PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR 2017

Surface Transportation Board

ABOUT THIS REPORT

This Performance and Accountability Report (PAR) describes the performance measures, results, and accountability processes for the Surface Transportation Board (STB/Board/agency) for fiscal year (FY) 2017. The PAR satisfies the requirement in the *Government Performance and Results Modernization Act of 2010* to annually report the Board's performance results against its established goals and incorporates the draft FY 2018-2022 Strategic Plan.[1] Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements,* provides guidance regarding the form and content of the report. The PAR also provides program and financial information to enable the President, Congress, and the public to assess the performance of the STB relative to its mission and resources entrusted to it.

STB OVERVIEW

The STB has broad economic regulatory oversight of the nation's freight railroads, including rates; service; construction, acquisition, and abandonment of rail lines; carrier mergers; and the interchange of traffic among railroads.[2] The Board also has certain oversight of passenger rail, pipeline, motor, and water carriers.[3]

The bipartisan Board was formed in 1996 as the successor agency to the Interstate Commerce Commission (ICC).[4] The STB was administratively housed within the Department of Transportation (DOT) until December 18, 2015, when the Surface Transportation Board Reauthorization Act of 2015 (STB Reauthorization Act)[5] established the STB as a fully independent agency and expanded its membership from three to five Board Members appointed by the President and confirmed by the Senate.

[1] Additional references to relevant legislation may be found in this Report's Introduction.

[2] 49 U.S.C. §§ 10101-11908.

[3] 49 U.S.C. §§ 13101-14914, 15101-16106.

[4] ICC Termination Act of 1995.

[5] Pub. L. No. 114-110 (2015).

OUR MISSION

The STB serves as an effective Federal forum for the resolution of surface transportation issues and disputes subject to its jurisdiction. The STB is vested with both adjudicatory and policy-making functions and exercises regulatory oversight efficiently and fairly, integrating market forces where possible.

STB VISION

The STB is an independent regulatory agency that supports the world-class surface transportation system in the United States through fair and efficient decisions and actions.

STB STRATEGIC GOALS

Strategic Goal 1

Protect and further the public interest in surface transportation matters.

Strategic Goal 2

Foster economic efficiencies through reliance, where possible, on marketplace factors to encourage the development and continuation of economically sound, efficient, and reliable surface transportation systems that have adequate capacity to meet the needs of our economy.

Strategic Goal 3

Provide a timely, efficient, and decisive regulatory process to enable all stakeholders in the surface transportation industry to plan and conduct their operations more effectively and with minimal regulatory costs.

Strategic Goal 4

Ensure that the STB has the organizational structure and the managerial leadership necessary to carry out the first three Strategic Goals.

MESSAGE FROM THE ACTING CHAIRMAN

The Surface Transportation Board's (STB or Board) Performance and Accountability Report for Fiscal Year (FY) 2017 has been prepared to provide a complete and reliable reflection of the Board's performance and financial data. During FY 2017, the Board continued to promote its strategic goals and support its mission as detailed in this Report.

The STB became fully independent less than two years ago upon enactment of the Surface Transportation Board Reauthorization Act of 2015, Pub. L. No. 114-110. While the STB has been focused on the successful fulfillment of its core mission—the efficient, timely, and balanced resolution of surface transportation issues and disputes subject to its jurisdiction—the Board also recognizes that it must heighten its focus on meeting its new administrative demands. The Board is in the process of developing written policies and procedures to fully address two internal material control weaknesses identified in its financial reporting by an independent audit as detailed in this report. Moreover, the Board is reviewing its internal processes more broadly in an effort to improve the manner by which it operates as a federal agency.

In sum, during FY 2017, STB made notable progress toward achieving its mission and is committed to improving its administrative processes. The Board will continuously strive to use resources wisely and ensure that the Board is responsive to its stakeholders and the public.

Sincerely,

Ann Begeman

Ann Begeman
Acting Chairman

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INTRODUCTION

This PAR provides an integrated presentation of the Board's performance, financial accountability, and managerial effectiveness for the period beginning October 1, 2016, through September 30, 2017 (FY 2017). The report is intended to provide insight for the President, Congress, and the public into the Board's operations, accomplishments, and challenges.

Relevant Legislation and Guidance

This PAR satisfies the following legislation:

- ***The Federal Managers' Financial Integrity Act of 1982 (FMFIA)*** requires continuous evaluations and reporting of the adequacy of the systems of internal accounting and administrative controls.

- ***The Accountability of Tax Dollars Act of 2002*** requires that the Board prepare and submit to Congress and the Director of OMB an audited financial statement for the preceding fiscal year.

- ***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 information in a more useful manner.

- ***The Inspector General Reform Act of 2008*** amends the Inspector General Act of 1978 to enhance the independence of the Inspectors General, to create a Council of the Inspectors General on Integrity and Efficiency, and for other purposes.

- ***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 Improper Payments Elimination and Recovery Act of 2010*** provides for estimates and reports of improper payments by Federal agencies.

Guidance for the format and content of this Report was provided in OMB Circular No. A-136, *Financial Reporting Requirements.*

How This Report is Organized

This report is divided into the following four sections:

I. ***Management's Discussion and Analysis*** provides an overview of the Board and a discussion of the Board's strategic goals and areas of statutory responsibility. The section also includes a discussion of the STB's mission challenges; controls, systems, and legal compliance; and management assurances on internal controls and financial management systems compliance.

II. ***Program Performance*** includes a discussion of the STB's accomplishments during FY 2017 and progress toward meeting the Board's strategic goals and objectives during the fiscal year.

III. ***Financial Information*** provides a financial overview of the Board and the Auditor's Report.

IV. ***Other Information*** includes a report on improper payments and a summary of the financial statement audit.

This Report may be found at the STB's website www.stb.gov.

STB Audit History

Prior to the enactment of the STB Reauthorization Act, the Board was organizationally housed within the DOT, and the STB's financial information was included in DOT's consolidated financial statements. During the FY 2017 audit, the STB restated its 2016 financial statements due to two material weaknesses. The FY 2016 audit report was withdrawn and replaced with the FY 2017 Audit of Financial Statements as of and for the Years Ended September 30, 2017, and 2016 (restated). The original opinion was not modified with respect to this matter. The STB received an unmodified opinion for the FY 2017 Financial Statements.

I. MANAGEMENT'S DISCUSSION AND ANALYSIS

A. MISSION AND ORGANIZATION

Overview

The STB is an economic regulatory agency that serves as a specialized court for adjudicating disputes that arise in surface transportation matters. The STB functions as a bipartisan, decisionally independent, regulatory, and adjudicatory body.

Vision

The STB is an independent regulatory agency that supports the world-class surface transportation system in the United States through fair and efficient decisions and actions.

The Board has broad economic regulatory oversight of railroads, addressing such matters as rate reasonableness, mergers, line acquisitions, new rail line constructions, and abandonments of existing rail lines. While the majority of the Board's work involves freight railroads, the STB also has certain responsibilities with respect to passenger rail matters. And, its responsibilities also include certain matters relating to the intercity bus industry, non-energy pipelines, household goods carriers' tariffs, and rate regulation of non-contiguous domestic water transportation (freight shipping between mainland United States and Hawaii, Alaska, Puerto Rico, and other U.S. territories and possessions).

Mission

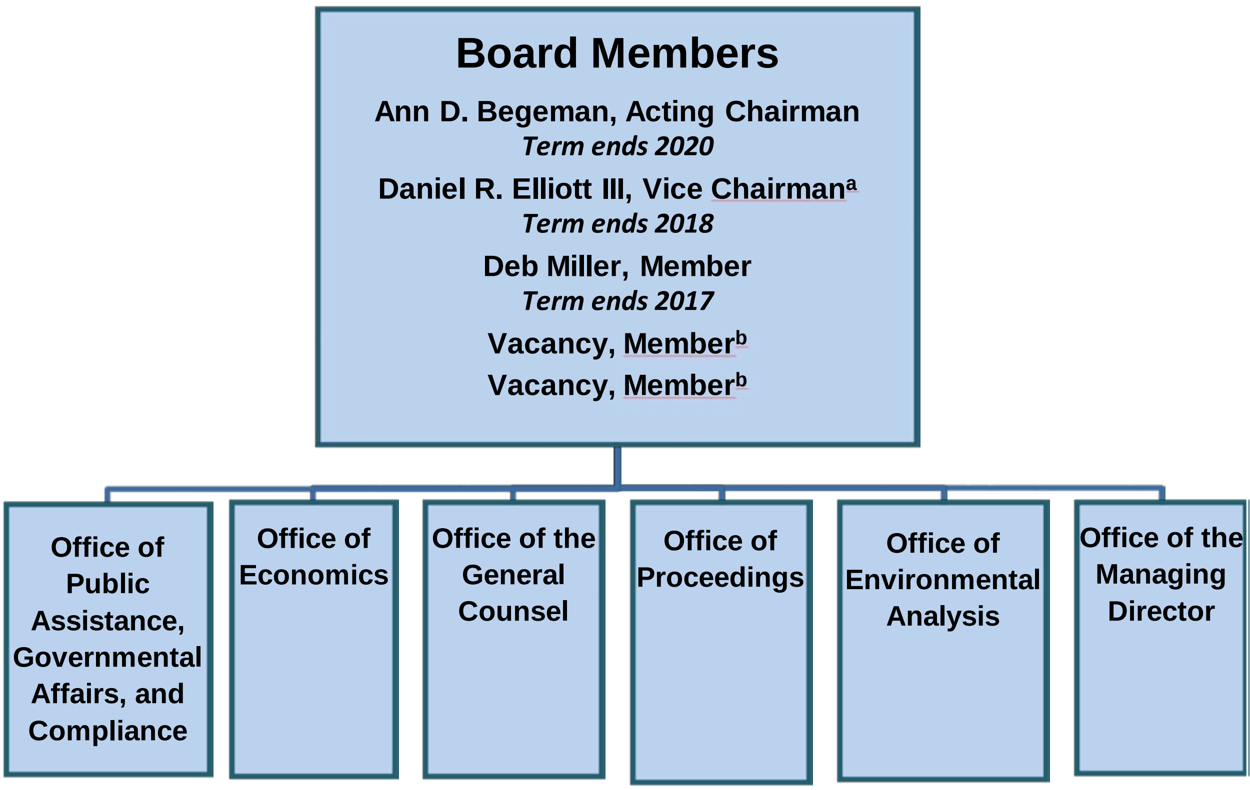
The STB serves as an effective Federal forum for the resolution of surface transportation issues and disputes subject to its jurisdiction. The STB is vested with both adjudicatory and policy-making functions and exercises regulatory oversight efficiently and fairly, integrating market forces where possible.

The Board is charged with providing an efficient and effective forum for the resolution of disputes and other matters within its jurisdiction. In matters brought before it, the Board promotes private-sector negotiations and resolutions where possible and appropriate and facilitates market-based transactions that are in the public interest. When called upon to resolve a dispute, the STB is committed to advancing the rail transportation policy goals established by law.

