No. 23-1126 (D.C. Cir., July 26, 2024).

In addition, the Board successfully defended its decision in *Railroad Cost of Capital—2022*, EP No. 558 (STB served Aug. 3, 2023). In that proceeding, the Board's ministerial ruling calculated the railroad industry's cost of capital for the year 2022. Consistent with numerous prior decisions calculating the industrywide cost of capital, the Board also declined to entertain in this docket Western Coal's challenges to the methodology used. Instead, as it has done many times before, it stated that Western Coal should file a petition for rulemaking if it wishes to challenge the methodology. On February 21, 2024, on motion by the Board, the Court summarily denied Western Coal's petition for review, applying longstanding precedent that the court defers to the agency regarding management of its own docket. *See W. Coal Traffic League v. STB*, No. 2301272 (D.C. Cir Feb. 21, 2024).

The Board continued to defend in court its decisions regarding BNSF Railway Company's terminal trackage rights in *Kansas City Southern Railway Company v. Surface Transportation Board*, Nos. 16-1308,20-1116 and 22-1069 (D.C. Cir.). All three consolidated appeals are currently being held in abeyance, with the parties providing quarterly status reports to the Court, pending the resolution of the compensation-setting phase at the Board.

In the area of interim trail use/railbanking, the Board is defending its decision revoking a notice of interim trail use for a line located in Pinellas County, Florida due to failure by the trail sponsor and railroad to properly railbank the line. *CSX Transp., Inc. – Aban. Exemption – Pinellas Cnty., Fla.*, AB 55 (Sub-No. 794X) (STB served Nov. 14, 2023). The rail carrier and the trail sponsor – CSX Transportation and GHL High Line Railway – petitioned for review of the Board's decision in the Eleventh Circuit. *CSX Transp., et al. v. STB, et al.*, No 23-13860 (11th Cir.). The Court held the proceeding in abeyance until February 2025 as CSX Transportation pursues interim trail use negotiations with a different trail sponsor.

The Board successfully defended its decision in *Walkersville Southern Railroad, Inc.—Discontinuance of Service Exemption—in Frederick County, Md.*, AB 1339X (STB served May 24, 2024). In that proceeding, the Director of the Board's Office of Proceedings denied a request by Frederick County, Maryland for a Notice of Interim Trail Use or Abandonment (NITU) on the ground that the Board lacked jurisdiction to issue a NITU because the Line had previously been abandoned. By decision served August 16, 2024, the Board granted the Maryland Transit Administration's (MTA) petition for leave to late file an administrative appeal with the Board. MTA subsequently filed an unopposed motion to dismiss its petition for review without prejudice, which the Court granted on August 29, 2024. *See Md. Transit Admin. v. STB*, No. 24-1257 (D.C. Cir. Aug. 29, 2024).

The Board continued to assist the DOJ in the defense of numerous Fifth Amendment takings cases arising from the conversion or attempted conversion of rail lines to interim trail use under the National Trails System Act. OGC also participated on behalf of the Board in various government interest litigation matters. The Office also continued to work on a wide variety of other legal matters, including matters involving FOIA, the Paperwork Reduction Act, the Equal Employment Opportunity Act, NEPA, the National Historic Preservation Act, the National Trails System Act, and the Federal Advisory Committee Act. It provided legal counsel on general personnel and ethics issues, and government contracting, and participated in the Administrative Conference of the United States. The OGC also houses the Board's Records Office, which manages the agency's compliance with the Federal Records Act and related authorities.

Advisory Committees

The Board has four transportation advisory committees, of which the Board members are ex-officio members. Established under the ICC Termination Act of 1995, the Railroad-Shipper Transportation Advisory Council (RSTAC) advises the Board, the Secretary of Transportation, and Congress on railroad-transportation policy issues of particular importance to small shippers and small railroads, such as railcar supply, railroad service, rates, and competitive matters. Its 15 appointed members consist of senior officials representing large and small shippers, large and small railroads, and one at-large representative. Along with the Board members, the Secretary of Transportation is also an ex-officio member. RSTAC held quarterly in-person meetings during

FY 2024 on November 30-December 1, 2023, March 20-21, 2024, June 5-6, 2024, and September 25-27, 2024.

The Rail Energy Transportation Advisory Committee (RETAC) was created in 2007 to provide advice and guidance to the agency on emerging issues concerning the rail transportation of energy resources such as coal, crude oil, ethanol, and other biofuels. The 27 voting members of RETAC represent a balance of stakeholders, including large and small railroads, coal producers, electric utilities, the biofuels industry, the petroleum production industry, the private railcar industry, the renewable energy industry, and labor. RETAC typically holds meetings twice per year. In FY 2024, RETAC met in-person on October 18, 2023, and again on April 17, 2024.

The National Grain Car Council (NGCC) assists the Board in addressing issues concerning grain transportation by fostering communication among railroads, shippers, rail-car manufacturers, and the government. The NGCC, which meets once a year, is composed of 12 representatives from Class I railroads, seven from Class II and Class III railroads, 14 from grain shippers and receivers, and seven from private rail car owners and manufacturers. NGCC was held in person on August 27, 2024.

On November 13, 2023, the Board issued notice of establishment of the Passenger Rail Advisory Committee (PRAC). PRAC provides advice and guidance to the Board on issues surrounding railroad passenger transportation services. PRAC's inaugural 21 members were appointed by the Board's Chairman, with approval from the Board, on March 28, 2024. The first meeting of the PRAC took place on October 16, 2024.

Workload Summary

Workload Category	FY 2024 (actual as of 9/30/2024)	FY 2025 Estimate	FY 2026 Estimate
Alternative Dispute Resolution			
Arbitrations	0	0	0
Informal Dispute Resolution	138	120	120
Mediations	2	3	4
Audits	7	10	10
Decisions			
Complaints			
Rate	1	12	16
Non-Rate	26	25	30
Declaratory Orders	14	20	25
Ex Parte Proceeding Decisions			
Rulemakings	8	25	25
Other	31	22	22
Licensing			
Applications/Petitions	90	100	100
Notices of Exemption	120	185	190
Other (incl. grant stamps)	14	26	40
Non-Rail Decisions	17	10	10
Other	15	25	25
Defensibility Assessments	120	160	160
Depreciation Studies	9	10	10
Economic Statistical Reports	31	30	30
Environmental			
Categorical Exclusions	163	160	160
Environmental Assessments	26	30	35
Environmental Impact Statements	10	10	10
Ethics Reviews	138	160	160
Fee Waiver Decisions	16	12	15
Advisory Committee Meetings (incl. Federal Advisory Committee Act Committees)	8	9	10
Filings	1,488	2,300	2,400
FOIA Requests	90	100	100
Investigations (pursuant to 49 U.S.C. § 11701)	0	1	1
Investigations (pursuant to 49 U.S.C. § 24308(f))	1	1	1
Judicial Review	23	25	25
Outreach & Communication			
Conferences	72	40	40
Environmental Meetings	27	20	20
Ex Parte Meetings	32	20	20
Stakeholder Meetings	326	225	225

Workload Category	FY 2024 (actual as of 9/30/2024)	FY 2025 Estimate	FY 2026 Estimate
Public Forum			
Hearings	2	2	2
Listening Sessions	0	1	1
Oral Arguments	1	2	2
Other	2	0	0
Rail Service Data Reports	416	416	416
Recordations	1,228	1,400	1,500
Section 5 Collaborative Discussions	16	20	20
Technical Conferences	1	2	2
Waybill Requests	136	148	125
Paperwork Reduction Act Requests and Submissions to OMB	17	23	23

FY 2024 Administrative Accomplishments

Risk Management, Cybersecurity, and IT Modernization

During FY 2024, the STB continued to implement a cost-effective, risk-based cybersecurity program that is aligned with the National Institute of Standards and Technology security standards and guidelines. The Board's Federal Information Security Modernization Act (FISMA) security maturity rating for FY 2024 continues to be Level 3, "Consistently Implemented," while the Board continues to make improvements to specific areas of the cybersecurity program. Three (3) of the FY 2021 recommendations were closed during the FY 2024 FISMA assessment. The Board continues to work to resolve all open recommendations.

In FY 2024, the Board continued to strengthen its cybersecurity posture by partnering with other federal agencies and investing in additional technologies, capabilities, and processes to meet the requirements of FISMA and the Office of Management and Budget, as well as the current needs of its IT modernization efforts. These partnerships include collaboration with the Department of Justice to conclude the implementation of the Security Operations Center as a Service (SOCaaS) capability that delivers 24x7x365 threat monitoring, detection and incident response, and intelligence within the STB. The SOCaaS implementation also allows the STB to mature its audit event capability. The STB also expanded its cybersecurity capabilities by continuing to leverage additional Department of Homeland Security Continuous Diagnostics and Mitigation Program offerings that allow the STB to more effectively manage its data loss prevention capability. Per the National Cybersecurity Strategy, the Board has also begun establishing a foundation for the Zero Trust pillars, such as biometric authentication, device signaling capability, and network segmentations. Finally, the STB has implemented processes to address the growing third-party supply chain risk. The Board's increased cybersecurity capability facilitates cyber resilience, better protect sensitive industry and personal identifiable information, and improves security detection and response to suspicious activity within federal networks.

The Board also continues to mature its internal risk management process and procedure controls. At least semi-annually, the Board's Risk Management Committee meets to assess organizational risk and identify ways to mitigate that risk. At least once per year, the Board reviews and updates its Risk Profile to ensure enterprise risk is considered and addressed.

In FY 2024, the Board completed its migration to FEDRAMP-approved business, platform, and software services in the Cloud and began efforts to mature IT services and governance, as well as address technical debt. Outdated servers and services were removed from the environment and discontinued.

Building Customer Experience (CX) and Digital Capacity

Efforts on website redesign to improve the user experience (UX) using the United States Web Design System (USWDS) have continued in FY 2024. The Board has redesigned public facing forms on the Board's website utilizing USWDS standards. Transition of the website to a hosted environment was completed and the framework revised to continue improving search capabilities and functionality in the Board's Dynamic Case Management System (DCMS). Significant headway was also made in building on data analysis capabilities in Amazon Web Services (AWS). These include utilizing Infrastructure As Code (IAC) to streamline data analysis, implementing governance in conjunction with the Data Advisory Group, and developing additional data quality checks to aid in the analysis. These efforts continue to build on a foundation to make data more accessible and interactive on the Board's website.

Human Resources

The STB's most vital resource is its staff. Effective management of the Board's workforce is crucial to its ability to serve the public interest. Overall, the Board seeks to create and maintain a performance-based organization. The STB seeks to meet its evolving human capital needs by ensuring that its performance management system emphasizes accountability and staff development. The Board is committed to working with its managers, employees, and other stakeholders to ensure progress is made toward meeting its human capital goals.

Human Resources continues leveraging the resources of its personnel and payroll shared service provider, the Department of the Interior-Interior Business Center and relies upon FedTalent from the Office of Personnel Management (OPM) for its staff training needs.

Human Resources utilizes OPM's Performance Management System, USA Performance, to manage its Senior Executive Service (SES) and Non-SES performance management programs. USA Performance enabled the STB to continue the automation of its performance appraisal process throughout the entire performance rating cycle. USA Performance has allowed Human Resources to improve the development of its performance plans, the tracking and monitoring of employees' performance, and the signature process, all electronically.

With respect to recruiting activities, Human Resources continued its efforts to improve the turnaround time for reviewing application packages and worked with hiring managers on the development of their position descriptions. This was particularly beneficial to the agency given the active recruiting this year, filling 10 vacancies during FY 2024. The STB also received approval from OPM to utilize Direct Hire Authority for the Transportation Industry Analyst series, 2110.

Facilities Management

In FY 2024, the Section of Facilities Management consistently ensured the provision of secure and suitable office spaces for all new and existing employees. They maintained an ample supply of safety equipment and implemented all necessary precautions to guarantee the well-being of staff. The section continues to work in collaboration with property management staff to properly identify and address all safety and office operational related issues.

The section maintained an onsite presence to facilitate the receipt and transmission of all correspondence to ensure the Board stayed in compliance with current rules, guidelines and policies. The Board continued to encourage electronic submissions for all filings and other documentation in accordance with OMB/NARA memo M-23-07, and the facilities team promptly and efficiently sent mail notifications of Board decisions to those who had not opted for electronic filing. Furthermore, the section effectively oversaw on-site support for the Board's hearings that took place in FY 2024.

Facilities Management continued to maintain responsibility for the day-to-day operation and administration of the agency's telecommunications system, as well as the Automated Emergency Defibrillators located through-out the agency. The Facilities section plays a vital role in handling building emergencies, evacuation procedures, sustainment, and continuity, as well as logistics for personnel services and health services support.

Financial Services

The Section of Financial Services (SFS or Financial Services) continued to provide excellent customer service to our internal and external customers. SFS continues to leverage our Shared Service Provider, DOT's Enterprise Services Center (ESC), to submit the monthly Governmentwide Treasury Account Symbol (GTAS) and Central Accounting Reporting System (CARS) reporting to the U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service (BFS) in a timely manner.

Financial Services collaborated with all STB offices to ensure large and small procurements were processed and met agency needs. The Board continued its engagement with contractors for assistance in improving the Board's OMB Circular A-123 compliance and updating the agency's performance measures. Additionally, Financial Services continued to support information technology by ensuring necessary IT contracts were awarded. The SFS leveraged the procurement system to track and efficiently expend allocated agency FY 2024 funds to benefit its mission.

Financial Services developed, justified, and presented the FY 2025 budget request estimates for approval by the Board and submission to Congress, and the submission of the FY 2026 budget request estimates to OMB and Congress, and also prepared the required external financial statements for Congress, OMB, Treasury, and external stakeholders.

The SFS further leveraged ESC's Delphi eInvoicing System by implementing several workflows to better align vendor invoices with agency approving officials.

Organizational Health and Work Environment

The Board continued leveraging online collaboration tools, cloud-based software, and cybersecurity to make the hybrid work environment stronger, which enabled the agency to continue to collaborate and produce sound decisions, conduct informal dispute resolution, meet with stakeholders, and provide the resources needed to accomplish the agency's mission, including the initiatives highlighted below. In FY24, the Board established a team to formally baseline the current work environment and provided recommendations for the future work environment.

Evidence Act

The STB relies on evidence-based decision-making to implement its Strategic Plan. Reliance on evidence-based decision-making is the responsibility of each Board office, from substantive matters of case adjudication and informal assistance regarding freight rail service to administrative matters concerning IT modernization and budgeting. As the agency continues to implement reforms to provide a more efficient and effective regulatory review process, it will endeavor to analyze new proposals against historical and other data to evaluate these reform initiatives. The agency will continue to evaluate its data collection and analysis capacity to support processes like agency operations, human capital management and development, and program administration, as well as to support mission-strategic areas. The Board's continued goal is to use its data as a strategic asset and to make evidence-based decisions to achieve its mission, serve the public, and steward resources while protecting security, privacy, and confidentiality. This includes agency efforts related to diversity and inclusion.

The STB continues to make progress pursuant to the Foundations for Evidence-Based Policymaking Act of 2018 (Evidence Act) and the Federal Data Strategy. The STB has furthered its data and analytics maturity and continues to move forward with a multi-year data strategy that will enable the Board to meet its mission more efficiently and effectively. During FY 2024, the Board designated a deputy Chief Data Officer and updated its Data Management Organization Structure. The Board continued maturing its CKAN enterprise Data Catalog and published it for Board employees. The Board has also expanded the cloud services in use for Data Analysis and initiated an effort to further reduce the amount of paper submitted to the Board by parties. The agency has also defined additional governance during the year.

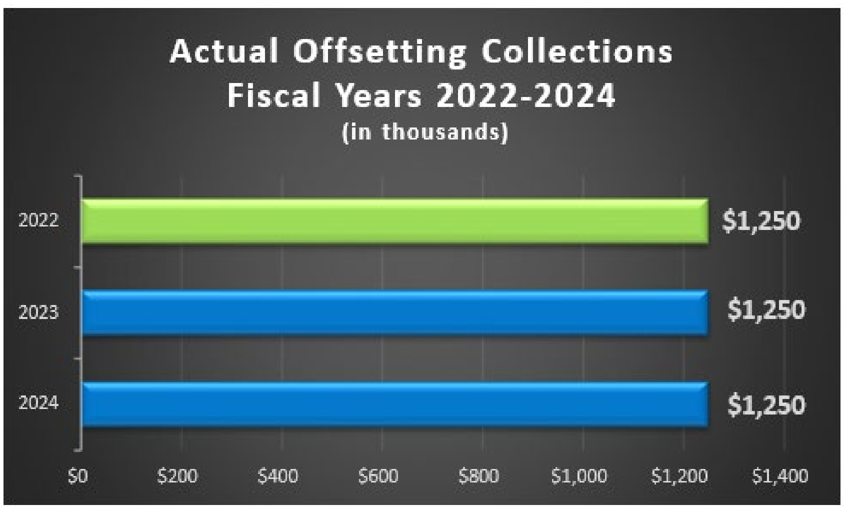
Financial Information

Financial Performance Overview

The STB's financial condition as of September 30, 2024, is sound. Internal controls are in place to ensure that funds are utilized efficiently and effectively, and that the Board's budget authority is not exceeded.

Source of Funds

The STB has single-source funding, called Salaries and Expenses, funded by an annual appropriation available for commitments and obligations incurred during the year in which the authority was granted. Congress approved an FY 2024 appropriation for the STB in the amount of $47,452,000 through P.L. 118-42 which is an increase from the level appropriation funding from previous year.



In accordance with the annual appropriations measures, the STB currently offsets up to $1,250,000 in remittances for user fees and penalties. The user fees and penalties are credited to the STB's appropriation and deposited at the Treasury for the STB operations.

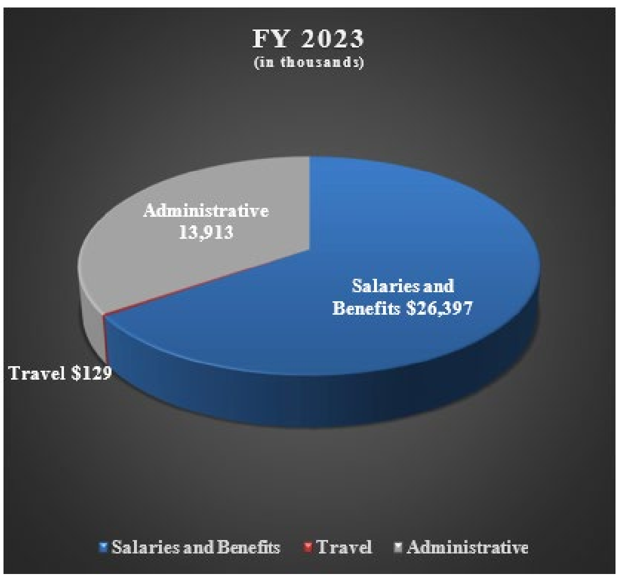
Full-Time Equivalent History

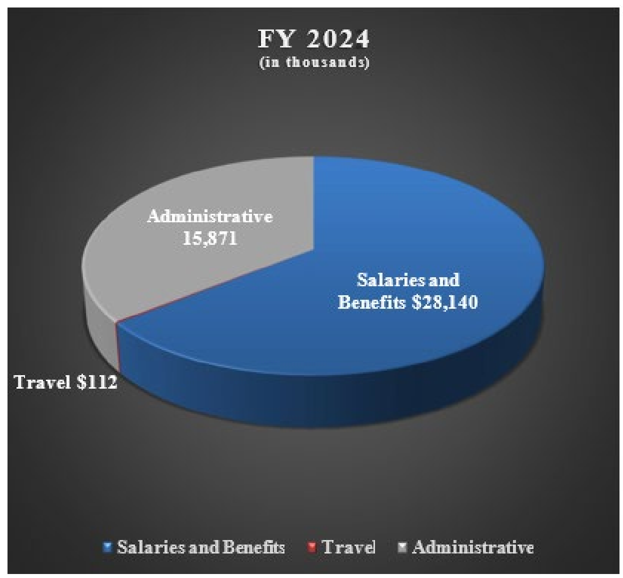
The STB's Full-Time Equivalent (FTE) level is largely driven by its annual appropriation amount. While the STB continues to make progress in its staffing levels, there were also retirements and separations in FY 2024, resulting in a lower-than-expected FTE level. The STB continues to develop an appropriate mix of staffing and contractor support to ensure effective accomplishment of its mission.

Full-time Equivalent History	Fiscal Year
116	2020
118	2021
118	2022
126	2023
123	2024

Uses of Funds by Expense Category

During FY 2024, obligations against the STB's appropriation totaled $44,123 (in thousands), representing 94.0% of the available funding level. The funds were allocated as follows: 63.8% for salaries and benefits, 35.9% for administrative expenses (e.g., rent; government and commercial contracts; communications and subscriptions; equipment; and IT and non-IT services), and 0.3% for official travel expenses.





Overview of Financial Results

The STB's financial statements were audited by Allmond & Company LLC, under contract to the DOT OIG. The STB received an unmodified opinion on its FY 2024 financial statements.

Principal Financial Statements

The principal financial statements presented include:

- Balance Sheet – Presents the combined amounts the agency had to use or distribute (assets) versus the amounts the agency owed (liabilities), and the difference between the two (net position);
- Statement of Net Cost – Presents the annual cost of agency operations. The gross cost less any offsetting revenue is used to determine the net cost;
- Statement of Changes in Net Position – Reports the accounting activities that caused the change in net position during the reporting period; and
- Statement of Budgetary Resources – Reports how budgetary resources were made available and the status of those resources at fiscal year-end.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the STB, pursuant to the requirements of 31 U.S.C. § 3515(b). While the statements have been prepared from the books and records of the agency in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the recognition that they are for a component of the U.S. government, a sovereign entity.

Therefore, liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and the payment of all liabilities other than for contracts can be abrogated by the sovereign entity. Other limitations are included in the footnotes to the principal financial statements. The accompanying notes are an integral part of these statements.

Summary of the Balance Sheets and Statement of Changes in Net Position

Assets (in thousands): Total assets were $21,208, an increase of $2,817, relative to fiscal year 2023. This was caused by an increased Fund Balances with Treasury ($4,163); and offset by decreased General Property, Plant, and Equipment ($423), and advances and prepayments ($923).

Liabilities (in thousands): Total liabilities decreased by $721. This decrease was attributed to lower intragovernmental accounts payable ($634); and Actuarial FECA liabilities ($278).

Net Position (in thousands): The Board's net position on the Balance Sheet and the Statement of Changes in Net Position was $15,501, an increase of $3,538.

Summary of the Statement of Net Cost (in thousands)

The STB's net cost of operations during fiscal year 2024 was $42,907, an increase of $2,741 relative to the previous fiscal year. The increase in net cost of operations was primarily due to greater gross costs.

Statement of Budgetary Resources (in thousands)

The Statement of Budgetary Resources provides information on budgetary resources made available to the Board and the status of these resources at the end of the fiscal year. For fiscal year 2024, total budgetary resources were $50,734. This represents an increase of $4,749 from the fiscal year 2023 total budgetary resources of $45,985. The increase in total budgetary resources was primarily caused by increased new obligations and upward adjustments of $3,863, offset by a decrease in the expired unobligated balance by $1,517. In concert with the previously mentioned items, net outlays were $40,178. This represented an increase of $595 relative to fiscal year 2023.

Report QC2025008
November 13, 2024

Quality Control Review of the Independent Auditor's Report on the Surface Transportation Board's Audited Financial Statements for Fiscal Years 2024 and 2023

Quality Control Review of the Independent Auditor's Report on the Surface Transportation Board's Audited Financial Statements for Fiscal Years 2024 and 2023

Required by the Accountability of Tax Dollars Act of 2002

Our Objective(s)

To perform a quality control review (QCR) of Allmond & Company, LLC's audit of STB's financial statements as of and for the fiscal years ended September 30, 2024, and September 30, 2023. We reviewed Allmond's report, dated November 6, 2024, and related documentation.