STB Organization Chart

The STB is comprised of the offices shown in the Organization Chart below.

Figure 1. STB Organization Chart



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[a] Daniel R. Elliott III resigned from the Board September 30, 2017.

[b] The STB Reauthorization Act expanded the Board's membership from three to five Board Members.

STB Offices

The **Office of Public Assistance, Governmental Affairs, and Compliance (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 general public, and the news media. OPAGAC's mission is to aid the public in participating in matters before the STB, to disseminate accurate information and news 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, as well as internal operations such as rail operations analysis, monitoring and analysis of certain passenger rail matters, tariffs, the Board's library, and mediation coordination. OPAGAC is also responsible for the management of the Rail Customer and Public Assistance Program, which assists the public with informal rail-related disputes nationwide.

The **Office of Economics (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 audits Class I carriers to ensure their compliance with these systems and uses the data provided by carriers to develop and disseminate the Uniform Rail Costing System (URCS).

The **Office of the General Counsel (OGC)** is legal counsel to the Board and provides two main services: enhancing the defensibility of the agency's decisions and defending those decisions in court. The OGC also advises the Board on various mission-related matters including those involving the Freedom of Information Act (FOIA), the Privacy Act, the Paperwork Reduction Act, the Sunshine Act, the Equal Employment Opportunity Act, and government ethics requirements. Finally, the OGC assists both the Department of Justice in responding to ancillary litigation related to Board proceedings and the Solicitor General in transportation-related Supreme Court litigation.

The **Office of Proceedings (OP)** serves as the Agency's backbone in providing for a timely, efficient, and decisive regulatory process. Specifically, OP has primary responsibility for developing the public record in formal cases (or proceedings) before the Board, making recommendations to the Board Members regarding the resolution of issues presented in those cases, and preparing the decisions issued by the Board. In addition, OP maintains a database for recording and perfecting secured transactions involving interstate rail equipment.

The **Office of Environmental Analysis (OEA)** assists the Board in meeting its responsibilities under the National Environmental Policy Act of 1969 (NEPA), and other related federal statutes. NEPA requires the Board to consider the potential environmental impacts of its actions before making its final decision in certain cases. OEA conducts an independent environmental review of cases filed with the Board; prepares any necessary environmental documentation; conducts public outreach to inform the public about proposals before the Board and invites stakeholders' comments; and provides technical advice and recommendations to the Board on environmental matters.

The **Office of the Managing Director (OMD)** acts as the liaison between the Board and other Federal Agencies such as the OMBand the Office of Personnel Management. OMD also provides a wide range of administrative services in support of the Board's mission, including human resource management, financial services, information technology support, and facilities management.

B. STB STRATEGIC GOALS

Summary of Significant Performance Results

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

Achieving Strategic Goal 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 goals each fiscal year. The Board's talented staff has worked tirelessly to achieve maximum return for the efforts given. The STB applies a combination of practical approaches and experience to develop creative resolutions to difficult freight transportation issues.

Strategic Objectives and Performance Goals

This section includes a listing and explanation of the Board's strategic goals and the strategic objectives and performance goals for each strategic goal.

Planning, Evaluating, and Revising Goals

The STB's approach to evaluating performance measures has driven its overall planning process. The STB has consistently improved the planning process through the development and implementation of more efficient information collection and reporting processes. The evaluation process is continuously evolving to maintain and, where necessary, improve the selection and evaluation of performance measures. The measures are in alignment with the agency's strategic objectives and its annual operating plans.

The Board's success in achieving its goals is reviewed annually. Where appropriate, adjustments to the Board's operations and management are implemented. The adjustments may range from minor alterations to the strategic and performance plans to the elimination of certain strategies and/or the adoption of new strategies.

Strategic Goal 1: Protect the Public Interest

- **Protect and further the public interest in surface transportation matters.**

Strategic Goal 2: Foster Economic Efficiencies

- **Foster economic efficiencies through reliance, where possible, on marketplace factors to encourage the development and continuation of economically sound, efficient, and reliable surface transportation systems that have adequate capacity to meet the needs of our economy.**

Strategic Goal 3: Provide a Timely, Efficient, and Decisive Process

- **Provide a timely, efficient, and decisive regulatory process to enable all stakeholders in the surface transportation industry to plan and conduct their operations more effectively and with minimal regulatory costs.**

Strategic Goal 4: Ensure Proper Agency Structure

- **Ensure that the STB has the organizational structure and the managerial leadership necessary to carry out the first three Strategic Goals.**

Congress has established specific policies regarding the surface transportation industry. These policies, set forth in the ICC Termination Act of 1995, guide the Board's mission and strategic goals.

Strategic Goal 1

Protect and further the public interest in surface transportation matters.

STRATEGIC OBJECTIVES

- Promote and ensure reasonable transportation rates and practices for users of freight railroads, non-energy pipelines, household goods movers, motor carriers acting collectively, and carriers providing service in the noncontiguous domestic water trades;

- Ensure that railroad restructurings (mergers, acquisitions, constructions, and abandonments) are consistent with the public interest and that any resulting economic, environmental, or operational harm is minimized to the extent practicable;

- Promote efficient and reliable railroad and other surface transportation service that is responsive to the needs of customers, with adequate capacity to meet the needs of a changing economy;

- Address concentrations of market power in the surface transportation industry; and

- Ensure consideration of environmental values in agency decision-making processes, consistent with existing laws and regulations.

PERFORMANCE GOALS

- ✓ Encourage carriers to meet their statutory responsibilities through voluntary compliance but, when needed, address problems through appropriate Board and court action;

- ✓ Facilitate greater understanding among stakeholders and the Board through the National Grain Car Council, the Railroad-Shipper Transportation Advisory Council, and the Rail Energy Transportation Advisory Committee;

- ✓ Encourage the voluntary resolution of rail operational and service-related issues involving shippers, railroads, state and local governments, and the public by providing informal access to Board staff and expertise through the Rail Customer and Public Assistance Program.

- ✓ Conduct responsive, impartial, and timely adjudications;
- ✓ Ensure early and continuing opportunities for public-participation and stakeholder input for projects that trigger review under NEPA and other related environmental laws by conducting public outreach and informational meetings to inform and educate the public and managing rail-related information databases for public use;
- ✓ Ensure that the public, through efficient Freedom of Information Act (FOIA) processing, can obtain information about the Board, the programs it administers, and the actions it takes;
- ✓ Broadly disseminate information about Board activities and permit stakeholders, the public, and government agencies to comment on the substance of certain matters, fostering participation in Board proceedings, as appropriate; and
- ✓ Ensure that the Board's rules, practices, and proceedings are open and transparent.

Strategic Goal 2

Foster economic efficiencies through reliance, where possible, on marketplace factors to encourage the development and continuation of economically sound, efficient, and reliable surface transportation systems that have adequate capacity to meet the needs of our economy.

STRATEGIC OBJECTIVES

- Encourage the efficient management and operation of surface transportation industries;
- Facilitate the opportunity for surface transportation carriers to generate revenues sufficient to maintain and attract capital necessary for efficient and reliable operations responsive to customers' needs;
- Provide a climate that encourages surface transportation carriers to invest in needed additional capacity; and
- Minimize Federal regulatory control over surface transportation systems.

PERFORMANCE GOALS

- ✓ Monitor the financial condition of carriers and take appropriate regulatory action where conditions warrant;
- ✓ Monitor the service and operations of carriers and take appropriate regulatory action where conditions warrant;
- ✓ Provide statistical data that permits the public to better understand trends in traffic volumes, rates, and the financial health of the rail industry;
- ✓ Monitor the impact of railroad financial transactions on the economy and take appropriate regulatory action where conditions warrant; and
- ✓ Foster support for the maintenance and development of adequate surface transportation systems to sustain the nation's economic growth.

Strategic Goal 3

Provide a timely, efficient, and decisive regulatory process to enable all stakeholders in the surface transportation industry to plan and conduct their operations more effectively and with minimal regulatory costs.

STRATEGIC OBJECTIVES

- Ensure that there is sufficient transparency with respect to the Board's dispute resolution activities to enable parties to make informed decisions as to whether they should voluntarily settle their disputes or litigate before the Board;
- Ensure the timeliness of Board adjudicatory decisions by setting and adhering to appropriate processing timelines; and
- Ensure that the Board's decisions comport with the applicable statutes, precedents, and policies.

PERFORMANCE GOALS

- ✓ Develop adjudicative procedures that balance the needs of carriers for efficient operations and a sufficient return on their investments with the needs of their customers for reasonable transportation rates and services;
- ✓ Offer alternative dispute resolution services that facilitate private sector solutions to problems;
- ✓ 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; and
- ✓ 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.

Strategic Goal 4

Ensure that the STB has the organizational structure and the managerial leadership necessary to carry out the first three Strategic Goals.

STRATEGIC OBJECTIVES

- Organize management and deploy staff to ensure the achievement of the Board's strategic goals;
- Recruit, retain, and train staff with a focus on critical needs, shortage of skills, and diversity; and
- Employ new technologies to improve Board operational efficiency.

PERFORMANCE GOALS

- ✓ Monitor performance based on the Strategic Plan and annually evaluate the agency's success in meeting its goals, making refinements as necessary;
- ✓ Identify and alleviate current and future skills gaps by succession planning and by providing appropriate training to staff to prepare for impending retirements of senior staff; promote a culturally diverse workforce that maximizes effective utilization of human capital;
- ✓ Ensure that Board Members and staff are properly trained on, and abide by, applicable ethics rules, so they can maintain the public's trust in impartial Board decisions issued without conflicts of interest;
- ✓ Utilize technology to enhance the productivity of the Board's workforce. Replace the STB's current Lotus Notes-based enterprise platform, which is maintained and operated on-site at the STB headquarters, with a cloud-based platform that utilizes state-of-the-art IT hardware/software capabilities to effectively manage information and interface with stakeholders and the public; and
- ✓ Refine performance measures to establish baselines against which future performance can be measured.

C. REGULATORY RESPONSIBILITY AND OVERSIGHT

Overview of the STB

The Board is charged with advancing the national transportation policy goals enacted by Congress[6] and promoting an efficient, competitive, safe, and cost-effective freight rail network.

While much of the agency's work involves freight railroads, the Board also has certain oversight of passenger rail carriers, pipeline carriers, intercity bus carriers, moving-van companies, trucking companies involved in collective activities, and water carriers engaged in non-contiguous domestic trade (i.e., trade involving Alaska, Hawaii, or U.S. territories or possessions).[7] The STB also has certain regulatory authority over Amtrak; its operations on other railroads' track; disputes over shared track use and facilities; 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 fair and timely decisions when regulation is required. 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 for stakeholders.[8]

The Board has regulatory jurisdiction over railroad rate reasonableness, mergers, line acquisitions, new rail line construction, abandonments of existing rail lines, and the conversion of rail rights-of-way into hiking and biking trails.