About This Report

We contracted with the independent public accounting firm Allmond & Company, LLC, to audit STB's financial statements, provide an opinion on those financial statements, report on internal control over financial reporting, and report on compliance with laws and other matters.

What We Found

The independent auditor, Allmond, found one material weakness and three significant deficiencies in STB's internal controls over financial reporting.

- Internal controls over preparing, reviewing, and approving journal entries recorded in the general ledger need improvement.
- Control activities performed to prepare and review the interim financial statements and footnotes were not adequately designed and implemented.
- Employee benefit election forms were not maintained per Office of Personnel Management requirements.
- Internal controls over the monitoring and review of open obligations need improvement.

Our QCR disclosed no instances in which Allmond did not comply, in all material respects, with U.S. generally accepted Government auditing standards.

17

We agree with Allmond's 17 recommendations to help strengthen STB's internal controls.

U.S. Department of Transportation
Office of Inspector General

November 13, 2024

The Honorable Robert E. Primus
Chairman, Surface Transportation
Board 395 E Street SW
Washington, DC 20423

Dear Chairman Primus:

I respectfully submit the results of our quality control review (QCR) of the independent auditor's report on the Surface Transportation Board's (STB) audited financial statements for fiscal years 2024 and 2023.

We contracted with the independent public accounting firm Allmond & Company, LLC (Allmond), to audit STB's financial statements as of and for the fiscal years ended September 30, 2024, and September 30, 2023; provide an opinion on those financial statements; report on internal control over financial reporting; and report on compliance with laws and other matters. The contract required the audit to be performed in accordance with U.S. generally accepted Government auditing standards, Office of Management and Budget (OMB) audit guidance, and the Government Accountability Office's (GAO) and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.[1]

Independent Auditor's Report

Allmond's report on its audit of STB's financial statements for fiscal year 2024, dated November 6, 2024, states that:

- STB's financial statements[2] (see attachment 3) were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;

[1] GAO, *Financial Audit Manual*, volume 1 (GAO-24-107278), June 2024; volume 2 (GAO-24-107279), June 2024; and volume 3 (GAO-24-107280), July 2024.
[2] The financial statements are included in STB's Performance and Accountability Report. For STB's full Performance and Accountability Report, which includes these statements, related notes, and required supplementary information, go to https://www.stb.gov/about-stb/agency-materials/strategic-plan-and-pars/.

- Allmond found one material weakness[3] and three significant deficiencies in internal control over financial reporting based on the limited procedures performed; and
- there were no instances of reportable noncompliance with provisions of laws tested, or reportable other matters.

Allmond made 17 recommendations (see attachment 1).

Material Weakness

Internal controls over preparing, reviewing, and approving journal entries recorded in the general ledger need improvement. Allmond identified two journal entries that STB recorded to reverse prior year accruals that used incorrect general ledger accounts, resulting in material impact to the financial statements. This is a repeated finding. Specifically, STB also posted a journal entry incorrectly in fiscal year 2021 that resulted in an understatement of account balances.

Significant Deficiencies

Control activities performed to prepare and review the interim financial statements and footnotes were not adequately designed and implemented. Allmond identified mathematical errors in STB's financial statements. Additionally, Allmond identified accounts that STB improperly classified. Allmond also found inconsistences in the balances reported between the current year financial statements and footnotes as well as between prior and current year financial statements and footnotes. This is a recurring finding for fiscal years 2021 through 2023.

Employee benefit election forms were not maintained per Office of Personnel Management (OPM) requirements. Allmond identified instances where STB did not maintain employee benefit election forms in the employees' personnel records. Allmond found that STB does not have control procedures to ensure that employees' benefit election forms are thoroughly and accurately

[3] A material weakness is a deficiency, or a 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

documented in the electronic Official Personnel Folder, in accordance with OPM requirements. This is a recurring finding for fiscal years 2021 through 2023.

Internal controls over the monitoring and review of open obligations need improvement. In fiscal year 2023, Allmond identified instances in which the full balance of undelivered orders was no longer valid and should have been de-obligated. Allmond found that STB's review process relating to open obligations is insufficient, resulting in the failure to complete closeout procedures timely, including the de-obligation of funds for completed contracts. Allmond reissued the finding as no corrective action plan was implemented in fiscal year 2024.

Recommendations

Allmond made the following 17 recommendations to help strengthen STB's internal controls:

1. STB management should amend its existing policy regarding the review and approval of journal vouchers to include a review of all non-reversing entries recorded during the fiscal year and to review all year-end journal vouchers before they are recorded in the agency's general ledger.
2. STB management should perform and document a review of all manual journal entries that includes a before and after analysis which illustrates the effect of the entry on the principal financial statements using the current year Treasury United States Standard General Ledger (USSGL) Section V Crosswalks to the financial statements. If accounts are presumed to offset, then they must offset within the same line of the same financial statement within the same fiscal year reporting period (i.e., before closing entries are recorded following the end of the fiscal year).
3. At least quarterly, STB management should initiate and document a review of all entries and account balances for which a manual correcting entry may be needed to address potential misstatements due to system posting logic, such as offsetting upward and downward adjustments of prior year obligations, and record the appropriate entries to prevent misstatement of financial statement accounts and line items.
4. During the review of manual journal vouchers, STB management should verify and document that the authoritative guidance and internal tools used to support the entry are valid and current.
5. The STB Finance Team should complete training relating to adjusting entries, including the selection of USSGL accounts, to improve the quality and precision of the review and approval process.

6. STB management should independently review the most current version of OMB Circular A-136 and the USSGL Treasury Crosswalks to identify changes in data elements, classification, and presentation and ensure that these changes are incorporated into financial statement and footnote templates for current year reporting. A search for new versions of the USSGL Crosswalks and OMB Circular A-136 should be performed each time the financial statements are prepared.

7. STB management should review the current version of OMB Circular A-136 to independently verify that all required footnotes are included and bring any omissions to the service provider's attention so that errors or omissions can be corrected.

8. STB management should review the service provider's Financial Statement and Notes Review Checklist to verify that the checklist is up to date and includes all required elements per OMB and Treasury guidance and then complete the checklist independently. Alternatively, STB management should develop and complete its own review checklist based on current Treasury and OMB reporting requirements.

9. STB management should request its financial management service provider to:

    - Reevaluate the inclusion of account balances that were excluded in the Other Liabilities footnote, or

    - Disaggregate (i.e., separately report) intragovernmental other liabilities balances reported as a single line item on the balance sheet that are not included in the footnote so that the total amounts reported for Other Liabilities on the balance sheet and in the footnote agree.

10. STB management should ensure that its review process includes procedures to disaggregate material balances reported in the financial statements and footnotes, agree balances to source documents, agree the footnotes to the principal financial statements, and verify the mathematical accuracy of all statements and schedules included in the financial statement package.

11. STB management's review and certification of the financial statements and footnotes should be clearly documented and indicate what was reviewed, when the review was performed, and who performed the review for each reporting period.

12. STB financial management should complete training relating to the preparation and/or review of financial statements and footnotes to

improve management's understanding of Federal reporting requirements and to ensure that the financial statements and footnotes are complete, accurate, and appropriately presented.

13. STB should perform a review of 100 percent of employee benefit elections and Official Personnel Folders (OPFs) to ensure they are complete and accurate.
14. STB should develop policies and procedures that include the performance of periodic reviews of employees' OPFs to ensure that they are complete and accurate.
15. STB should address missing or unavailable supporting documentation with its shared service provider to ensure that document retrieval tools are available and are working properly to allow retrieval of all stored documents.
16. STB should obtain replacement documentation for employee forms and other documentation that have been determined to be incomplete or irretrievable from databases and other electronic sources following management's initial and periodic routine reviews.
17. STB management should implement and enforce its existing policies and procedures requiring the periodic review of all open obligations to ensure that closeout of completed contracts, including the de-obligation of funds and return of the balances for any advanced payments, is performed regularly and timely.

Quality Control Review

We performed a QCR of Allmond's report and related documentation, and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted Government auditing standards, was not intended to enable us to express, and we do not express, an opinion on STB's financial statements or conclusions about the effectiveness of internal control over financial reporting, compliance with laws, or other matters. Allmond is responsible for its report and the conclusions expressed therein.

Our QCR disclosed no instances in which Allmond did not comply, in all material respects, with U.S. generally accepted Government auditing standards.

Agency Comments

Allmond provided STB with its draft report on November 5, 2024, and received STB's response dated November 6, 2024 (see attachment 2).

Actions Required

We consider all 17 of Allmond's recommendations open and resolved pending completion of the corrective action plans.

We appreciate the cooperation and assistance of STB's representatives and Allmond. If you have any questions about this report, please contact me or Ingrid Harris, Program Director.

Sincerely,

D. Dillard-Christian

Dormayne "Dory" Dillard-Christian
Assistant Inspector General for Financial Audits

cc: STB Chief Financial Officer

Attachment 1. Independent Auditor’s Report

SURFACE TRANSPORTATION BOARD
AUDIT REPORT
SEPTEMBER 30, 2024

ALLMOND & COMPANY, LLC
Certified Public Accountants
7501 Forbes Boulevard, Suite 200
Lanham, Maryland 20706
(301) 918-8200

A/C
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Independent Auditor's Report

Chairman, Surface Transportation Board
Inspector General, U.S. Department of Transportation

Report on the Financial Statements

Opinion

In accordance with the Accountability of Tax Dollars Act of 2002, we have audited the Surface Transportation Board (STB) financial statements. STB financial statements comprise the balance sheets as of September 30, 2024 and 2023; the related statements of net cost, changes in net position, budgetary resources, and custodial activities for the fiscal years then ended; and the related notes to the financial statements.

In our opinion, STB's financial statements present fairly, in all material respects, STB'S financial position as of September 30, 2024, and 2023, and its net cost of operations, changes in net position, budgetary resources, and custodial activities for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the STB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for

- the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting Required Supplementary Information (RSI) in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in STB's Performance and Accountability

Report and ensuring the consistency of that information with the audited financial statements and the RSI; and

- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with GAAS, generally accepted government auditing standards (GAGAS), and OMB Bulletin No. 24-02 will always detect a material misstatement or material weakness when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, GAGAS, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures that are responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of STB's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Required Supplementary Information (RSI)

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

STB'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 RSI. Management is responsible for the other information included in STB's Performance and Accountability Report. The other information comprises the *Message from the Chairman, Summary of Significant Performance Results*, *Strategic Performance Goals and Measures*, *Agency Oversight and Mission Challenges, FY 2024 Administrative Accomplishments, Program Performance Information*, and *Required Other Information* sections. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Internal Control over Financial Reporting

In connection with our audits of STB's financial statements, we considered STB's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies [1] or to express an opinion on the effectiveness of STB's internal control over financial reporting. Given these

[1] A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

limitations, during our 2024 audit, we identified a deficiency in STB's internal control over financial reporting that we consider to be a material weakness. This deficiency is described in the accompanying *Exhibit I, Findings and Recommendations,* to this report.

We also identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies. These deficiencies are described in the accompanying *Exhibit II, Findings and Recommendations,* to this report. In addition, we identified other deficiencies in STB's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies that, nonetheless, warrant management's attention. We have communicated these matters to STB management and, where appropriate, will report on them separately.

We considered the material weakness and significant deficiencies in determining the nature, timing, and extent of our audit procedures on STB's fiscal year 2024 financial statements. Although the material weakness and significant deficiencies in internal control did not affect our opinion on STB's fiscal year 2024 financial statements, misstatements may occur in unaudited financial information reported internally and externally by STB because of the internal control deficiencies described in this report.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to STB's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Responsibilities of Management for Internal Control over Financial Reporting

STB management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of STB's financial statements as of and for the fiscal year ended September 30, 2024, in accordance with U.S. generally accepted government auditing standards, we considered STB's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of STB's internal control over financial reporting. Accordingly, we do not express an opinion on STB's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and

- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

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 STB's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of STB'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.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of STB's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to STB. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

STB management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to STB.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to STB that have a direct effect on the determination of material amounts and disclosures in STB's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to STB. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose for Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provision of applicable laws, regulations, contracts, and grant agreements, 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 compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

STB's Response to Findings

STB's responses to the findings identified during our audit are described immediately following the auditor's recommendations in *Exhibit I* and *Exhibit II*. STB's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Agency Comments

We provided STB with a draft of our report on November 5, 2024, and received STB's response on November 6, 2024. STB's response to our report was not subjected to the auditing procedures that we applied to our audit of the financial statements and, therefore, we express no opinion on the response.

Allmond & Company, LLC

Lanham, MD
November 6, 2024

Findings and Recommendations Exhibit I – Material Weakness

Improvements Needed in the Preparation, Review, and Approval of Journal Vouchers (2024-01)

<u>CONDITION</u>

Internal control relating to the preparation, review, and approval of journal vouchers recorded in the Surface Transportation Board's (STB's) general ledger.

- During fiscal year (FY) 2024, we identified two journal entries that were recorded to reverse prior year accruals that used incorrect general ledger accounts, resulting in material impact to the financial statements, as follows:
  - Current year reversal of a prior year accrual that was recorded to make a downward adjustment of prior year obligations as of September 30, 2023 improperly recognized new upward adjustments of prior year obligations for FY 2024 reporting, resulting in material misstatement of two lines of the current year Statement of Budgetary Resources, with their associated section totals, in the amount of $906,552.74.
  - Current year reversal of a prior year journal entry that was recorded to transfer accumulated depreciation from a canceled Treasury Account Symbol (TAS) to an active TAS for general property, plant and equipment assets still in service as of September 30, 2023 improperly recognized new operating expenses for the balance already depreciated for these assets, resulting in material misstatements of the current year Statement of Net Cost and Statement of Changes in Net Position in the amount of $254,883.98.
- A similar condition occurred during fiscal year (FY) 2021, involving a journal entry that adjusted the balances of Depreciation Expense and Accumulated Amortization of Leasehold Improvements. The journal entry was recorded in an incorrect amount and did not agree with the supporting documentation, resulting in an understatement of both balances in the amount of $83,773.34.

<u>CRITERIA</u>

Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, Principle 10.01: Design Control Activities, states, "Management should design control activities to achieve objectives and respond to risks. The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Response to Objectives and Risks
- Design of Appropriate Types of Control Activities
- Design of Control Activities at Various Levels
- Segregation of Duties."

GAO *Standards for Internal Controls in the Federal Government*, Principle 10 – Design of Appropriate Types of Control Activities, 10.03: Accurate and Timely Recording of Transactions, states, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation

Findings and Recommendations Exhibit I – Material Weakness

and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

Treasury Financial Manual (TFM) Bulletin No. 2024-04, June 2024 (and its predecessors), applies to all federal government departments, agencies, and others using the Governmentwide Treasury Account Symbol (GTAS) system to provide proprietary financial reporting information about budget execution to the Department of the Treasury. Part 1, Section V: USSGL Crosswalks to Standard External Reports, states, "These crosswalks map United States Standard General Ledger (USSGL) accounts to external reports in accordance with current reporting guidance from the Office of Management and Budget (OMB), the Federal Accounting Standards Advisory Board (FASAB), and the Bureau of the Fiscal Service (Fiscal Service). Each report crosswalk lists the proper USSGL accounts and applicable attributes for each line and/or column on the reports…. This subsidiary information is necessary to meet external reporting requirements."

CAUSE

- Preparers and reviewers did not consider the current year (pre-closing) impact of entries on the financial statements or assumed that different general ledger accounts offset for current year reporting.
- The Delphi Financial Management System is programmed to reverse downward adjustments with upward adjustments. These entries require manual adjustment to prevent misstatement for current year reporting.
- A prior year entry that was prepared for another agency was used as the template during the preparation of one of STB's entries. The authoritative guidance and Delphi posting logic used to record this entry was superseded.
- An appropriate corrective action plan relating to the review and approval of journal entries, including the creation of updated Standard Policies and Procedures, was not fully implemented during FY 2021, FY 2022, FY 2023, or FY 2024.

EFFECT

- Increased risk of material misstatement, errors, and omissions in the financial statements and required footnote disclosures.
- Actual misstatements of the Financial Statements, as follows:
  - $255,000 (rounded) overstatement of Gross Costs, Net Program Costs, and Net Cost of Operations on the Statement of Net Cost;
  - $255,000 (rounded) overstatement of Transfers-In/Out Without Reimbursement and Net Cost of Operations on the Statement of Changes in Net Position;

- $907,000 (rounded) overstatement of Unobligated Balance from Prior Year Budget Authority (net), Total Budgetary Resources, New Obligations and Upward Adjustments, and Total Status of Budgetary Resources prior to the partial correction of the journal voucher entry.
- $907,000 (rounded) overstatement of Unobligated Balance from Prior Year Budget Authority (net); Total Budgetary Resources; Expired Unobligated Balance, End of Year; Unobligated Balance, End of Year (total), and Total Status of Budgetary Resources following the partial correction of the journal voucher entry.

RECOMMENDATION

We recommend that STB:

- Amend its existing policy regarding the review and approval of journal vouchers to include a review of all non-reversing entries recorded during the fiscal year and to review all year-end journal vouchers before they are recorded in the agency's general ledger.

- Perform and document a review of all manual journal entries that includes a before and after analysis which illustrates the effect of the entry on the principal financial statements using the current year Treasury USSGL Section V crosswalks to the financial statements. If accounts are presumed to offset, then they must offset within the same line of the same financial statement within the same fiscal year reporting period (i.e., before closing entries are recorded following the end the fiscal year).

- At least quarterly, initiate and document a review of all entries and account balances for which a manual correcting entry may be needed to address potential misstatements due to system posting logic, such as offsetting upward and downward adjustments of prior year obligations, and record the appropriate entries to prevent misstatement of financial statement accounts and line items.

- During the review of manual journal vouchers, verify and document that the authoritative guidance and internal tools used to support the entry are valid and current.

- Finance Team complete training relating to adjusting entries, including the selection of USSGL accounts, to improve the quality and precision of the review and approval process.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendations provided when determining if a corrective action plan should be developed once the audit concludes.

General Comments

The STB will continue to address this recommendation.

AUDITOR RESPONSE

We will perform follow up procedures during the FY 2025 audit to determine if corrective actions have been fully implemented.

Financial Statements and Footnotes are Not in Accordance with Generally Accepted Accounting Principles and Office of Management and Budget (OMB) Circular A-136 Reporting Requirements (2024-02)

CONDITION

Internal control relating to the preparation and review of the financial statements and footnotes was not properly designed and implemented to prevent, detect, or correct errors and omissions. During our review of STB's financial statements and footnotes for the interim reporting period ended June 30, 2024, we identified the following conditions:

- Unfunded Leave and Employer Contributions and Payroll Taxes Payable were incorrectly classified as Federal Employee and Veteran Benefits Payable on the Balance Sheet and Note 6.

- Accrued Funded Payroll and Leave was incorrectly classified as Other Liabilities on the Balance Sheet and incorrectly included in Note 7.

- Balances were not always reported consistently between the current year financial statements and footnotes or between prior and current year footnotes and/or financial statements.

- Note 13 – Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation) included the following errors:
  - the intragovernmental and 2024 Total Components of Net Operating Cost Not Part of the Budget Outlays column totals were not mathematically correct;
  - Intragovernmental Advances and Prepayments was reported as $1,033 (thousand) in error. The correct amounts should have been -$1,033 (thousand). The difference was $2,066 (thousand).

- Additional errors relating to the form, content, and presentation of the financial statements or footnotes.

- As STB's corrective action plan was not fully implemented during FY 2024, the conditions identified during the FY 2021, FY 2022, and FY 2023 audits may reoccur because the root cause of those conditions has not been addressed.

CRITERIA

The Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, Principle 10.01: Design Control Activities, states, "Management should design control activities to achieve objectives and respond to risks. The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Response to Objectives and Risks
- Design of Appropriate Types of Control Activities
- Design of Control Activities at Various Levels

- Segregation of Duties."

Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements (May 2024), Section II.3.2.4. Liabilities, states,

"**Federal Employee Salary, Leave, and Benefits Payable** include salaries; wages; funded and unfunded annual leave; sick leave; the employer portion of payroll taxes and benefit contributions, excluding intragovernmental amounts (e.g., the employer contributions to the Thrift Savings Plan); the employer share of health benefit payments due to benefit carriers, and employment-related liabilities not included in Pension, Post-Employment, and Veterans Benefits Payable….Unfunded annual leave previously shown in Other Liabilities should be reclassified to this line item for the prior year if it is material and referenced as a change in presentation in Note 1.

[Pension,] Post-Employment, [and Veterans] Benefits Payable include pensions; post-employment benefits, including other retirement benefits (ORB) and other post-employment benefits (OPEB); veterans benefits, including veterans compensation, burial, education, and training benefits; life insurance actuarial liability; and the Federal Employees' Compensation Act actuarial liability."

OMB Circular A-136 (May 2024), Section II.3.1, Instructions for the Annual Financial Statements. Financial Statements and Notes, states, "Schedule totals presented in the notes in support of amounts presented in financial statements must agree with the amounts presented in the financial statements."

Statement of Federal Financial Accounting Standards (SFFAS) 7, as amended by SFFAS 53, and OMB Circular A-136, Section II.3.8.31. Note 31: Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation) require agencies to "disclose a reconciliation of net cost to net outlays as required by SFFAS 7…. Entities should explain significant line items in the reconciliation and are strongly encouraged to follow the [Treasury Financial Manual] TFM crosswalk."

CAUSE

- Changes to reporting requirements are not identified by preparers and reviewers of the financial statements and footnotes and/or are not incorporated into financial statement and footnote templates.

- An appropriate corrective action plan was not fully implemented during FY 2021, FY 2022, FY 2023, or FY 2024.

- STB's control activities performed to review and approve the financial statements and footnotes were not fully implemented to prevent or detect and correct errors in the financial statement footnotes.

EFFECT

- Noncompliance with OMB and Treasury financial reporting requirements.

- Material misstatements and mathematical inaccuracy of STB Note 13.

- Increased risk of material misstatement, errors, and omissions in the financial statements and other required footnote disclosures.

RECOMMENDATION

We recommend that:

- STB management should independently review the most current version of OMB Circular A-136 and the USSGL Treasury Crosswalks to identify changes in data elements, classification, and presentation and ensure that these changes are incorporated into financial statement and footnote templates for current year reporting. A search for new versions of the USSGL Crosswalks and OMB Circular A-136 should be performed each time the financial statements are prepared.

- STB management should review the current version of OMB Circular A-136 to independently verify that all required footnotes are included and bring any omissions to the service provider's attention so that errors or omissions can be corrected.

- STB management should review the service provider's Financial Statement and Notes Review Checklist to verify that the checklist is up to date and includes all required elements per OMB and Treasury guidance and then complete the checklist independently. Alternatively, STB management should develop and complete its own review checklist based on current Treasury and OMB reporting requirements.

- STB management should request its financial management service provider to:
  - Reevaluate the inclusion of account balances that were excluded in the Other Liabilities footnote, or
  - Disaggregate (i.e., separately report) intragovernmental other liabilities balances reported as a single line item on the balance sheet that are not included in the footnote so that the total amounts reported for Other Liabilities on the Balance Sheet and in the footnote agree.

- STB management should ensure that its review process includes procedures to disaggregate material balances reported in the financial statements and footnotes, agree balances to source documents, agree the footnotes to the principal financial statements, and verify the mathematical accuracy of all statements and schedules included in the financial statement package.

- Management's review and certification of the financial statements and footnotes should be clearly documented and indicate what was reviewed, when the review was performed, and who performed the review for each reporting period.

- STB financial management should complete training relating to the preparation and/or review of financial statements and footnotes to improve management's understanding of federal reporting requirements and to ensure that the financial statements and footnotes are complete, accurate, and appropriately presented.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendations provided when determining if a corrective action plan should be developed once the audit concludes.

General Comments

The STB will continue addressing this recommendation.

AUDITOR RESPONSE

We will perform follow up procedures during the FY 2025 audit to determine if corrective actions have been fully implemented.