Because the economics of freight rail regulation impact the national network and are important to our national economy, Congress gave the STB sole jurisdiction over rail mergers and consolidations, exempting such transactions from federal antitrust laws and state and municipal laws. The STB also has exclusive authority to determine whether railroad rates and services are reasonable. The STB

[6] 49 U.S.C. §§ 10101 (rail), 13101 (motor and water), 15101 (concerning pipelines).

[7] 49 U.S.C. §§ 13101-14914, 15101-16106.

[8] 49 U.S.C. § 10502(a).

Reauthorization Act vested the Board with authority to investigate issues of national or regional significance on its own accord.

To carry out its regulatory mission, the Board primarily engages in three types of formal activities: adjudication, rulemaking, and licensing. First, the Board adjudicates disputes between shippers and railroads on the reasonableness of the carriers' rates and service practices. In some instances, the Board also adjudicates disputes between the carriers themselves, or between the railroads and local communities in which their lines are located. Second, the Board conducts rulemaking proceedings, in which the agency proposes regulations that it believes are needed to carry out the agency's mission. After issuing a notice of the proposed regulations, the Board receives comments from its stakeholders and other interested parties and, based on those comments, decides whether to adopt, not adopt, or adopt with modification the proposed regulations. Third, approval from the Board is required for any entry to, exit from, or consolidation within, the rail transportation market to ensure that the transactions are in the public interest.

The following section lists the Board's areas of statutory responsibility by discipline.

Areas of Statutory Responsibility

Rail

- Common Carrier Obligation
- Exemptions from regulation
- Rail Mergers
- Line Transfers, Leases, and Trackage Rights
- Line Sales to Noncarriers
- Labor Protection
- Rate Regulation for Common Carriage, including--
    - Public Disclosure of Rates and Service Terms
    - Advance Notice of Rate Increases or Changes in Service Terms
    - Maximum Rate Reasonableness for Captive Traffic
- Contracts for Transportation of Agricultural Products requirements, including:
    - Filing of Summaries
    - Protest and Matching Rights
    - Equipment Limitations
- Rail Cost Adjustment Factor (RCAF) Computation
- Reasonableness of Practices
- Rate Discrimination
- Car Supply and Interchange
- Emergency Service Orders
- Competitive Access
- Line Constructions, including Line Crossings
- Line Abandonments, including--
    - Financial Assistance
    - Rails-to-Trails
    - Public Use for Rights-of-way
- Feeder Line Development Program
- Collective Ratemaking (and Antitrust Immunity)
- Interlocking Officers and Directors
- Recording Liens
- Data Collection and Oversight
- Passenger Rail Oversight
    - Amtrak-Host Carrier Compensation Disputes
    - Amtrak-State Sponsored Short Distance Corridor Funding Disputes
    - Passenger Rail Line Construction

Motor Carriers

- Common Carrier Obligation
- Rate Reasonableness for--
  - Residential Household Goods Moves
  - Joint Motor-Water Rates in Noncontiguous Domestic Trade
  - Collectively set Rates
- Collective Ratemaking (and Antitrust Immunity)
- Pooling
- Undercharges
  - Household Goods Operations, including--
    - Tariffs (not filed)
    - Antitrust Immunity for Agent-Van Lines
- Preemption of Intrastate Regulation
- Bus Company Mergers
- Bus Company Through-Route Requirements

Pipelines

- Common Carrier Obligation
- Rate Regulation, including—
  - Public Disclosure of Rates and Service Terms
  - Advance Notice of Rate Increases or Changes in Service Terms
  - Reasonableness
- Reasonableness of Practices
- Rate Discrimination

Domestic Water Carriage

- Tariff Filing and Rate Reasonableness Requirements for Noncontiguous Domestic Trade

Intermodal

- Rail-Water Connections for Noncontiguous Domestic Trade

Following is a discussion of the Board’s areas of statutory responsibility.

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 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 from the full application procedures under 49 U.S.C. § 10502. 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 railroads whose lines do not connect with each other, carriers need only follow a simple notification procedure to 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 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).[9]

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. Acquisitions resulting in a carrier having at least $5 million in annual net revenues require

[9] 49 C.F.R. Parts 244 and 1106.

additional notice, in advance of anticipated impacts, to give employees and the communities served by those carriers an opportunity to adjust to the effects of a 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, and help preserve rail service in many areas of the country.

Trackage Rights

Trackage rights arrangements allow a railroad to use the track of another railroad that 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 trackage rights for overhead operations only, and these expire in one year or less.

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. The agency maintains class exemptions providing a simple notification procedure for the construction of connecting track on an existing rail right-of-way, on land owned by the connecting railroads, or 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 does 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 require Board approval to abandon a rail line or to discontinue all rail service over a line to be held in reserve. Abandonment or discontinuance authority may be sought by an entity with operating authority over the line, or an "adverse" abandonment or discontinuance action may be brought by an opponent to 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) Offers of Financial Assistance

If the Board finds that a railroad's abandonment proposal should be authorized, and the railroad receives an offer by another party to acquire or subsidize continued rail operations on the line to preserve rail service—known as an Offer of Financial Assistance (OFA)—the agency 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 agency will set the price at fair market value, and the offeror will 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/Rail Banking

The Board administers the National Trails System Act's "rail banking" 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 issues a Certificate of Interim Trail Use or a Notice of Interim Trail Use. If a trail use arrangement 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. The STB recorded 1,530 rail liens in FY 2017.

Railroad Rates

Cost of Capital

Each year, the Board determines the after-tax, composite cost of equity 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" for a variety of regulatory purposes. It is employed in maximum railroad-rate cases, feeder-line applications, rail-line abandonments, trackage-rights cases, rail-merger reviews, the Board's URCS and, more generally, in annually evaluating the adequacy of individual railroad's revenues.

Common Carriage or Contract Carriage

Under federal law, railroads have a common carrier obligation to provide rail service upon reasonable request. A railroad can provide that service either under rate and service terms agreed to in a transportation contract with a shipper or under openly available common-carriage rate and service terms. 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 7 days of the contracts' effective dates. Summaries must contain specific information contained in 49 C.F.R. Part 1313 and are available on the STB's and the individual carrier's website.

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 terms for agricultural products and fertilizer must also be published. These regulatory requirements 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 container traffic, boxcar traffic, and other miscellaneous commodities.

Rate Challenges: Market-Dominance Limitation

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%. 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 generally uses "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 that, to earn adequate revenues, railroads need pricing flexibility, including charging higher rates on "captive" traffic (traffic with no alternative means of transportation). The CMP guidelines also impose constraints on a railroad's ability to do so. The most commonly used 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.

Rate Challenges: Simplified and Expedited Rate Guidelines

In 1996, the Board adopted simplified and expedited rate guidelines in *Rate Guidelines—Non-Coal Proceedings*, 1 S.T.B. 1004 (1996). During the next decade, only two cases were brought to the Board under these guidelines, and both settled with the facilitation of Board-led mediation.

Because no cases had been decided under the simplified guidelines since their establishment, the Board examined and revised its simplified guidelines.[10] As part of the new simplified guidelines, the Board

[10] *Simplified Standards for Rail Rate Cases*, EP 646 (Sub-No. 1) (STB served Sept. 5, 2007), *aff'd sub nom, CSX Transportation, Inc. v. STB*, 568 F.3d 236 (D.C. Cir. 2009), *and vacated in part on reh'g, CSX Transportation, Inc. v. STB*, 584 F.3d 1076 (D.C. Cir. 2009).

created a methodology for "medium-sized" cases and modified its previous simplified guidelines for "small-sized" cases.

Specifically, the Board adopted a simplified version of SAC ("Simplified-SAC"), which can be used in any rate case, and modified the previously adopted "Three Benchmark" methodology for small-sized cases, under which a challenged rate is evaluated in relation to three benchmark figures from the rates of a comparable group of traffic.

A shipper challenging a rate may choose to present evidence using either a Simplified-SAC or Three-Benchmark approach but with limits on the relief available if the Three-Benchmark procedure is used. The maximum recovery for Three-Benchmark cases is $4 million, indexed for inflation.[11]

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 service and practices. Among its broad remedial powers, the Board may compel a railroad to provide alternative service by another railroad, switching operations for another railroad, or access to its terminal for another railroad. To prevent the loss of necessary rail service, the Board 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, the agency welcomes informal stakeholder meetings with the Board Members and staff to discuss general service, transportation, and other issues of concern. During FY 2017, the Board continued to foster industry dialogue about railroad service through meetings of the Board's Advisory Committees, as discussed in the Annual Performance Report section.

Dialogue between Railroads and Their Customers

During FY 2017, the Board continued to encourage railroads to establish a regular dialogue with their customers as a productive way of preventing and

[11] See *Rate Regulation Reforms*, EP 715 (STB served July 18, 2013, Dec. 3, 2014).

addressing rail customer-service concerns. In addition to the RCPA Program's dispute-resolution work, RCPA staff regularly monitored the rail industry's operating performance to identify service issues before they became major problems.

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 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,[12] the Board must consider the environmental impacts of its actions before making final decisions in certain cases filed before it. The OEA assists the Board in its decision-making process by furthering the twin purposes of NEPA—informing the decisionmakers of the likely consequences 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[13] and the Board's regulations implementing NEPA.[14] It determines whether certain cases filed with the Board are categorically excluded from environmental review or may require either an Environmental Assessment or an Environmental Impact Statement. In conducting environmental reviews for various rail line proposals on behalf of the Board, OEA strives to achieve an efficient, cost-effective, inclusive, and legally defensible process.

Environmental Review Process

The Board typically conducts environmental reviews for rail-line construction proposals, abandonments, and mergers. Cases handled by the Board this fiscal year are summarized in the Annual Performance Report section of this report.

[12] 42 U.S.C. §§ 4321-45.

[13] 40 C.F.R. §§ 1500-08.

[14] 49 C.F.R. § 1105.

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 accounting system[15] for railroads to use for regulatory purposes. The Board requires Class I railroads to submit quarterly and annual reports containing financial and operating statistics, including employment and traffic data.[16] Based upon information submitted by carriers, the Board compiles quarterly employment reports, as well as annual wage statistics of Class I railroads. The above information is discussed further in the Appendix of this report.

The Board publishes "rail cost adjustment factor" (RCAF) indices each quarter to reflect changes in costs incurred by the rail industry.[17] 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 5-year moving average).[18] Additionally, the Board publishes the RCAF-5 index that also reflects national average productivity changes but is calculated as if a 5-year moving average had been applied consistently from the productivity adjustment's inception in 1989.[19]

Positive Train Control (PTC) Reporting

In 2013, the Board adopted final reporting rules regarding PTC[20], an automated system designed to prevent train-to-train collision and other accidents. Specifically, railroads must separately report information on capital and operating expenditures for PTC when submitting information for the Board's annual Form R-1 reports (financial and statistical reports by Class I carriers). In this way, PTC expenses may be viewed both as components of, and separately from, other capital investments and expenses.