Employee Benefits Election Forms Not Maintained in Employees' Official Personnel Folders (OPFs) per Office of Personnel Management (OPM) Requirements (2024-03)

CONDITION

Corrective action relating to the maintenance of employees' personnel records was not implemented to prevent, detect, or correct errors in employees' payroll records. During our interim review of 79 payroll transactions selected from the population of all employees paid during the period of October 1, 2023 through May 31, 2024, we noted the following exceptions:

- One (1) instance in which we were not able to inspect and verify the employee's Thrift Savings Plan (TSP) election because the agency was not able to provide the TSP election forms or equivalent documentation for the employee and pay period selected.

- One (1) instance in which we were not able to inspect and verify the employee's Federal Employees Health Benefits (FEHB) Program election because the agency was not able to provide the Standard Form (SF) 2809 FEHB election form or equivalent documentation for the employee and pay period selected.

- Within the two (2) exceptions listed above, there was one (1) instance in which missing documentation was identified during the FY 2021 and FY 2023 audits and corrective action has not yet been taken.

CRITERIA

Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, Principle 10.01: Design Control Activities, states, "Management should design control activities to achieve objectives and respond to risks. The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Response to Objectives and Risks
- Design of Appropriate Types of Control Activities
- Design of Control Activities at Various Levels
- Segregation of Duties."

GAO *Standards for Internal Control in the Federal Government*, Section 10.03: Design of Appropriate Types of Control Activities, *Appropriate Documentation of Transactions and Internal Control*, states, "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."

GAO *Standards for Internal Control in the Federal Government,* Section 17.06: Evaluate Issues and Remediate Deficiencies, states, "Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis. These corrective actions include resolution of audit findings.

Depending on the nature of the deficiency, either the oversight body or management oversees the prompt remediation of deficiencies by communicating the corrective actions to the appropriate level of the organizational structure and delegating authority for completing corrective actions to appropriate personnel. The audit resolution process begins when audit or other review results are reported to management, and is completed only after action has been taken that (1) corrects identified deficiencies."

Electronic Code of Federal Regulations, Title 5-Administrative Personnel, Chapter 1- Office of Personnel Management, Subchapter B-Civil Service regulations, part 293-Personel records, subpart A-Basic Policies on Maintaining Personnel records, section 293.103. Recordkeeping Standards states that:

> "(a) The head of each agency shall ensure that persons having access to or involved in the creation, development, processing, use, or maintenance of personnel records are informed of pertinent recordkeeping regulations and requirements of the Office of Personnel Management and the agency.
>
> (b) The Office is responsible for establishing minimum standards of accuracy, relevancy, necessity, timeliness, and completeness for personnel records it requires agencies to maintain."

U.S. Office of Personnel Management Operating Manual – The Guide to Personnel Recordkeeping, Update 13, June 1, 2011, Chapter 1: General Personnel Recordkeeping Policies, Electronic Records, states, "The purpose of the electronic Official Personnel Folder (e-OPF) and the paper Official Personnel Folder (OPF) is to document the employment history of individuals employed by the Federal Government. The electronic Official Personnel Folder must be complete; that is, when combined with any other documents the agency chooses to retain in paper, or is required by law or regulation to be maintained in paper, it must contain all the information.

OPM requires that each agency ensure that electronic Official Personnel Folder systems:

- Be thoroughly documented.
- Be able to produce legible paper copies of all records.
- Have access controls to ensure a high level of security and confidentiality.
- Allow correction and removal of erroneous records under strict authorization controls.
- Include backup and disaster recovery procedures."

CAUSE

- STB does not have control procedures in place to ensure that employees' benefit election forms are thoroughly and accurately documented in the electronic Official Personnel Folder (e-OPF) in accordance with OPM requirements.

- STB does not have control procedures in place to ensure that employees' benefit election forms are updated in the electronic Official Personnel Folder (e-OPF) when employees change their benefit elections.

EFFECT

- STB's document availability and retention policies and procedures do not comply with OPM requirements.
- The failure to verify and maintain employees' official personnel records increases the risk for misstatements in payroll expense and related liabilities.
- Potential non-compliance with 5 U.S. Code (USC) Chapter 84, Subchapter III – Thrift Savings Plan and Federal Employees Health Benefits Act of 1959 (P.L. 86-382).
- Incorrect health and retirement benefits information in the eOPF can negatively affect employees in the event of a loss or claim and cause incorrect amounts to be withheld from their pay.

RECOMMENDATION

We recommend that:

- STB should perform a review of 100% of employee benefit elections and Official Personnel Folders (OPFs) to ensure they are complete and accurate.
- STB should develop policies and procedures that include the performance of periodic reviews of employees' Official Personnel Folders to ensure that they are complete and accurate.
- STB should address missing or unavailable supporting documentation with its shared service provider to ensure that document retrieval tools are available and are working properly to allow retrieval of all stored documents.
- STB should obtain replacement documentation for employee forms and other documentation that have been determined to be incomplete or irretrievable from databases and other electronic sources following management's initial and periodic routine reviews.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendations provided when determining if a corrective action plan should be developed once the audit concludes.

General Comments

The STB has coordinated with its shared service providers to ensure that retrieval tools are available and working properly. The STB will develop policies and procedures as recommended and will obtain replacement documentation for identified employee forms that cannot be located by 12/31/2024. The STB anticipates that the 100% review of STB employees' benefit elections and eOPF will be completed by 06/30/2025.

AUDITOR RESPONSE

We will perform follow up procedures during the FY 2025 audit to determine if corrective actions have been fully implemented.

Improvement Needed in the Internal Controls Over the Monitoring and Review of Open Obligations (2024-04)

CONDITION

Improvements are needed in the controls over the monitoring and review of open obligations. During the prior year audit, we identified five instances in which the full balance of the undelivered order was no longer valid and should have been de-obligated.

To date, a corrective action plan has not been implemented.

CRITERIA

Federal Acquisition Regulation (FAR) 4.804-1 – *Closeout by the office administering the contract* – states:

"(a) Except as provided in paragraph (c) of this section, time standards for closing out contract files are as follows: (1) Files for contracts using simplified acquisition procedures should be considered closed when the contracting officer receives evidence of receipt of property and final payment, unless otherwise specified by agency regulations; (2) Files for firm-fixed-price contracts, other than those using simplified acquisition procedures, should be closed within 6 months after the date on which the contracting officer receives evidence of physical completion….., (4) Files for all other contracts should be closed within 20 months of the month in which the contracting officer receives evidence of physical completion.

Surface Transportation Board A-123 Process Documentation, Services of Financial Services, Procure to Pay, Contract Closeout, states, "The contract close-out process is applicable to all completed contracts, purchase orders, and Interagency Agreements.

1. Files for any firm-fixed price contracts, other than those using simplified acquisition procedures, should be closed within 6 months after the date on which the contracting officer receives evidence of physical completion.
2. Files for all other contracts or purchase orders should be closed within 2 months of the month in which the requestor receives evidence of physical completion."

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government, Principle 10.01: Design Control Activities, states, "Management should design control activities to achieve objectives and respond to risks. The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Response to Objectives and Risks
- Design of Appropriate Types of Control Activities
- Design of Control Activities at Various Levels
- Segregation of Duties."

GAO Standards for Internal Control in the Federal Government, Principle 17.06: Corrective Actions, states, "Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis. These corrective actions include resolution of audit findings. Depending on the nature of the deficiency, either the oversight body or management oversees the prompt remediation of deficiencies by communicating the corrective actions to the appropriate level of the organizational structure and delegating authority for completing corrective actions to appropriate personnel. The audit resolution process begins when audit or other review results are reported to management, and is completed only after action has been taken that (1) corrects identified deficiencies, (2) produces improvements, or (3) demonstrates that the findings and recommendations do not warrant management action. Management, with oversight from the oversight body, monitors the status of remediation efforts so that they are completed on a timely basis."

CAUSE

- STB's review process relating to open obligations is insufficient, resulting in the failure to complete closeout procedures timely, including the de-obligation of funds, for completed contracts.

EFFECT

- The failure to de-obligate prior year completed contracts and reimbursable agreements results in the overstatement of Obligations Brought Forward, Oct 1 and the understatement of Recoveries of Prior Year obligations on the Statement of Budgetary Resources.
- The failure to close-out obligations for which there was an advance to the other party results in the overstatement of Advances and Prepayments and the unnecessary retention of the agency's funds by the other party.
- Over- or under- recording of obligations prevents STB from knowing the precise status of its appropriations for budgetary purposes and significantly increases the risk of Antideficiency Act violations.

RECOMMENDATION

We recommend that STB implement and enforce its existing policies and procedures requiring the periodic review of all open obligations to ensure that closeout of completed contracts, including the de-obligation of funds and return of the balances for any advanced payments, is performed regularly and timely.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendations provided when determining if a corrective action plan should be developed once the audit concludes.

AUDITOR RESPONSE

We will perform follow up procedures during the FY 2025 audit to determine if corrective actions have been fully implemented.

The following table provides the fiscal year (FY) 2024 status of all recommendations included in the Independent Auditor's Report on STB's FY 2023 and FY 2022 Financial Statements (November 6, 2023).

FY 2023 Finding	Finding Year	FY 2023 Recommendation	FY 2024 Status
Interim Financial Statement Footnotes Were Not Prepared in Accordance with U.S. Generally Accepted Accounting Principles (GAAP) and OMB Circular A-136 Requirements (2023-01)	2021	**Recommendations:** Improve controls relating to the preparation and review of the financial statements and footnotes. Specifically, we recommended that management should: 1. Review the current version of OMB Circular A-136 to independently verify that all required footnotes are included and bring any omissions to the service provider's attention so that errors or omissions can be corrected.	Open
		2. Review the service provider's Financial Statement and Notes Review Checklist to verify that the checklist is up to date and includes all required elements per OMB and Treasury guidance and then complete the checklist independently. Alternatively, STB management should develop and complete its own review checklist based on current Treasury and OMB reporting requirements.	Open
		3. Request its financial management service provider to: • Reevaluate the inclusion of account balances that were excluded in the Other Liabilities footnote, or • Disaggregate (i.e., separately report) intra-governmental other liabilities balances reported as a single line item on the balance sheet that are not included in the footnote so that the total amounts reported for Other Liabilities on the Balance Sheet and in the footnote agree.	Open
		4. Ensure that the review process includes procedures to disaggregate material balances reported in the financial statements and footnotes, agree balances to source documents, agree the footnotes to the principal financial statements, and verify the mathematical accuracy of all statements and schedules included in	Open

		the financial statement package. 5. Review and certification of the financial statements and footnotes should be clearly documented and indicate what was reviewed, when the review was performed, and who performed the review for each reporting period.	Open
Employee Benefits Election Forms Were Not Maintained in Electronic Official Personnel Folders (eOPFs) per Office of Personnel Management (OPM) Requirements (2023-02)	2021	Improve controls relating to the availability and retention of documentation to support employee benefit elections. Specifically, we recommended that management should: 1. Perform a review of 100% of employee benefit elections and Official Personnel Folders to ensure they are complete and accurate. 2. Develop policies and procedures that include the performance of periodic reviews of employees' Official Personnel Folders to ensure they are complete and accurate. 3. Address missing or unavailable supporting documentation with its shared service provider to ensure that document retrieval tools are available and are working properly to allow retrieval of all stored documents. 4. Obtain replacement documentation for employee forms and other documentation that has been determined to be incomplete or irretrievable from databases and other electronic sources.	 Open Open Open Open
Improvement Needed in the Internal Controls Over the Monitoring and Review of Open Obligations (2023-03)	2023	Improve controls relating to the monitoring and review of open obligations. Specifically, we recommended that management should: Implement and enforce its existing policies and procedures requiring the periodic review of all open obligations to ensure that closeout of completed contracts, including the deobligation of funds and return of the balances for any advanced payments, is performed regularly and timely.	Open

Attachment 2. Agency Response

SURFACE TRANSPORTATION BOARD
Washington, DC 20423

November 6, 2024

Mr. Jason Allmond, Managing Member
Allmond & Company, LLC
7501 Forbes Boulevard, Suite 200
Lanham, Maryland 20706

Re: Fiscal Year 2024 Financial Statement Audit Report

Dear Mr. Allmond:

Thank you again for the opportunity to provide comments to the Fiscal Year 2024 Financial Statement Audit Report, "Surface Transportation Board Audit Report September 30, 2024."