Amtrak and Passenger Rail

The Board has certain regulatory authority involving Amtrak, including authority to ensure that Amtrak may operate over other

[15] 49 U.S.C. §§ 11141-43, 11161-64, 1200-1201.

[16] 49 U.S.C. §§ 11145, 1241-1246, 1248.

[17] *See* Appendix A.

[18] 49 U.S.C. §§ 10708, 1135.

[19] *Productivity Adjustment—Implementation,* 1 S.T.B. 739 (1996).

[20] *Reporting Requirements for Positive Train Control Expenses and Investments*, EP 706 (STB served Aug. 14, 2013).

railroads' track, to address disputes concerning shared use of tracks and other facilities (including disputes concerning Amtrak's statutory right of preference over other railroads' lines), and to set the terms and conditions of shared use if Amtrak and railroads or regional transportation authorities 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.

PRIIA[21] expanded the Board's jurisdiction over passenger rail. PRIIA authorizes the STB to institute enforcement or investigatory action under certain circumstances. Following investigatory action, the agency is to identify reasonable measures and make recommendations to improve Amtrak performance and/or service quality, and it can award damages and prescribe other relief in appropriate instances.

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."[22] Excluded from this jurisdiction, however, is "mass transportation provided by a local government authority." [23]

Motor Carriage

Bureau Agreements

The Board may approve agreements by motor carriers to collectively set through routes and joint rates, establish uniform classifications and mileage guides, and engage in certain other collective activities. Beginning January 1, 2008, the Board ceased to allow carriers to set base rates and related matters collectively, and the agency terminated its approval of all outstanding motor-carrier bureau agreements, as well as

[21] Pub. L. 110-432, 122 Stat. 4848 (2008).

[22] 49 U.S.C. § 10501(a)(2)(A).

[23] 49 U.S.C. § 10501(c)(2)(A).

antitrust immunity for them.[24] Consequently, some motor carrier bureaus disbanded altogether while others revised their activities significantly to comply with the antitrust laws.

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 bus carriers to provide through routes with other carriers.

Motor Carrier Rate Reasonableness

The Board may review the reasonableness of motor carrier rates established collectively under agreements approved by the Board. In view of the Board's termination of approval for motor carrier ratesetting agreements, motor carriers may no longer set such rates.

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

[24] *Motor Carrier Bureaus—Periodic Review Proceeding*, EP 656 (STB served May 7, 2007, and June 28, 2007).

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.

D. AGENCY MISSION CHALLENGES

Relationship Between Strategic Goals and Performance Goals

The strategic goals broadly enunciate 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.

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 and resource limits, and authorization;
- Changes in market demand and strategic direction in the surface transportation industries under the Board's jurisdiction;
- Unanticipated nationwide or regional economic growth or recession;
- Major changes in the ability of surface transportation carriers to compete effectively and/or provide responsive and reliable service; and
- The impact of ongoing homeland security activities on the surface transportation industry.

E. CONTROLS, SYSTEMS, AND LEGAL COMPLIANCE

The STB fully recognizes that internal controls are fundamental to the systems and processes the STB uses to manage its operations and achieve its strategic goals. As noted in the following section, two material weaknesses in the DOT Office of Inspector General (OIG) report "STB Audit of Financial Statements, as of and for the Years Ended September 30, 2017, and 2016 (restated)." The material weaknesses relate to the monitoring controls in place to produce year-end financial statements. The STB has implemented a process to fully address those internal control deficiencies and staff will review the Board's internal processes more broadly with the goal of finding and correcting weaknesses in the way the Board operates as a federal agency.

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 Acting 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 Acting 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 Acting Managing Director and Office Directors, audits of the financial statements, annual performance plans, and DOT OIG reports. The STB received an unmodified (clean) audit opinion for FY 2017. During interim and final testing, the auditor identified material errors in the FY 2016 and interim FY 2017 financial statements and related footnote disclosures. These material errors were due to overstatement of advances, corresponding understatement of expenses, and errors in related line items and footnotes. The STB restated its FY 2016 financial statements and implemented a process to fully address those internal control deficiencies.

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 U.S. Treasury for collection. The Bureau of Fiscal Services conducts the collection of delinquent debts through the Cross-Servicing Program and the U.S. 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 98% of invoices were paid on time in FY 2017. Six late payments[25] resulted in interest charges of $129 on total payments of $1.9 million. The Board continues to work with Enterprise Services Center (ESC), the Agency's shared service provider, to take proactive steps to increase the number of on-time payments to 100% and to prevent duplicate payments using ESC's Enterprise Data Quality software.

Annual Review of User Fees

The STB is required to update its user fees at least annually.[26] The fees are calculated

[25] Six payments were paid late due to delays in receiving payment approvals related to changes in the purchase card program.

[26] 49 C.F.R. § 1002.3.

using the current update formula at 49 C.F.R. § 1002.3(d)[27], subject to Board policy regarding capped fees. The calculation is based on six components: direct labor; government fringe benefit costs; operations overhead factor; office overhead factor; Board overhead factor; and any publication (Federal Register) cost if necessary. All costs are based on the most recently completed fiscal year data available. User fees were updated in Docket No. EP 542 (Sub-No. 25) published in the Federal Register August 2, 2017, and effective September 1, 2017.

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 DOT's 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.

USA Spending Reconciliation

The Board, through ESC, implemented a plan to ensure data completeness and accuracy. Using control totals with financial statement data, samples of financial data were compared to actual award documents. The review ensured that the prime Federal award financial data reported on USAspending.gov were correct at the reported percentage of accuracy.

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 has submitted files timely for Data Act Reporting for FY 2017.

[27] Adopted through notice and comment procedures in *Regulations Governing Fees for Services Performed in Connection With* Licensing & Related Services—1987 Update, 4 I.C.C.2d 137 (1987).

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 requires agencies to report on final actions taken on OIG audit recommendations. While the STB Reauthorization Act removed the requirement for DOT to provide administrative support to the Board, it provided the DOT OIG the authority 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 2017, the DOT OIG engaged an independent public accounting firm to audit the Board's financial statements. As explained earlier in this section of the report, the STB received an unmodified (clean) audit opinion for FY 2017 but had to restate its FY 2016 financial statements due to two material weaknesses related to financial reporting.

This memorandum provides the Surface Transportation Board's (STB) fiscal year (FY) 2017 Federal Managers' Financial Integrity Act (FMFIA) assurance statement, and summarizes noteworthy internal control and management efforts in support of that assurance for the fiscal year ended September 30, 2017.

Federal Managers' Financial Integrity Act of 1982 (Public Law (P.L.) 97-255)

FMFIA holds Federal managers accountable for establishing and maintaining effective internal controls and financial management systems. The STB is subject to Sections 2 and 4 of FMFIA.

The STB's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of FMFIA. The STB is able to provide a qualified statement of assurance indicating that the internal controls and financial statements meet the objectives of FMFIA with the exception of two material weaknesses. The material weaknesses relate to the monitoring controls in place to produce year-end financial statements. The details of the material weaknesses are provided in the *Surface Transportation Board Audit of Financial Statements as of and for the Years Ended September 30, 2017 and 2016 (restated)*.

Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, Appendix A: Internal Control over Financial Reporting

The STB management is responsible for establishing and maintaining effective internal controls over financial reporting. In FY 2017, the STB conducted an assessment of internal controls and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The STB assessed and tested internal controls over the financial management, credit card management, and payroll business processes. The STB also evaluated entity, process, and transaction-level controls over financial reporting.

In addition, an assessment was performed on the financial management system, Delphi, including obtaining an annual Statement of Standards for Attestation Engagements 18 (SSAE 18) Service Organization Control (SOC) Type II Report from the Enterprise Services Center to determine if financial system non-conformance exists.

Two material weaknesses related to monitoring controls were identified by the external auditors regarding STB's financial reporting for FY 2017. The STB is developing corrective action plans to address the two material weaknesses, which include estimating expenses incurred and advance amounts on open purchase orders, and which are summarized in Note 10 of the FY 2017 financial statements.

Based on the results of the Appendix A assessment, the STB provides reasonable assurance that its internal controls over financial reporting were operating effectively as of September 30, 2017, except for the two material weaknesses related to the STB's financial reporting monitoring controls.

Government Charge Card Abuse Prevention Act (Charge Card Act) of 2012 (P.L. 112-194)
OMB Circular A-123, Appendix B: Improving the Management of Government Charge Card Programs

The Charge Card Act establishes reporting and audit requirement responsibilities for executive branch agencies. The STB has reviewed the Purchase and Travel Card programs for compliance with the Charge Card Act and can provide reasonable assurance that appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate charge card practices.

The STB also reviewed the Purchase and Travel Card programs for compliance with OMB Circular A-123, Appendix B requirements. Based on the results of the evaluation, the STB can provide reasonable assurance that it is in compliance with OMB Circular A-123, Appendix B.

Improper Payments Information Act of 2002 (IPIA) (P.L. 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) (P.L. 111-204) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) (P.L. 112-248)
OMB Circular A-123, Appendix C: Requirements for Effective Measurement and Remediation of Improper Payments

The STB conducted an assessment to identify programs and activities that are susceptible to significant improper payments. In FY 2017, the STB performed a review of these activities administered by the agency in accordance with IPIA, as amended by IPERA and IPERIA. Based on this review, no improper payments were made.

Federal Financial Management Improvement Act of 1996 (FFMIA) (P.L. 104-208)
OMB Circular A-123, Appendix D: Compliance with FFMIA

FFMIA requires establishing and maintaining financial management systems that substantially comply with the following three FFMIA Section 803(a) requirements: Federal Financial Management System Requirements, applicable Federal Accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level.

The STB has determined that financial management systems were in compliance with FFMIA for FY 2017. The STB based this determination on the results of the FFMIA Compliance Determination Framework (utilized from OMB Circular A-123, Appendix D) and management's assessments of its internal controls within the financial management systems (as described under the OMB Circular A-123, Appendix A).

OMB Circular A-11: Preparation, Submission, and Execution of the Budget
Information Technology (IT) Resource Statements

As required by OMB Circular A-11:

- The Chief Information Officer (CIO) affirms that the CIO has reviewed and approved the major IT investments portion of the budget request.
- The Chief Financial Officer (CFO) and CIO affirm that the CIO had a significant role in reviewing the planned IT support for major program objectives, and significant increases and decreases in IT resources.
- The CFO and CIO affirm that the IT Portfolio (OMG Circular A-11 Section 55.6) included appropriate estimates of all IT resources included in the budget request.

<u>Federal Information Security Management Act of 2002 (FISMA) (P.L. 107-347)</u>

In FY 2017, the STB underwent a FISMA review by the Department of Transportation Office of Inspector General (OIG) that assessed the STB for compliance with FISMA requirements. The results of the report determined that the STB needs to develop a more mature and effective information security program. The STB concurred with all of the OIG recommendations, and it will address them by developing a plan and executing remediation efforts, prioritizing the most critical deficiencies.

Ann Begeman

Ann Begeman
Acting Chairman

II. PROGRAM PERFORMANCE

A. PROGRAM PERFORMANCE OVERVIEW

The STB 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 2017 include issuing 474 decisions addressing rail licensing, unreasonable practice complaints, rate reasonableness, declaratory orders, ex parte proceedings, as well as motor carrier and pipeline 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.

B. ANNUAL PERFORMANCE REPORT

Introduction

The STB's performance management system includes specific strategic goals and performance measures. The strategic goals represent the Board's mission and reflect the overall outcomes and objectives the Board seeks to achieve. Table 1 lists the Board's strategic goals, performance goals, and performance measures and shows its progress in FY 2017 toward meeting these goals. This section also contains a discussion of the STB Reauthorization Act Implementation and the STB's regulatory and administrative accomplishments in FY 2017.

The STB Reauthorization Act Implementation

Enactment of the STB Reauthorization Act in December 2015[28] was the most significant legislative development affecting the Board since its 1996 inception. This new law transformed the Board into a fully independent federal agency and marked the agency's first reauthorization since it was established in 1996.[29]

The STB Reauthorization Act also:

- expands the Board's membership from three to five Board Members;
- allows a majority of Board Members to meet in private to discuss agency matters, if no vote or official action is undertaken within such a meeting and the General Counsel is present;
- gives the Board authority to initiate investigations and requires the STB to establish regulations relative to such authority and to include each instance in which the Board has initiated an investigation in its annual report;
- directs the Board to adjust its voluntary arbitration process, including allowing arbitration in rate disputes up to $25 million;
- shortens timelines for large rate case proceedings, including limits on the time allowed for discovery and development of an evidentiary record; and

[28] Pub. L. No. 114–110, 129 Stat 2228.

[29] Prior to the STB Reauthorization Act, the Board was administratively aligned with the U.S. DOT, although the STB had been decisionally independent since its 1996 creation by the ICC Termination Act of 1995 (Pub. L. No. 104-88, 109 Stat 803).

Table 1. STB Strategic Goals and Annual Performance Measures FY 2017			
Strategic Goal	**Performance Goal**	**Performance Measure**	**FY 2017**
Protect the Public Interest	Ensure that Board decisions comport with statutes, precedents, and policies and are fair and reasonable.	1. Court challenges to Board decisions do not raise unanticipated issues that the Board should have addressed; 2. Court rulings do not reverse Board decisions as unfair or unreasonable.	0% 80%
Foster Economic Efficiencies	Economic Oversight: Provide timely, accurate, and useful financial and operational data and decisions.	3. Cost of capital, rail revenue adjustments, and revenue adequacy decisions are released per schedule, and 4. Requests for waybill data are handled within 7 days of requests.	100% 100%
Provide a Timely, Efficient, and Decisive Regulatory Process	Ensure that Board decisions meet applicable deadlines	5. All decisions, notices, and other documents are published and served promptly and copies made available to the public the same day; and 6. Congressional and public e-mail and telephone inquiries are fully answered within 14 days. 7. Board's decisions on railroad abandonments are issued within 110 days of initial filing; 8. Statutory deadlines imposed on all cases are met at least 90% of the time; and 9. Met dispute resolution deadlines 90% of time.	100% 95% 100% 100% 100%
Ensure the Necessary Organizational Structure and Management to Carry Out First Three Goals (Changed to better match Strat Plan)	Operation Oversight/Enforcement: Monitoring rail operations, resolving complaints, and contracts.	10. 90% of informal complaints are handled within 30 days of receipt; 11. Data is collected and processed within 24 hours; 12. 90% of requestors are given correct information and complaint resolved; and 13. Requests for certified copies of documents are handled within 5 business days.	100% 98% 100% 100%

- directs Board submission of a rate-case methodology report, quarterly reports on rail rate review cases, unfinished regulatory proceedings, and formal and informal railroad service complaints to pertinent Congressional committees.

Throughout FY 2017, the Board continued implementing the new law and providing quarterly reports, as required. The Board's quarterly transmittal letters also inform Congress and the public about other important Board matters or actions. These reports and transmittal letters can be found on the STB's website www.stb.gov.

Regulatory Reform Task Force

The Regulatory Reform Task Force (RRTF) was established to comply with the spirit of Executive Order (EO) 13,777, issued February 24, 2017. The RRTF identifies burdensome, outdated, or cumbersome regulations, and makes recommendations for implementing regulatory reform initiatives.

In May, the RRTF identified several initial proposals, including repealing the requirement to file water carrier tariffs, revising the Board's environmental rules, and replacing outdated procedural and filing rules. To ensure stakeholder engagement, the RRTF held a listening session on July 25, 2017, and invited written comments. Based upon further review of the comments made at the listening session and written comments submitted, as well as its own on-going review of existing agency regulations and policies, the RRTF intends to make additional reform recommendations to the Board.

Rail Service Issue Oversight and Monitoring

Over the summer of 2017, the Board initiated informal oversight and public assistance efforts in response to service problems caused by operational changes made by CSX Transportation, Inc. (CSX). The Board's efforts were prompted by several informal complaints from CSX customers, Congressional offices, and industry stakeholders, alleging increased transit times, unreliable switching operations, inefficient car routings, poor communications from CSX customer service, and acute disruption to customers' business operations. These service issues were corroborated by performance data that all Class I railroads must now provide the Board (a requirement that the Board implemented after service issues arose in the winter of 2013-2014).

The staff of the Board's Rail Customer and Public Assistance (RCPA) program is working with CSX customers that have sought informal assistance. In addition, the Board sent two letters to CSX's President and CEO to express its concern over deteriorated service across the railroad's network. In the first letter, the Board requested that CSX senior personnel participate in weekly calls with Board staff to better understand the scope and magnitude of CSX's performance issues and its efforts to resolve these problems. In the second letter, the Board further requested that CSX provide additional weekly service metrics (to supplement the normally required metrics). The Board also sent letters to the Senate Committee on Commerce, Science, and Transportation and to the House of Representatives Committee on Transportation and Infrastructure on August 16, 2017, to keep Congress apprised of Board efforts on these important service issues.

The Board held a public listening session in Washington, DC, on October 11, 2017, to hear from CSX executives about the recent rail service problems on its network and its recovery efforts. The listening session also gave rail shippers and other stakeholders the opportunity to report on the repercussions of these rail service problems and their experiences with CSX's actions to restore its service to acceptable levels. Further Board oversight and monitoring will continue until CSX has recovered from its service problems.

Alternatives to SAC

In September 2016, the Board released an independent study it had commissioned from InterVISTAS Consulting LLC (InterVISTAS), "An Examination of the STB's Approach to Freight Rail Rate Regulation and Options for Simplification." In October 2016, the Board held an economic roundtable to discuss the study and invited economists from InterVISTAS, Georgetown University, Harvard University, Consumer Federation of America, U.S. Department of Justice, University of Oregon, Massachusetts Institute of Technology, as well as STB economists, to comment on the InterVISTAS report and SAC process. The Board continues its work to improve its rate case processes.

Rate Cases

The Board had one rate case pending the issuance of a merits decision at the close of FY 2017: *Consumers Energy Company v. CSX Transportation, Inc.*, Docket No. NOR 42142. This case requires significant staff and Board member attention and resources.

The last evidentiary filing was received in April 2017, and the Board anticipates issuing a decision on the reasonableness of the challenged rates on or before January 2018.

On January 4, 2017, the Board issued a decision in *Total Petrochemicals & Refining USA, Inc. v. CSX Transportation, Inc.*, Docket No. NOR 42121, dismissing as moot the petitions of CSX for technical corrections and reconsideration of the Board's September 14, 2016 decision.

Unreasonable Practice

In *American Fuel & Petrochemical Manufacturers v. BNSF Railway Company*, Docket No. NOR 42146, the Board granted a motion filed by BNSF Railway Company (BNSF) to dismiss American Fuel & Petrochemical Manufacturers' complaint that certain railroad charges and practices are unreasonable and in violation of BNSF's common carrier obligation.

In *United States Department of Energy and United States Department of Defense v. Baltimore & Ohio Railroad*, Docket No. NOR 38302S, and *United States Department of Energy and United States Department of Defense v. Aberdeen & Rockfish Railroad*, Docket No. NOR 38376S, the Board approved an agreement negotiated between two federal government departments and Norfolk Southern Railway Company to settle longstanding rate reasonableness complaints as between them only. At the parties' request, the Board prescribed the rates, rate update methodologies, as amended, and the maximum revenue-to-variable cost ratios contained in the agreement.

Rulemakings, Declaratory Orders, Licensing, and Abandonments

In FY 2017, the Board issued multiple decisions on topics of importance to shippers and railroads.

Rulemakings

In *Petition of the Western Coal Traffic League to Institute a Rulemaking Proceeding to Abolish the Use of the Multi-Stage Discounted Cash Flow Model in Determining the Railroad Industry's Cost of Capital*, Docket No. EP 664 (Sub-No. 2), the Board denied a request that the agency abolish the use of the multi-stage discounted cash flow model in determining the railroad industry's cost of equity capital. After holding a public hearing and examining the comments and evidence submitted into the record, the Board declined to issue a Notice of Proposed Rulemaking.

In *Rules Relating to Board-Initiated Investigations*, Docket No. EP 731, the Board adopted final rules to establish procedures for investigations conducted on the Board's own initiative pursuant to Section 12 of the STB Reauthorization Act.

In *Civil Monetary Penalty Inflation Adjustment Rule*, Docket No. EP 716 (Sub-No. 1), the Board issued an interim final rule to increase its existing civil monetary penalties in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. The Board also determined that it will thereafter adjust these penalties for inflation at least once every year. Accordingly, in *Civil Monetary Penalties—2017 Adjustment*, Docket No. EP 716 (Sub-No. 2), the Board issued a final rule to adjust its existing civil monetary penalties for inflation for 2017.

In *Publication Requirements for Agricultural Products*, Docket No. EP 528 (Sub-No. 1), the Board adopted final rules amending its regulations on the publication of rate and service terms for agricultural products and fertilizer. Specifically, the final rules modernized an existing requirement that railroads make available to the public their common carrier pricing and service terms for agricultural products and fertilizer by requiring Class I carriers to publish (in a way that is without charge to the public and broadly available) their pricing and service terms on their websites. In addition, in *Rail Transportation of Grain, Rate Regulation Review*, Docket No. EP 665 (Sub-No. 1), the Board denied a petition for reconsideration of the Board's policy statement regarding aggregation of claims and standing issues as they relate to rate complaint procedures.