The Surface Transportation Board (STB or Board) has reviewed the Fiscal Year 2024 Financial Statement Audit Report, and we concur with the audit opinion and reports on internal controls and compliance with applicable provisions of laws and regulations. Although a material weakness was discovered in the Board's financial reporting, the Board quickly took corrective action and is updating its procedures.

The STB has made progress during the 2024 fiscal year and will continue to evaluate and update its internal controls to address deficiencies. The STB would like to thank the Allmond & Company, LLC, Department of Transportation Office of the Inspector General, and the Board's shared service providers for their hard work and dedication throughout the year.

Sincerely,

Kimberly S. Jackson

Kimberly S. Jackson
Chief Financial Officer

Attachment 3. STB's Financial Statements and Notes

Attachment 3: STB's Financial Statements and Notes

Principal Financial Statements

Surface Transportation Board

Balance Sheet

As of September 30, 2024 and 2023 (in thousands)

	2024	2023
Assets:		
Intragovernmental assets:		
Fund Balance with Treasury (Note 2)	$ 19,269	$ 15,106
Advances to others and prepayments (Note 4)	1,744	2,667
Total intragovernmental assets	21,013	17,773
Other than intragovernmental assets:		
Accounts Receivable, Net (Note 3)	-	-
Property, Plant and Equipment, Net (Note 5)	195	618
Total other than intragovernmental assets:	195	618
Total Assets	**$ 21,208**	**$ 18,391**
Liabilities:		
Intragovernmental liabilities:		
Accounts Payable	$ 15	$ 649
Other liabilities (without reciprocals) (Note 6):		
Other unfunded employment related liability	64	83
Employer Contributions and Payroll Taxes Payable	91	81
Other liabilities (Note 7):		
Employer Contributions and Payroll Taxes Payable	304	268
Unfunded FECA Liability	51	49
Total intragovernmental liabilities	525	1,130

	2024	2023
Other than intragovernmental liabilities:		
Accounts Payable	390	333
Federal Employee Benefits Payable (Note 6)		
Actuarial FECA Liability	284	562
Federal Employee Salary, Leave, and Benefits:		
Accrued funded payroll and leave	1,253	1,115
Employer contributions and payroll taxable	59	52
Unfunded leave	2,054	1,972
Other liabilities (Note 7)		
Liability for Non-Fiduciary Deposit Funds and Undeposited Collections	-	-
Other liabilities Without Related Budgetary Obligations	1,142	1,264
Total Other Than Intragovernmental Liabilities	5,182	5,298
Total Liabilities	**$ 5,707**	**$ 6,428**
Net Position:		
Unexpended appropriations – funds from other than Dedicated Collections	$ 18,900	$ 15,273
Cumulative results of operations – Funds other than Dedicated Collections	(3,399)	(3,310)
Total Net Position	15,501	11,963
Total Liabilities and Net Position	**$ 21,208**	**$ 18,391**

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

Statements of Net Cost

For the years ended in 2024 and 2023 (in thousands)

	2024	2023
Program Costs:		
Program A:		
Gross Costs	$ 43,499	$ 40,840
Less: Earned Revenue	592	674
Net Program Costs	42,907	40,166
Net program expenses including Assumption changes	42,907	40,166
Net Cost of Operations (Notes 13 and 14)	**$ 42,907**	**$ 40,166**

Statements of Changes in Net Position

For the years ended in 2024 and 2023 (in thousands)

	2024	2023
Unexpended Appropriations:		
Beginning Balances Adjustments: (+/-)	$ 15,273 -	$ 14,367 -
Beginning Balances, As Adjusted	15,273	14,367
Appropriations Received	46,860	40,756
Other Adjustments (+/-)	(2,518)	(2,060)
Appropriations used	(40,715)	(37,790)
Net Change in Unexpected Appropriations	3,627	906
Total Unexpected Appropriations – Ending	18,900	15,273
Cumulative Results from Operations:		
Beginning Balances	(3,310)	(2,615)
Adjustments: (+/-)	-	-
Beginning Balances, as adjusted	(3,310)	(2.615)
Appropriations Used	40,715	37,790
Inputed Financing (Note 9)	2,103	1,683
Other (+/-)	(0)	(2)
Net Cost of Operations (+/-)	42,907	40,166
Net Change in Cumulative Results of Operations	(89)	(695)
Total Cumulative Results of Operations Ending	(3,399)	(3,310)
Net Position	**$ 15,501**	**$ 11,963**

Statement of Budgetary Resources

For the years ended in 2024 and 2023 (in thousands)

	2024	2023
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 3,282	$ 4,556
Appropriations (discretionary and mandatory)	46,860	40,756
Spending authority from offsetting collections (discretionary and mandatory)	592	673
Total budgetary resources	50,734	45,985
Status of Budgetary Resources		
New obligations and upward adjustments (total) (Note 10)	45,012	41,149
Unobligated balance, end of year:		
Apportioned, expired accounts	2,746	343
Unexpired unobligated balance, end of year	2,746	343
Expired unobligated balance, end of year	2,976	4,493
Unobligated balance, end of year (total)	5,722	4,836
Total budgetary resources	50,734	45,985
Outlays, Net, and Disbursements, Net		
Outlays, net (total) (discretionary and mandatory)	40,178	39,583
Distributed offsetting receipts		(5)
Agency outlays, net (discretionary and mandatory)	$ 40,178	$ 39,578

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

Statement of Custodial Activity

For the years ended in 2024 and 2023 (in thousands)

	2024	2023
Total Custodial Revenue:		
Sources of Cash Collections:		
Miscellaneous Receipts	$ -	$ 5
Total Cash Collections	-	5
Total Custodial Revenue	-	5
Disposition of Collections:		
Transferred to Others (by Recipient)		
Department of the Treasury		5
Total Disposition of Collections		5
Net Custodial Activity	**$ -**	**$ -**

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

Notes to Financial Statements

As of September 30, 2024 and 2023 (in thousands)

Note 1. Significant Accounting Policies

A. Reporting Entity

The Surface Transportation Board (STB, Board, or agency) exercises its statutory authority and resolves disputes in support of an efficient, competitive, and economically viable surface transportation network that meets the needs of its users. The STB is primarily charged with the economic oversight of the Nation's freight rail system. The bipartisan Board was established in 1996 as the successor to the Interstate Commerce Commission. The Board was administratively aligned with the Department of Transportation (DOT) until enactment of the Surface Transportation Board Reauthorization Act of 2015 (STB Reauthorization Act), Public Law No. 114-110, which established the Board as a fully independent agency on December 18, 2015.

The STB is authorized to have five Board Members, one of which serves as the Chairman. The STB staff is divided into seven offices, in addition to an Equal Employment Opportunity office.

B. Basis of Presentation

The financial statements have been prepared from our accounting records in conformity with generally accepted accounting principles for Federal entities, and Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements, as revised.

Accounting principles generally accepted for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The American Institute of Certified Public Accountants recognizes FASAB as the official accounting standards setting body for the U.S. government. Unless noted otherwise, all amounts are presented in dollars.

The following is a list of the financial statements presented by the agency:

- The Balance sheet presenting its financial position;
- Statement of Net Cost with its operating results;
- Statement of Changes in Net Position with the changes in its equity accounts;
- Statement of Budgetary Resources with the sources, status and uses of resources; and
- Statement of Custodial Activity with the sources of collections held in custody until transferred to other entities.

C. Basis of Accounting

The STB transactions are recorded in accordance with an accrual basis of accounting and a budgetary basis of accounting. The STB revenues are recognized when earned under the accrual basis of accounting, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The STB's use of budgetary accounting facilitates compliance with legal requirements on the use of Federal funds.

D. Fund Balance with Treasury

The STB's Fund Balance with Treasury is the aggregate amount of the agency's funds with Treasury in expenditure and receipt accounts. Appropriated funds recorded in expenditure accounts are available to pay for the agency's operational expenses.

E. Accounts Receivable

Accounts receivable consists of amounts owed to the STB by the general public and in limited situations from other Federal agencies. Amounts due from Federal agencies are considered fully collectible. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

F. Property, Equipment, and Software

The STB's portfolio of assets as of September 30, 2024, includes furniture, equipment, and leasehold improvements. The STB leases its office space via an Occupancy Agreement (OA) with General Services Administration (GSA), which became effective on February 23, 2019, and ends on February 22, 2034. The work completed for the OA resulted in the Board recognizing leasehold improvements. In accordance with the Board's policy regarding property, equipment, and software, capital assets are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives.

The STB capitalizes assets when an individual acquisition costs $50,000 or more. Capitalized assets are depreciated once they are placed in service. During fiscal year 2022, the STB recognized as capitalized equipment laptops that were placed in service, and also classified laptops not placed in service as construction in progress since these assets require customization prior to being placed in service. During fiscal year 2023, the customization of these assets was completed, resulting in their placement in service.

Description	Useful Life (years)
Leasehold Improvements	5
Office Furniture	5
Computer/AV Equipment (e.g. laptops)	3
Office Equipment/IT equipment (e.g. servers)	5
Software	7

The STB expenses maintenance and repair costs as incurred. Property, equipment, and commercial software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software.

G. Advances

The STB has advances with other Federal agencies that require funds be provided upfront. While advances are generally prohibited by law, some exceptions include reimbursable agreements and payments to contractors. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

H. Liabilities

Liabilities represent the amount of funds likely to be paid by the STB as a result of transactions or events that have already occurred.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity, other than employees, for goods received and for services rendered. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, unfunded actuarial Federal Employees' Compensation Act (FECA), and the amounts due to Treasury for collection and accounts receivable of civil penalties.

I. Employee Leave

STB employees (except Board members) accrue annual and sick leave as it is earned. The STB ensures that those obligations are reported in the financial statements and the accrual associated with the earned leave is reduced as leave is taken. Accrued annual leave is reflected as a liability not covered by budgetary resources. Sick leave and other categories of non-vested leave are expensed when taken.

J. Retirement Plans

STB employees participate in the Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS), the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE) or the Federal Employees Retirement System-Further Revised Annuity Employees (FERS-FRAE).

K. Estimates

Management is required to make certain estimates and assumptions with respect to the reported amounts in the financial statements. Actual results could differ from those estimates.

L. Contingencies

The STB recognizes contingent liabilities in its balance sheet and statement of net cost when the liabilities are both probable and can be reasonably estimated. In FY 2024, STB management was not aware of any unasserted claims and assessments that, if asserted, would have at least a reasonable probability of an unfavorable outcome.

M. Imputed Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the STB are recognized as

imputed costs in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

N. Classified Activities

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.

O. Changes in Prior Year Reporting

Starting in FY 2024, Federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. Based upon an evaluation of its effects, the STB has determined there is no impact resulting from the adoption of the new standard. Activity and balances reported in the FY 2023 financial statements and footnotes have been reclassified to conform to updated guidance from the U.S. Department of Treasury for FY 2024 Reporting.

Note 2. Fund Balance with Treasury

STB's Fund Balance with Treasury account balances as of September 30, 2024 and 2023 (in thousands) were as follows:

Fund Balance with Treasury	2024	2023
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 2,746	$ 342
Unavailable	2,976	3,587
Obligated balance not yet disbursed	13,547	11,177
Total	**$ 19,269**	**$ 15,106**

Note 3. Accounts Receivable

The STB's Accounts Receivable is primarily made up of debts due to the Board from current and former STB staff for payroll or other related items. The STB updated its procedures and closed all its credit accounts. Historical experience indicates that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2024 and 2023.