In *Revisions to Railroad Annual Report Form R–1 and Quarterly Operating Reports*, Docket No. EP 720 (Sub-No. 1), the Board provided notice of modifications to annual and quarterly reporting forms. The Board revised certain schedules in the Annual Report for Class I railroads (R-1 or Form R-1) and quarterly operating reports. These revisions were needed to correct certain accounting and reporting changes the Board established in 2016 and to better meet accounting and reporting requirements and industry needs.

In *United States Rail Service Issues—Performance Data Reporting*, Docket No. EP 724 (Sub-No. 4), the Board adopted a final rule to establish new regulations requiring all Class I railroads and the Chicago Transportation Coordination Office, through its Class I members, to report certain service performance metrics on a weekly, semiannual, and occasional basis. Data reporting under the final rule began March 29, 2017.

In *Revised Inspection of Records and Related Fees*, Docket No. EP 737, the Board revised its regulations governing "Inspection of Records" and "Fees" in accordance with changes to the Freedom of Information Act made by the FOIA Improvement Act of 2016, Pub. L. No. 114-185 (2016). Pursuant to the FOIA Improvement Act, the Board extended the deadline for administrative appeals, added information on dispute resolution services, and amended the way fees are charged in certain circumstances.

In *Offers of Financial Assistance*, Docket No. EP 729, after seeking public input, the Board adopted a final rule to modify its procedures pertaining to Offers of Financial Assistance (OFA) to improve that process and protect it against abuse. Under the OFA process, financially responsible parties may offer to temporarily subsidize continued rail service over a line that a carrier seeks to abandon or discontinue service, or offer to purchase a line and provide continued rail service on a line that a carrier seeks to abandon. The OFA modifications enhance the Board's ability to protect the integrity of the OFA process by ensuring that OFA offerors are financially capable of maintaining service and that there is a continued need for rail service. The modifications will also improve overall efficiency and transparency of the OFA process.

In *Revisions to the Cost-of-Capital Composite Railroad Criteria*, Docket No. EP 664 (Sub-No. 3), to better reflect the current marketplace, the Board adopted rules to update one of the screening criteria used to create the "composite railroad" for the Board's annual cost-of-capital determination. Specifically, the Board's new rule that the stock exchange screening criteria require a company's stock to be listed on either the New York Stock Exchange (NYSE) or the Nasdaq Stock Market (NASDAQ), rather than on either the NYSE or American Stock Exchange (AMEX), as the AMEX is no longer in existence.

In *Expediting Rate Cases*, Docket No. EP 733, pursuant to Section 11 of the STB Reauthorization Act, the Board proposed changes to its rules pertaining to its rate case procedures to help improve and expedite the rate review process. The Board expects its next action in this proceeding to be in November 2017.

In *Dispute Resolution Procedures Under the Fixing America's Surface Transportation*

Act of 2015, Docket No. EP 734, after seeking public comment, the Board adopted final rules to implement passenger rail-related dispute resolution provisions of the Fixing America's Surface Transportation Act of 2015 (FAST Act).

In *Ex Parte Communications in Informal Rulemakings*, Docket No. EP 739, the Board proposed changes to its regulations to permit ex parte communications in rulemaking proceedings, subject to disclosure requirements. The Board also proposed certain other changes to clarify when and how interested parties may communicate with the Board in other types of pending proceedings. The record in the proceeding is expected to close in November 2017.

Declaratory Order

In *Sunflower Rails-Trails Conservancy, Inc.—Petition for Declaratory Order—Sale of Railbanked Right-of-Way*, Docket No. FD 36034, the Board found that a county's foreclosure on, and sale of, parcels of a railbanked line that occurred in 2004 were preempted by federal law. The Board also provided the parties with guidance on how they could proceed to have their claims addressed.

In *LRY, LLC—Petition for Declaratory Order—Rail Line in Lake County, Or. & Modoc County, Cal.*, Docket No. FD 36117, the Board denied LRY, LLC's petition requesting a declaratory order staying any future proceeding seeking adverse discontinuance of the railroad's service over rail line owned by Lake County, Or.

In *Tesoro Refining & Marketing Co.—Petition for Declaratory Order*, Docket No. FD 36041, the Board denied a request that it issue a declaratory order finding that 49 U.S.C. § 10501(b) preempts claims of a Native American tribe in pending federal district court litigation between that tribe and a railroad. Board Member Begeman dissented with a separate expression.

In *Tri-City Railroad Company, LLC — Petition for Declaratory Order*, Docket No. FD 36037, the Board denied a petition for declaratory order filed by Tri-City Railroad Company, LLC, regarding the nature of certain track serving an industrial park that the City of Richland owns, the need for Board authority on that track, and the effect of certain terms of the track use agreements under which BNSF Railway Company and Union Pacific Railroad Company operate over the track.

In *Washington & Idaho Railway—Petition for Declaratory Order*, Docket No. FD 36017, the Board denied a petition for an order declaring that federal law preempts state and local laws that would prohibit or unreasonably burden or interfere with a planned rail transload facility project in Spokane County, Wash. The Board also provided guidance on the question of preemption.

In *NewVistas Property Holdings, LLC—Petition for Declaratory Order*, Docket No. FD 36040, the Board found that a portion of Union Pacific Railroad Company's Ironton Branch in Provo City, Utah, remained within the Board's jurisdiction but another portion of the Ironton Branch was not part of the national rail system and was no longer within the Board's jurisdiction.

In *Jersey Marine Rail, LLC—Petition for Declaratory Order*, Docket No. FD 36063, the Board concluded that Jersey Marine Rail, LLC (JMR) needed operating authority, but not construction authority, to carry out a proposed plan to rehabilitate certain track within the City of Linden, N.J., and operate over that track as a common carrier. The Board also granted JMR the necessary operating authority.

In *Atlanta Development Authority—Verified Petition for a Declaratory Order*, Docket No. FD 35991, the Board found that while the acquisition of the northern segment of a line of railroad in Fulton County, Ga., did not require Board authority, acquisition of the southern segment did require Board authority. For the part of the southern segment that remained within the Board's jurisdiction, the Atlanta Development Authority had to either obtain Board authority or amend the deed under which it acquired the real estate.

In *State of South Dakota—Petition for Declaratory Order*, Docket No. FD 36096, the Board granted the State of South Dakota's request for an order declaring that the Napa-Platte Regional Railroad Authority's operating rights over a State-owned rail line are terminated.

In *San Pedro Peninsula Homeowner's United Inc.—Petition for Declaratory Order*, Docket No. FD 36065, the Board denied a petition for declaratory order regarding certain rail movements associated with the Port of Los Angeles Harbor Department and Rancho LPG Holdings, LLC, but provided guidance on application of federal preemption.

In *Angeles A. Zorzi—Petition for Declaratory Order*, Docket No. FD 36016, the Board denied a petition for declaratory order, finding that a railroad right-of-way in

Montpelier, Vt., has not been abandoned and remains part of the national rail network.

In *CL Consulting and Management Corporation—Petition for Declaratory Order*, Docket No. FD 36042, the Board denied a petition for declaratory order filed by CL Consulting and Management Corp. because the dispute over demurrage charges was still pending in the U.S. District Court for the District of New Jersey, and the district court denied CLC's motion to refer issues associated with the demurrage charges to the Board.

Licensing

In *Prisoner Transportation Services, LLC—Control—U.S. Corrections,* Docket No. MCF 21067, the Board addressed comments filed in this proceeding and granted the request of Prisoner Transportation Services, LLC to acquire common control of U.S. Corrections, LLC.

In *Monarch Ventures Inc.—Acquisition of Control—Quick Coach Lines Ltd.*, Docket No. MCF 21074, the Board tentatively approved and authorized Monarch Ventures Inc. to acquire from Royal City Charter Coach Lines Ltd., control of the assets and business operations of Quick Coach Lines Ltd. and Vancouver Tours and Transit Ltd. d/b/a Charter Bus Lines of British Columbia, subject to opposing comments. After addressing the comments that were received, the Board approved the transaction.

In *National Express LLC—Acquisition of Control—Trinity, Inc.*, Docket No. MCF 21073, the Board tentatively approved and authorized National Express LLC, to acquire control of Trinity, Inc., Trinity Cars, Inc., and Trinity Student Delivery, LLC, subject to opposing comments. No opposing comments were filed, and the acquisition became effective on December 20, 2016.

In *Lone Star Coaches, Inc.—Control—Tri-City Charter of Bossier, Inc.*, Docket No. MCF 21076, the Board tentatively approved and authorized Lone Star Coaches, Inc., to acquire Tri-City Charter of Bossier, Inc., subject to opposing comments. No opposing comments were filed, and the acquisition became effective on July 25, 2017.

In *AAAHI Acquisition Corp.—Acquisition of Control—All Aboard America! Holdings, Inc.*, Docket No. MCF 21071, the Board tentatively approved and authorized AAAHI Acquisition Corporation to acquire All Aboard America! Holdings, Inc., a holding company that wholly owned the following passenger motor carriers: Hotard Coaches, Inc.; Industrial Bus Lines, Inc. d/b/a All

Aboard America; Sureride Charter Inc. d/b/a Sundiego Charter Co.; Ace Express Coaches, LLC; All Aboard Transit Services, LLC; and All Aboard America! School Transportation, LLC, subject to opposing comments. No opposing comments were filed, and the acquisition became effective on December 13, 2016.

In *Cavallo Bus Lines, LLC—Acquisition of Control of Assets—White Knight Limousine, Inc.*, Docket No. MCF 21075, the Board tentatively approved and authorized Cavallo Bus Lines, to purchase certain assets (including motorcoaches and contracts) of White Knight Limousine, Inc., used to provide certain motor carrier services, subject to opposing comments. No opposing comments were filed, and the acquisition became effective on May 9, 2017.

Abandonments/Discontinuances

In *Delaware & Hudson Railway—Discontinuance of Trackage Rights Exemption—in Broome County, N.Y.*, Docket No. AB 156 (Sub-No. 27X), the Board denied three petitions to revoke the exemption in this proceeding.

In *BNSF Railway—Discontinuance of Trackage Rights Exemption—in Big Stone, Swift, Chippewa, Yellow Medicine, & Renville Ctys., Minn.*, Docket No. AB 6 (Sub-No. 467X), the Board granted in part and denied in part the petition for exemption filed by BNSF to discontinue trackage rights over a 106.7-mile line of railroad. The Board permitted BNSF to discontinue trackage rights over an 84.93-mile line of railroad owned by Twin Cities & Western Railroad Company between Buffalo Lake and Appleton, Minn., but denied the petition with respect to the portion of the line BNSF owns.

The Board issued multiple abandonment and discontinuance decisions that were more routine than those summarized above, including:

Michigan S. R.R.—Discontinuance of Service Exemption—in Henry Cty., Ohio, Docket No. AB 1245X.

City of Tacoma, Dep't of Pub. Utilities, Beltline Div.—Discontinuance of Serv. Exemption—in Thurston Cty., Wash., Docket No. AB 1239 (Sub-No. 2X).

CSX Transp., Inc.—Discontinuance of Serv. Exemption—in Clay, Marion & Clinton Ctys., Ill., Docket No. AB 55 (Sub-No. 750X).

Southwestern R.R.—Discontinuance of Serv. Exemption—in Curry, Roosevelt, Chaves, & Eddy Ctys., N.M., Docket No. AB 1251X.

HC R.R.—Aban. Exemption—in Rush Cty., Ind., Docket No. AB 1250 (Sub-No. 1X).

Dakota, Minn. & E. R.R.—Aban. Exemption—in Olmstead Cty., Minn., Docket No. AB 337 (Sub-No. 8X).

BNSF Ry.—Aban. Exemption—in Flathead Cty., Mont., Docket No. AB 6 (Sub-No. 495X).

Environmental Review

The Board considers environmental impacts in its decision-making process under NEPA, 42 U.S.C. §§ 4321-4370h and related laws.

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 (EIS) and Environmental Assessments (EA), which assess the potential environmental impacts that could result from a Board decision. The EISs and EAs currently being prepared by the Board staff span the country and vary in scope.

During FY 2017, the Board worked on 21 EISs and EAs in major projects, comprising rail line constructions, one rail line acquisition, and one complex rail line abandonment. Some of these cases have not been formally filed with the Board but the environmental reviews have begun to ensure a streamlined approach to these major infrastructure projects.

Environmental Impact Statements (EIS)

The 17 EIS transactions (16 rail line constructions and 1 rail line acquisition) involve construction of 11,000 feet of rail line located in Massachusetts, 800 miles of high speed passenger track in California, 30 miles of track to a port in Florida, 261 miles of rail line in Indiana, Illinois, and Wisconsin, construction and operation of a double track rail corridor between a marine container terminal and existing rail lines in South Carolina, and construction of 40 miles of superconducting MAGLEV track between Baltimore and Washington, D.C. The Board is also monitoring environmental mitigation in two completed rail construction cases (one in Alaska and one in Texas) and one completed rail acquisition case in Illinois.

Environmental Assessments (EAs)

The Board moved forward with four major EA transactions in FY 2017. These EAs included a new 152-mile passenger rail line proposed between Minneapolis and Duluth, Minnesota, 20 miles of new rail line construction in Berkeley County, South Carolina, and 5.6 miles of new rail line in Randolph and St. Clair Counties, Illinois, to transport scrubber stone to a power plant. In addition, the Board has conducted oversight and monitoring for a joint-easement transaction in Illinois. Finally, the Board has worked extensively with the New Jersey State Historic Preservation Office on a rail line abandonment in Jersey City, New Jersey.

Merger Cases and Oversight

In early FY 2017, the agency continued analysis of monthly operating and quarterly environmental reports filed by Canadian National Railway Company (CN) as a condition of STB approval of CN's acquisition of Elgin, Joliet and Eastern Railway Company, *Canadian National Railway Company and Grand Trunk Corporation—Control—EJ&E West Company*, Docket No. FD 35087. These reports allowed the agency to monitor and assess the effects of CN's post-acquisition operations on communities in the greater Chicago area, in particular, the frequency and duration of blocked roadway crossings. The monitoring period for the transaction ended in January 2017.[30]

Petitions for Reconsideration or Reopening

A party may file a discretionary appeal to the Board to reconsider or reopen a decision based on (1) new evidence or changed circumstances are presented that have a material impact on the Board's action, or (2) material error. In FY 2017, the Board issued decisions in response to petitions for reconsideration or reopening in the following dockets:

Petition of the Western Coal Traffic League to Institute a Rulemaking Proceeding to Abolish the Use of the Multi-Stage Discounted Cash Flow Model in Determining the Railroad Industry's Cost of Equity Capital, Docket No. EP 664 (Sub-No. 2).

[30] Barrington requested that the Board extend the monitoring period until 2019. The Board denied that request in April 2017.

CSX Transp., Inc.—Aban. Exemption—in LaPorte, Porter, and Starke Counties, Ind., Docket No. AB 55 (Sub-No. 643X) and *Chesapeake & Indiana Railroad—Petition for Declaratory Order*, Docket No. FD 36076.

Canadian Nat'l Ry.—EJ&E W. Co., Docket No. FD 35087 (Sub-No. 8).

Dispute Resolution Procedures Under the Fixing America's Surface Transportation Act of 2015, Docket No. EP 734.

Atlanta Development Authority—Verified Petition for a Declaratory Order, Docket No. FD 35991.

Uniform Rail Costing System Update

The Board continued its extensive efforts to recode the Board's URCS to modernize its general purpose costing system. Since the Board has switched to its new processes for creating the URCS Phase II worktables, it has turned its attention to URCS Phase III. This includes reconciling certain technical inconsistencies between the waybill costing program and the movement costing program to be consistent with previous rulemakings. In *Review of the General Purpose Costing System*, EP 431 (Sub-No.4) (STB served Feb. 3, 2013, supplemented Aug. 4, 2016), in which the Board proposed to eliminate the make-whole adjustment and make other related modifications, the Board projects that it will serve a decision in January 2018.

Waybill Sample

The waybill describes the disposition of a traffic movement, from origin to destination, and serves as the basis for determination of freight charges and interline settlement. It contains detailed information on over one-half million individual movements randomly selected each year. The waybill sample is used to gauge traffic flows, determine revenue and costs associated with movements, and assist in rail planning. In FY 2017, the Board distributed 41 annual, 12 monthly, and 4 quarterly waybill samples to requestors.

The 2015 waybill sample reflects a change in the way rail movement distances are measured, pursuant to a waybill processing contract between the Federal Railroad Administration and a federal contractor. While the initial implementation of that change resulted in delays in the processing of the 2015 waybill sample (released in September 2017) and the 2016 waybill sample (to be released in January 2018), the Board expects timely waybill processing going forward.

Court Actions

In FY 2017, the Office of the General Counsel handled a variety of cases on behalf of the Board.

In a case requesting "enforcement of merger conditions," the Ninth Circuit upheld the Board's decision denying a request by G3 Enterprises and BNSF Railway Co. to construe the 1996 decision approving, with conditions, the Union Pacific/Southern Pacific merger as giving G3 competitive access to BNSF. *G3 Enterprises v. STB*, No. 15-70597 (9th Cir. 2017).

In a "private versus regulated track" case, the court upheld Board decisions finding that it had jurisdiction over certain tracks used in interstate common carrier service even though the railroad had not obtained the required authorization. *Allied Erecting and Dismantling Co. v. STB*, 835 F.3d 538 (6th Cir. 2016).

In an abandonment case, the D.C. Circuit granted the Board's motion to summarily dismiss an appeal arguing that the Board should have disallowed a Consolidated Rail Corporation (Conrail) abandonment because Conrail allegedly had earlier transferred the property to another carrier. *Riffin v. STB*, No. 16-1147 (D.C. Cir. Oct. 6, 2016).

In a review of a rulemaking proceeding, the Eighth Circuit set aside the Board's rulemaking decision adopting on-time performance standards for Amtrak, finding that Congress meant to give that authority only to the Federal Railroad Administration and Amtrak, under a separate statutory provision that another court found unconstitutional. *Union Pac. R.R. v. STB*, 863 F.3d 816 (8th Cir. 2017).

In a preemption case, the D.C. Circuit upheld a Board decision finding that a Delaware statute seeking to regulate railroad idling was categorically preempted. *State of Delaware v. STB*, 859 F.3d 16 (D.C. Cir. 2017).

In another case involving preemption, the Ninth Circuit found a Board decision providing guidance to the California Supreme Court on rail projects involving state rail agencies to be advisory and hence not reviewable. *Kings County v. STB*, No. 15-71780 (9th Cir. 2017).

During FY 2017, the Board also defended in court its decisions in several other cases, including the following cases: *Riffin v. STB*, No. 14-2067 (D.C. Cir.) (D&H/NS acquisition transaction); *Strohmeyer v. STB*, Nos. 16-4362 and 4435 (3d. Cir.) (D&H/NS acquisition transaction and discontinuance of unused trackage rights near the property involved in the D&H/NS acquisition transaction); *Sunbelt Chlor Alkali Partnership v. STB*, No. 16-15701 (11th Cir.) (rate reasonableness); and *Kansas City S. v. STB*, No. 16-1308 (D.C. Cir.) (BNSF trackage rights); *Am. Fuel & Petrochemical Manufacturers v. STB*, No. 17-1112 (D.C. Cir.) (rate reasonableness/ unreasonable practices); and *Del Grosso. v. STB*, No. 17-1794 (1st Cir.) (preemption); *City of Kennewick v. STB*, No. 16-73595 (9th Cir.) (preemption).

Finally, at the request of a federal district court, the Board filed an amicus brief concerning whether the Board has jurisdiction to determine whether a particular rail line had been abandoned. *Murray v. Mass. Dept. of Conserv. and Recreation*, No. 17-10608-PBS (D. Mass).

Other Federal Agency General Counsel Functions

The OGC continued to handle a wide variety of other legal matters, including matters involving the Freedom of Information Act, the Privacy Act, the Paperwork Reduction Act, the Equal Employment Opportunity Act, the NEPA, the National Historic Preservation Act, the Trails Act, the Federal Advisory Committee Act, the Federal Information Security Management Act, the Federal Information Technology Acquisition Reform Act, and the Federal Managers Financial Integrity Act, among others. In addition, the OGC also provided legal counsel on ethics issues, government contracting, and the myriad of issues that arise in the course of a federal agency's business, and participated in the Administrative Conference of the United States.

Amtrak and Passenger Rail

During FY 2017, the Board continued work on its passenger rail responsibilities under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). The STB staff monitored Amtrak performance through publicly available information and responded to informal inquiries about Amtrak and PRIIA as needed. Agency staff also met regularly with Amtrak staff to discuss Amtrak's publicly available monthly on-time performance operating statistics.

Two on-time performance cases brought under PRIIA are pending at the Board. But the Federal Railroad Administration/Amtrak regulations governing on-time performance are not now in effect because section 207 of PRIIA, under which those regulations were adopted, was found unconstitutional by the U.S. Court of Appeals for the D.C. Circuit.

And, as noted earlier, the Board's decision seeking to step in and adopt its own on-time performance rules under section 213 of PRIIA was set aside by the U.S. Court of Appeals for the Eighth Circuit.

Advisory Committees

The Board hosted meetings for three transportation advisory councils. Established under the ICC Termination Act of 1995, the Railroad-Shipper Transportation Advisory Council (RSTAC) advises the STB, the Secretary of Transportation, and congressional committees on rail transportation policy and makes recommendations for improvements to the transportation system. The RSTAC is comprised of 14 private-sector representatives of large and small railroads and rail customers. In addition, one member-at-large sits on the council.