STB's accounts receivable balances as of September 30, 2024 (in thousands) were the following:

Intragovernmental Accounts Receivable	**Gross Amounts Due**	**Allowance for Uncollectible Accounts**	**Net Amount Due**
Accounts Receivable	$ -	$ -	$ -
Receivable from Custodian – Other than the General Fund of the US Govt.	-	$ -	$ -
Transfers Receivable	-	-	-
Subtotal Intragovernmental Accounts Receivable	**-**	**-**	**-**
Other than intragovernmental:			
Accounts Receivable	1	1	**-**
Accrued Interest	2	2	**-**
Subtotal Other than Intragovernmental Accounts Receivable	3	3	**-**
Total Accounts Receivable	$ 3	$ 3	**-**

STB's accounts receivable balances as of September 30, 2023 (in thousands) were the following:

Intragovernmental Accounts Receivable	Gross Amounts Due	Allowance for Uncollectible Accounts	Net Amount Due
Accounts Receivable	$ -	$ -	$ -
Receivable from Custodian – Other than the General Fund of the US Govt.	-	-	-
Transfers Receivable	-	-	-
Subtotal Intragovernmental Accounts Receivable	**-**	**-**	**-**
Other than intragovernmental:			
Accounts Receivable	1	1	**-**
Accrued Interest	2	2	**-**
Subtotal Other than Intragovernmental Accounts Receivable	3	3	**-**
Total Accounts Receivable	$ 3	$ 3	**$ -**

Note 4. Advances, Prepayments, and Other Assets

STB's Advances, Prepayments, and Other Assets as of September 30, 2024 and 2023 (in thousands) were as follows:

Other Assets	2024	2023
Intragovernmental		
Advances and Prepayments	$ 1,744	$ 2,667
Total Intragovernmental Other Assets	**1,744**	**2,667**
Total Other Assets	**$ 1,744**	**$ 2,667**

Note 5. General Property, Plant, and Equipment

General Property, Plant, and Equipment (PP&E) is reported at acquisition cost. The capitalization threshold is established at $50,000 or more and a useful life of two or more years. For non-capitalized purchases, items are capitalized when the individual useful lives are at least two years and have an individual value of $1,000 or more. Acquisitions of PP&E that do not meet the capitalization criteria are recorded as operating expenses. General PP&E consists of items that are used by the STB to support its mission. Depreciation or amortization on these assets is calculated using the straight-line method with no salvage value. Depreciation or amortization begins the day the asset is placed in service. Maintenance, repairs, and minor renovations are expensed as incurred. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized.

The estimated useful life of assets such as office furniture, office equipment, telecommunications equipment, and audio/visual equipment is five years, and the estimated useful life of information technology equipment is three years. The STB does not have restrictions on the use or convertibility of general PP&E. In FY 2019, the STB recognized leasehold improvements and furniture purchases after its new agreement with GSA went into effect and overall construction was completed. During FY 2023 laptops previously recognized as construction in progress were placed in service.

The general components of capitalized PP&E, net of accumulated depreciation, or amortization, consisted of the following as of September 30, 2024 and 2023 (in thousands), respectively:

Property, Plant, and Equipment as of September 30, 2024

Class of Property	Depreciation/ Amortization Method	Capitalization Threshold for Individual Purchases ($)	Service Life (Years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value
Furniture and Fixtures	S/L	$ 50,000	5	$ 1,402	$ 1,402	$ -
Equipment	S/L	$ 50,000	3	$ 505	$ 310	$ 195
Leasehold Improvement	S/L	$ 50,000	5	$ 685	$ 685	$ -
Total				**$ 2,592**	**$ 2,397**	**$ 195**

Property, Plant, and Equipment as of September 30, 2023

Class of Property	Depreciation/ Amortization Method	Capitalization Threshold for Individual Purchases ($)	Service Life (Years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value
Furniture and Fixtures	S/L	$ 50,000	5	$ 1,402	$ 1,190	$ 212
Equipment	S/L	$ 50,000	3	$ 505	$ 156	$ 349
Leasehold Improvement	S/L	$ 50,000	5	$ 685	$ 628	$ 57
Total				**$ 2,592**	**$ 1,974**	**$ 618**

Total other than intragovernmental not covered by budgetary resources	**3,480**	**3,798**
Total other than intragovernmental	**5,182**	**5,298**
Total liabilities not covered by budgetary resources	3,595	3,930
Total liabilities covered by budgetary resources	2,112	2,498
Total liabilities not requiring budgetary resources	-	-
Total Liabilities	**$ 5,707**	**$ 6,428**

Note 6. Liabilities Not Covered by Budgetary Resources

STB's Liabilities as of September 30, 2024 and 2023 (in thousands) were as follows:

Liabilities not covered by Budgetary Resources	2024	2023
Intragovernmental:		
Covered by budgetary resources:		
Accounts payable	$ 15	$ 649
Accrued pay and benefits	395	349
Total intragovernmental covered by budgetary resources	**410**	**998**
Not covered by budgetary resources:		
Unfunded FECA liability	51	49
Other Unfunded Employment Related Liability	64	83
Total intragovernmental not covered by budgetary resources	**115**	**132**
Not requiring budgetary resources:		
Custodial liabilities	**-**	**-**
Total intragovernmental not requiring budgetary	**-**	**-**
Total Intragovernmental	**525**	**1,130**
Other Than Intragovernmental		
Covered by budgetary resources:		
Accounts Payable	390	333
Employer contributions and payroll taxable	59	52
Accrued pay and benefits	1,253	1,115

Total other than intragovernmental covered by budgetary resources	**1,702**	**1,500**
Not covered by budgetary resources:		
Unfunded leave	2,054	1,972
Actuarial FECA Liability	284	562
Other Liabilities Without Related Budgetary Obligations	1,142	1,264

Note 7. Other Liabilities

STB's Other Liabilities as of September 30, 2024 and 2023 (in thousands) were as follows:

Other Liabilities	2024	2023
Intragovernmental:		
Accounts payable	$ 395	$ 349
Current other Post-Employment Benefits Due and Payable	22	22
Non-current other Post-Employment Benefits Due and Payable	29	27
Unfunded employment related liability	64	83
Custodial Liability	-	-
Total Intragovernmental	**510**	**481**
Other than intra-governmental:		
Liability for Non-Fiduciary Deposit Funds and Undeposited Collections	-	-
Current Other Liabilities Without Related Budgetary Obligations	121	121
Non-current Other Liabilities Without Related Budgetary Obligations	1,021	1,143
Total other than intra-governmental	**1,142**	**1,264**
Total other liabilities	**$ 1,652**	**$ 1,745**

Note 8. Leases

As mentioned in Note 1, Part O, in FY 2024, the adoption of SFFAS 54 required entities to report a right-to-use lease asset and lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. Based upon an evaluation of its effects, the STB has determined there is no impact resulting from the adoption of the new standard.

The STB has a cancellable operating lease for its building via an operating agreement (OA) with GSA that became effective on February 23, 2019, and ends on February 22, 2034. The OA includes incentives from the Lessor that will be treated as deferred rent and amortized over the life of the lease (not included in the chart below). In addition, the OA includes allowances granted by the Lessor that are amortized and included in the STB's future rent costs. The STB's actual cash outlay for rental payments for its building was approximately $3.0 million during FYs 2024 and 2023, respectively.

Future payments are based on the average rent expense per year less amortized lease abatements per year and are as follows (in thousands):

Fiscal Year	($)
2025	3,014
2026	3,014
2027	3,014
2028	3,014
Thereafter (2029 – 3034)	16,577
Total Future Minimum Lease Payments	**28,633**

Note 9. Inter-Entity Costs

Goods and services are received from other Federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by STB are recognized as imputed costs in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to employee benefits. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements. The STB's inter-entity costs was approximately $2.1 million for FY 2024, and $1.68 million for FY 2023.

Note 10. Status of Budgetary Resources - Net Adjustments to Unobligated Balance, Brought Forward, October 1

During the years ended September 30, 2024 and 2023, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2023 and 2022. These adjustments include, among other things, recoveries and downward adjustments to undelivered and delivered orders that were obligated in a prior fiscal year. The adjustments during the years ended September 30, 2024 and 2023 are presented below (in thousands).

	September 30, 2024	September 30, 2023
Beginning Unobligated Balance, 10/1	$ 4,836	$ 4,885
Adjustments to Unobligated Balance brought forward, October 1	965	1,731
Other Adjustments to Unobligated Balance brought forward, October 1	(2,519)	(2,060)
Unobligated Balance from prior year budget authority, net	$ 3,282	$ 4,556

Note 11. Statement of Budgetary Resources vs. Budget of The United States Government

The reconciliation for the period ended September 30, 2023, is presented in the following table. The Budget with the actual amounts for the current year (i.e., FY 2024) will be available at a later date. The STB's Budget Appendix can be found on the OMB Website (https://www.whitehouse.gov/omb/budget/) and is expected to be available in February 2025. (Dollars in Millions).

Surface Transportation Board	Budgetary Resources	New Obligations& Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 46	$ 41	$ 1	$ 40
Difference #1— Expired Funds	(5)	-	-	-
Difference #2—Rounding	-	-	-	-
Budget of the U.S. Government	**$ 41**	**$ 41**	**$ 1**	**$ 40**

Note 12. Undelivered Orders at End of Period

STB’s Undelivered Orders at the end of September 30, 2024 and 2023 (in thousands) is:

Undelivered Orders	**2024 ($)**	**2023 ($)**
Intragovernmental Undelivered Orders, Unpaid at the end of the period	$ 2,249	$ 2,108
Other than Intragovernmental Undelivered Orders, Unpaid at the end of the period	9,186	5,665
Intragovernmental Undelivered Orders, Paid at the end of the period	$ 1,744	$ 2,667

Note 13. Budget and Accrual Reconciliation

The Board notes that 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 STB’s Budget and Accrual Reconciliation as of September 30, 2024 and 2023 (in thousands) is:

	Intragovernmental ($)	Other than Intragovernmental ($)	2024 ($)
Net Operating Cost (SNC)	$ 16,110	$ 26,797	$ 42,907
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation expense	-	(423)	(423)
Increase/(Decrease) in Assets:			
Accounts receivable, net	-	-	-
Advances and Prepayments	(922)	-	(922)
(Increase)/Decrease in Liabilities:			
Accounts payable	633	(57)	576
Accrued funded payroll and leave	-	(138)	(138)
Employer contributions and payroll taxable	-	(7)	(7)
Unfunded Leave	-	(82)	(82)
Actuarial FECA Liability	-	278	278
Other Liabilities	(29)	121	92
Financing Sources:			
Imputed Cost	(2,103)	-	(2,103)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(2,421)	(308)	(2,729)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	-	-	-
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost:	-	-	-
Misc Items			
Custodial/Non-exchange Revenue	-	-	-
Total Other Reconciling Items	-	-	-
Total Net Outlays			40,178
Outlays, net	-	-	40,178
Distributed offsetting receipts	-	-	-
Budgetary Agency Outlays, net			
Budgetary Agency Outlays, net	-	-	40,178
Difference of Calculated vs. Actual Total Net Outlays	-	-	-

	Intragovernmental ($)	Other than Intragovernmental ($)	2023 ($)
Net Operating Cost (SNC)	14,307	25,859	40,166
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation expense	-	(561)	(561)
Increase/(Decrease) in Assets:			
Accounts receivable, net	-	-	-
Advance and Prepayments	967	-	967
Other Assets	-	-	-
(Increase)/Decrease in Liabilities:			
Accounts payable	87	863	950
Accrued funded payroll and leave	-	(4)	(4)
Employer contributions and payroll taxable	-	-	-
Unfunded Leave	-	-	-
Actuarial FECA Liability	-	(267)	(267)
Other Liabilities	(16)	30	14
Funding Sources			
Inputed Cost	(1,683)	-	(1,683)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(645)	61	(584)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	685	(685)	-
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost:	685	(685)	-
Misc Items			
Custodial/Non-exchange Revenue	5	(4)	1
Total Other Reconciling Items	5	(4)	1
Total Net Outlays			39,583
Outlays, net	-	-	39,583
Distributed offsetting receipts	-	(5)	(5)
Budgetary Agency Outlays, net			
Budgetary Agency Outlays, net	-	-	39,578
Difference of Calculated vs. Actual Total Net Outlays	$ -	$ -	$ (5)

<u>Note 14. Intragovernmental Costs and Exchange Revenues:</u>

STB’s Exchange Revenues at the end of September 30, 2024 and 2023 (in thousands) is:

As of September 30, 2024

	Intragovernmental	Other than Intragovernmental	Total
Surface Transportation:			
Gross Costs	$ 16,110	$ 27,389	$ 43,499
Less Earned Revenue	$ -	$ 592	$ 592
Net Program Costs	$ 16,110	$ 26,797	$ 42,907
Net Cost of Operations	**$ 16,110**	**$ 26,797**	**$ 42,907**

As of September 30, 2023

	Intragovernmental	Other than Intragovernmental	Total
Surface Transportation:			
Gross Costs	$ 14,307	$ 26,533	$ 40,840
Less Earned Revenue	$ -	$ 674	$ 674
Net Program Costs	$ 14,307	$ 25,859	$ 40,166
Net Cost of Operations	**$ 14,307**	**$ 25,859**	**$ 40,166**

Required Other Information

Summary of Financial Statement Audit and Management Assurances

Table 1: Summary of Financial Statement Audit
Audit Opinion: Unmodified
Restatement: No

Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
Material Errors in Year-end Financial Statements	0	1	0	0	1
Accounting Errors Made in Recording Advances in Interim Statements	0	0	0	0	0
Accounting Errors Impacted the Financial Statements	0	0	0	0	0
Total Material Weaknesses	0	1	0	0	1

Table 2: Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)

Statement of Assurance: Unmodified

Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Material Errors in Year-end Financial Statements	0	1	0	0	0	1
Accounting Errors Made in Recording Advances in Interim Statements	0	0	0	0	0	0
Accounting Errors Impacted the Financial Statements	0	0	0	0	0	0
Total Material Weaknesses	0	1	0	0	0	1

Payment Integrity

The information presented in this report complies with guidance provided in *the Payment Integrity Information Act of 2019*; OMB Circular A-136, and Appendix C to OMB Circular A-123, M-21-19, *Requirements for Payment Integrity Improvement*.

The guidance requires agencies to assess every Federal program with annual outlays greater than $10 million dollars, at least triennially, for improper payment risk, measure the accuracy of payments annually, and initiate program improvements to ensure payment integrity. On November 20, 2009, Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, was issued for the purpose of intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal government, while continuing to ensure that the right people receive the right payment for the right reason at the right time. The supporting website, https://paymentaccuracy.gov/, contains the following information:

- Current and historical rates and amounts of improper payments for Federal agencies;
- Why improper payments occur; and
- What agencies are doing to reduce and recover improper payments.

Program Review

The STB has only one program for budget purposes. The FY 2024 appropriated funding for the program is $47.452 million. All the agency's transactions are either employee payroll and benefits, intra-governmental, or non-Federal transactions.

The STB does not maintain its own financial management system but uses a shared service provider, ESC, to process all accounting transactions and the DOI processes payroll and benefits. ESC is subject to external audit in accordance with the Standards for Attestation Engagements (SSAE) 18, Attestation Standards: Clarification and Recodification. The STB examines the SSAE No. 18 audit results annually to determine if the shared service provider's internal controls are operating effectively. The Board also evaluates the internal controls required to supplement the shared service provider's controls as outlined in the SSAE 18.

Intra-governmental transactions, accounts payables, and payments to agency employees are reviewed as part of the agency's internal control program under OMB Circular A-123, Appendix A, Internal Control over Financial Reporting and Appendix C, Requirements for Payment Integrity Improvement.

Based on OMB Circular A-123, the STB's program was reviewed to identify those activities that were susceptible to significant improper payments. For FY 2024, the STB Federal and non-Federal payment was $16 million, and payroll was $28.1 million for a combined total of $44.1 million. The Payment Integrity Information Act defines "significant" as either (1) improper payments that exceed both $10 million and 1.5% of program disbursements; or (2) improper payments in excess of $100 million. Significant improper payments in the STB's program needed to exceed both $0.6 million (1.5% improper payment rate) and $10 million of all non-Federal payments and payments to Federal employees. No material improper payments were identified by the STB in FY 2024 for significant improper payment reporting.

In addition, the following risk factors, likely to contribute to improper payments, were applied to the STB's appropriated funds.

- Any new programs or activity in the agency.
- Complexity of the activity with respect to correct payments amounts.
- Volume of payments made annually.
- Recent major changes in activity funding, authority, practice, or procedures.
- Level, experience, and quality of training for personnel responsible for certifying that payments are accurate.
- Inherent risks of improper payments due to the nature of agency operations.
- Significant deficiencies in the audit reports of the agency that included Inspector General audit findings or external financial audit findings.
- Results from prior improper payment work.

In FY 2024, zero (-) improper payments were discovered. The STB will continue evaluating its programs based on identified risk factors to prevent improper payments from occurring, but the overall risk is low/not significant.

Improper Payments Strategy

The Payment Integrity Information Act requires agencies to conduct payment recapture audits with respect to each program and activity of the agency with expenditures of $1 million or more annually, if conducting such audits would be cost-effective. The STB addresses proper management of payments by:

- preventing payment errors through documented processes and internal controls;
- detecting overpayment and underpayments through control testing.

Due to the STB's limited staffing levels for its accounting and financial reporting functions, such support services are provided under contract with ESC. Coordinating with ESC has greatly enhanced the STB's capabilities for identification of improper payments using detailed internal controls at both the STB and ESC. The STB obtains contracting support from DOT, which follows established pre-enrollment, pre-award, and pre-payment processes for all acquisition awards. Pre-enrollment procedures include cross referencing applicants against the GSA System for Award Management (SAM) exclusion records. ESC reviews Federal and commercial databases to verify past performance, Federal government debt, integrity, and business ethics. For prepayment processes, ESC verifies an entity against both SAM and the Internal Revenue Service's Taxpayer Identification Number Match Program before establishing the entity as a vendor in its core financial accounting system.

Recapture of Improper Payments Reporting

The Payment Integrity Information Act of 2019 requires agencies to conduct recovery audits with respect to each program and activity of the agency that expends $1 million or more annually, if conducting such audits would be cost-effective.

Once the STB has identified an improper payment with a non-Federal vendor, it is STB's policy to aggressively correct the improper payment. Upon research and analysis of supporting documentation, the vendor is contacted for resolution (in the case of underpayment to the agency). If the contract is ongoing, the Board will offset the amount to be recovered on the next billing. For all other contracts, the vendor is contacted, and a receivable is established for collection. If the vendor does not provide payment, the debt is entered into the Treasury Offset Program. If an improper payment is identified as an overpayment to the STB, the vendor is promptly paid.

The table below shows the result of improper payments (in millions of dollars) identified during FY 2024.

Reason for Improper Payment	Overpayment	Underpayment	Total Amount Overpayment Recaptured	Total Amount Underpayment Paid
Failure to verify vendor invoice amount	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Administrative processing	0.0	0.0	0.0	0.0
Total	**$ 0.0**	**$ 0.0**	**$ 0.0**	**$ 0.0**

The following table shows cumulative overpayments (in millions of dollars) through FY 2024.

Reason for Improper Payment	Overpayment	Underpayment	Total Amount Overpayment Recaptured	Total Amount Underpayment Paid
Failure to verify vendor invoice amount	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Administrative processing	0.0	0.0	0.0	0.0
Total	**$ 0.0**	**$ 0.0**	**$ 0.0**	**$ 0.0**

Biennial Review of User Fees

Agencies are required by the Chief Financial Officers Act of 1990 to conduct biennial reviews of fees and other charges that they impose, and to revise, as necessary, to recover program and administrative costs incurred. The STB is required to update its user fees at least annually. The STB published notice of its final rule on September 18, 2024, and the new user fee rates took effect on October 18, 2024.

Civil Monetary Penalty Adjustment for Inflation

To fulfill the reporting requirements of the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, the Board in *Civil Monetary Penalties—2024 Adjustment*, Docket No. EP 716 (Sub-No. 8), issued a final rule to adjust its existing civil monetary penalties for inflation for 2024. The inflation adjustment required by the statute results in the adjustments to the civil monetary penalties within the jurisdiction of the Board shown in the following table. The publication of the decision in the Federal Register may be viewed at: https://www.federalregister.gov/documents/2024/01/13/2024-00592/civil-monetary-penalties-2024-adjustment

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(a)	Unless otherwise specified, maximum penalty for each knowing violation under this part, and for each day.	1995	2024	$9,718
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(b)	For each violation under § 11124(a)(2) or (b).	1995	2024	$973
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(b)	For each day violation continues.	1995	2024	$50
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(c)	Maximum penalty for each knowing violation under §§ 10901-10906.	1995	2024	$9,718

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(d)	For each violation under §§ 11123 or 11124(a)(1).	1995	2024	$193-$973
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(d)	For each day violation continues.	1995	2024	$97
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(e)(1)	For each violation under §§ 11141- 11145.	1995	2024	$973
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(e)(2)	For each violation under § 11144(b)(1).	1995	2024	$193
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(e) (3-4)	For each violation of reporting requirements, for each day.	1995	2024	$193
Motor and Water Carrier Civil Penalties					
Interstate Commerce Act, as amended by the ICC	49 U.S.C. 14901(a)	Minimum penalty for each violation and for each day.	1995	2024	$1,330

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)
Termination Act of 1995					
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14901(a)	For each violation under §§ 13901 or 13902(c).	1995	2024	$13,301
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14901(a)	For each violation related to transportation of passengers.	1995	2024	$33,252
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14901(b)	For each violation of the hazardous waste rules under § 3001 of the Solid Waste Disposal Act.	1995	2024	$26,602-$53,204
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14901(d)(1)	Minimum penalty for each violation of household good regulations, and for each day.	1995	2024	$1,942
Interstate Commerce Act, as amended by the ICC Termination	49 U.S.C. 14901(d)(2)	Minimum penalty for each instance of transportation of household goods if broker provides estimate without	1995	2024	$19,436

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)
Act of 1995		carrier agreement.			
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14901(d)(3)	Minimum penalty for each instance of transportation of household goods without being registered.	1995	2024	$48,586
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14901(e)	Minimum penalty for each violation of a transportation rule.	1995	2024	$3,887
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14901(e)	Minimum penalty for each additional violation.	1995	2024	$9,718
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14903(a)	Maximum penalty for undercharge or overcharge of tariff rate, for each violation.	1995	2024	$194,359

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14904(a)	For first violation, rebates at less than the rate in effect.	1995	2024	$388
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14904(a)	For all subsequent violations.	1995	2024	$487
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14904(b)(1)	Maximum penalty for first violation for undercharges by freight forwarders.	1995	2024	$973
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14904(b)(1)	Maximum penalty for subsequent violations.	1995	2024	$3,887
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14904(b)(2)	Maximum penalty for other first violations under § 13702.	1995	2024	$973

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14904(b)(2)	Maximum penalty for subsequent violations.	1995	2024	$3,887
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14905(a)	Maximum penalty for each knowing violation of § 14103(a), and knowingly authorizing, consenting to, or permitting a violation of § 14103(a) & (b).	1995	2024	$19,436
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14906	Minimum penalty for first attempt to evade regulation.	1995	2024	$2,661
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14906	Minimum amount for each subsequent attempt to evade regulation.	1995	2024	$6,650
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14907	Maximum penalty for recordkeeping/reporting violations.	1995	2024	$9,718

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14908(a)(2)	Maximum penalty for violation of § 14908(a)(1).	1995	2024	$3,887
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14910	When another civil penalty is not specified under this part, for each violation, for each day.	1995	2024	$973
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14915(a)(1) & (2)	Minimum penalty for holding a household goods shipment hostage, for each day.	2005	2024	$15,445
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14916(c)(1)	Maximum penalty for each violation under § 14916(a) by knowingly authorizing, consenting to, or permitting unlawful brokerage activities.	2012	2024	$13,301
Pipeline Carrier Civil Penalties					

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level ($ Amount or Range)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 16101(a)	Maximum penalty for violation of this part, for each day.	1995	2024	$9,718
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 16101(b)(1) & (4)	For each recordkeeping violation under § 15722, each day.	1995	2024	$973
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 16101(b)(2) & (4)	For each inspection violation liable under § 15722, each day.	1995	2024	$193
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 16101(b)(3) & (4)	For each reporting violation under § 15723, each day.	1995	2024	$193
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 16103(a)	Maximum penalty for improper disclosure of information.	1995	2024	$1,942

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