The Board created the Rail Energy Transportation Advisory Committee (RETAC) in 2007 to provide advice and guidance to the agency. RETAC serves as a forum for discussing emerging issues concerning the rail transportation of energy resources such as coal, crude oil, ethanol, and other biofuels. The 25 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, and the private railcar industry.

The National Grain Car Council (NGCC) assists the Board in addressing problems 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 14 representatives from Class I railroads, seven from Class II and Class III railroads, 14 from grain shippers and receivers, and five from private rail car owners and manufacturers.

Alternative Dispute Resolution

The Board has established arbitration and mediation rules to encourage parties to informally resolve disputes and avoid costly litigation. The Board actively encourages parties to use alternative dispute resolution.

Since the start of FY 2008, the STB has conducted mediation in more than 30 proceedings, including two in FY 2017.

Several STB employees have received formal mediation training. These employees may serve as mediators for cases that the Board assigns to mediation. STB mediators leverage their substantive work experience and their specialized training to provide stakeholders with an effective pathway for resolving disputes outside of litigation.

Informal Dispute Resolution Program

Through the RCPA program in the Board's Office of Public Assistance, Governmental Affairs, and Compliance, the Board continues to provide shippers, state and local governments, and members of the public with an accessible and effective resource for resolving disputes on an informal basis. In many instances, RCPA ameliorates conflicts that would otherwise be submitted to the Board for formal adjudication.

In FY 2017, RCPA handled over 1,400 inquiries from stakeholders, of which approximately 210 pertained to informal railroad service disputes. RCPA worked with parties to successfully resolve matters related to timely fulfillment of car orders; availability of rail resources; track maintenance; interchange operations and inter-carrier disputes; switching services; car storage; rates and charges; and responsibility for spur track.

Notably in FY 2017, RCPA assisted numerous customers of CSX who were experiencing service issues due to changes in the railroad's operations. RCPA closely monitored CSX's operational metrics. It also held weekly service calls with CSX senior personnel to stay apprised of challenges on the rail network. RCPA maintained Board-requested CSX service data on the STB website, along with public and Congressional correspondence related to the service challenges.

RCPA monitored service and performance trends of Class Is in the railroad industry in FY 2017. Class I railroad industry weekly performance data is posted to the STB website and used by stakeholders and the Board as an effective tool in monitoring the U.S. rail network.

RCPA 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 jurisdiction in this area. RCPA maintained its informal engagement with the FMCSA to discuss HHG trends and with the Federal Maritime Commission to discuss issues of common interest. Also, an RCPA staff member serves on an HHG consumer protection working group established under the FAST Act.

In addition to its dispute resolution function, RCPA also serves as a liaison between the public and the Board. RCPA fields inquiries from Board practitioners as well as from members of the general public to provide those parties with a better understanding of Board regulations, rules, and procedures. Through these efforts, RCPA provides agency stakeholders with helpful information.

Table 2. STB RCPA Inquiries During FY 2017

Commodity Group	Count
Aggregates	6
Agricultural Products	58
Automobile	3
Chemicals	55
Coal	6
Construction Debris	2
Construction Materials	1
Empty Freight Cars	0
Forest Products	12
Hazardous Waste/Radioactive Waste	6
High/Wide Loads	0
Household Goods	54
Industrial Products	28
Intermodal	6
Metals and Minerals	15
Municipal Waste	1
Not Specified by Shipper	14
Miscellaneous [a]	1,162
Passenger	29
TIH	4
Total	1,462

[a] Includes inquiries regarding procedural assistance, informal legal or regulatory guidance, agency information, abandonment records, other records, tariff rule or rate questions, or other commercial or rail service disputes where the underlying commodity is not disclosed.

Public Outreach

In FY 2017, the Board kept Congress and the public informed about agency actions and policies through public events, printed transcripts, news releases, and customer-service pamphlets. All of them were made widely available through the agency's website, www.stb.gov. The following tables display counts of major public outreach activities during the reporting period.

Table 3. Board Member Public Communications in FY 2017			
Transcripts*	Statements†	Testimonies††	Written Speeches
0	0	0	1

* Official copies, and electronically archived audio/visual files, of Board hearings and oral arguments.

† Written statements occasionally read at the commencement of a Board hearing and posted to the agency's website in addition to the official event transcript.

†† Before the United States Congress.

Table 4. Public Events Held in FY 2017			
Headquarters Hearings*	Field Hearings	Oral Arguments	Meetings**
2	0	0	2

* Included a public economic roundtable and a public listening session.

** Conducted nationwide by the Board's OEA.

Table 5. News Releases Issued in FY 2017		
Number Issued	Total Webpage Visits	Average Visits Per Release*
24	26,460	1,103

* Per Oct. 4, 2017 data computation.

STB Administrative Accomplishments

Financial Services

The Section of Financial Services, headed by the Chief Financial Officer, provides the financial and procurement support to the Board.

The Section's most notable tasks and accomplishments are listed below:

- Assisted in the development, justification, and presentation of FY 2018 budget request estimates for approval by the Board and submission to Congress, and the submission of the FY 2019 budget request estimates to OMB and Congress.

- Completed the transition of the Board's purchase and travel card program. In FY 2017, the Board signed an agreement with the Department of Veterans Affairs (VA) to provide purchase card and related services.

- Renewed the agreement with DOT's Working Capital Fund for FY 2017 that allowed the Board's continued access to Human Resources, Property Management and Information Technology (IT) services as an independent agency.

- Advised the Board's Directors and senior leadership on the execution and control of appropriated funds. Collaborated with the Board's IT staff on development of IT cost projections and operational requirements to modernize the Board's IT solutions.

- Ensured the Board's compliance with the Accountability of Tax Dollars Act of 2002 requirements to issue financial statements and provided information to DOT's OIG to meet the independent audit requirements of the financial statements in accordance with Generally Accepted Government Auditing Standards.

- Administered funds management to ensure that Board priorities are achieved in response to programmatic changes and operational circumstances. Developed spending plans to assist in monitoring overall spending.

- Ensured that user fee and miscellaneous receipt collections were properly recorded and deposited to provide financial resources for Board operations in accordance with the U.S. Department of Treasury's guidelines.

- Ensured that the procurement of services, supplies, and equipment were timely processed in accordance with Federal Acquisition Regulation (FAR) regulations and small acquisition procedures.

- Provided internal control oversight of Board financial operations in accordance with OMB Circular A-123, *Management Accountability and Controls*, to ensure that no waste, fraud, or abuse exists and provided supporting documentation to the Board's internal control audit staff performing internal control audits of the Board and its administration operations.

- Provided liaison with the Board's accounts payable and receivable provider to ensure that the Board's accounting operations and fund management are in accordance with the GAAP and the U.S. Treasury and fiscal guidelines. Prepared the required external financial statements for Congress, OMB, U.S. Treasury, and external stakeholders.

Information Technology

During FY 2017, the STB continued efforts to meet new IT requirements as a result of STB's separation from the DOT. The implementation of the Information Security program continues to be a significant effort. The STB continues to address cyber security issues as is it transitions to an independent agency.

Other efforts associated with the separation from the DOT included completing the setup of the STB.GOV domain, transitioning off the STB.DOT.GOV domain, and completing the transition of PIV services from DOT to the General Services Administration's (GSA) USAccess program. A T1 Internet Connection through ESC for access to financial and timekeeping systems was also established.

To continue the Board's efforts to upgrade its IT infrastructure and capabilities, older laptops and desktops were replaced. The STB datacenter was reconfigured, so that users no longer experience downtime during maintenance. In addition, a new VPN appliance that supports Single Sign On and split-tunneling increased ease of use and enhanced the STB's security posture.

Additionally, efforts to replace the Board's website continued in FY 2017. A modernized website will provide more powerful search capabilities. The website will also be easier to maintain and update and more accessible through an intuitive and mobile-friendly user experience. The STB currently anticipates that the redesigned website will be available to the public in the second quarter of FY 2018.

Human Resources

The STB's most vital resource is its staff. Effective management of the Board's workforce is crucial to its ability to provide financially sound and reliable surface transportation systems that serve the public interest. The STB continues to pursue human capital excellence, in accordance with OPM's new Human Capital Framework (HCF). OPM stated that the HCF "provides direction on human capital planning, implementation, and evaluation in the Federal environment."

The STB continues to be an agency in transition. Due to retirements, there has been significant turnover in STB staff.

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. Managers are held accountable for human capital decisions and ensuring compliance with merit system principles, and carrying out initiatives to improve employee engagement. Tracking human capital initiatives and measuring them against expected outcomes helps drive management decisions regarding human capital prioritizing and funding

Several diagnostic tools and standards for success have been developed to assist agencies to better manage their human capital assets, such as OMB Memorandum M-17-22 OPM Human Capital Framework Diagnostic Tool, and GAO Tools. While many of these standards apply to larger departments, the STB considered many of these standards in addressing its human capital management structure.

HR's significant accomplishments for FY 2017 are listed below:

- In response to Office of Management and Budget (OMB) Memorandum M-17-22, developed a plan to maximize employee performance.
- Worked closely with senior management to develop a Federal Employee Viewpoint Survey (FEVS) initiative, analyzing FEVS results, meeting with Partnership for Public

Service, and partnering with cognizant FEVS coordinators at another agency.

- Increased FEVS employee response rate from 53% to 90% and followed up with listening sessions for employees.
- Obtained expanded Employee Assistance Program (EAP) services for employees, including 24/7 work-life resources, as well as emergency back-up child care and elder care assistance.
- Registered with and began process of obtaining Office of Special Counsel (OSC) 2302(c) program certification, posting OSC whistleblower information, including whistleblower information in employee orientation.
- Signed Delegated Examining (DE) Agreement with OPM, returning DEU authority to the STB from DOT.
- Obtained OPM's provisional certification of STB SES Performance System, demonstrating compliance with OPM requirements.
- Consulted with DOT Human Resource (HR) Accountability Officers to obtain information and resources on improving human resources accountability program.
- Developed guidelines for an expanded telework pilot program.
- Coordinated with DOT, OPM, and shared system providers to maintain stable HR system operations and begin project planning for separating HR systems from DOT.
- Ensured all HR specialists have OPM Delegated Examining Unit training.
- Ensured that human resources staff took OPM employee relations training on performance and conduct issues.
- Resolved employee relations issues, finding solutions that work for managers and employees.

III. FINANCIAL INFORMATION

A. FINANCIAL PERFORMANCE OVERVIEW

The STB's financial condition as of September 30, 2017, is sound. Due to limited in-house resources, the recording of STB's daily accounting transactions and events is performed by ESC, STB's accounting services provider.

All financial statements and related information have been compiled and presented as required by the Accountability of Tax Dollars Act of 2002. The financial statements have been prepared from, and are fully supported by, the books and records of the STB in accordance with GAAP standards approved by the Federal Accounting Standards Advisory Board and OMB Circular No. A-136, *Financial Reporting Requirements.*

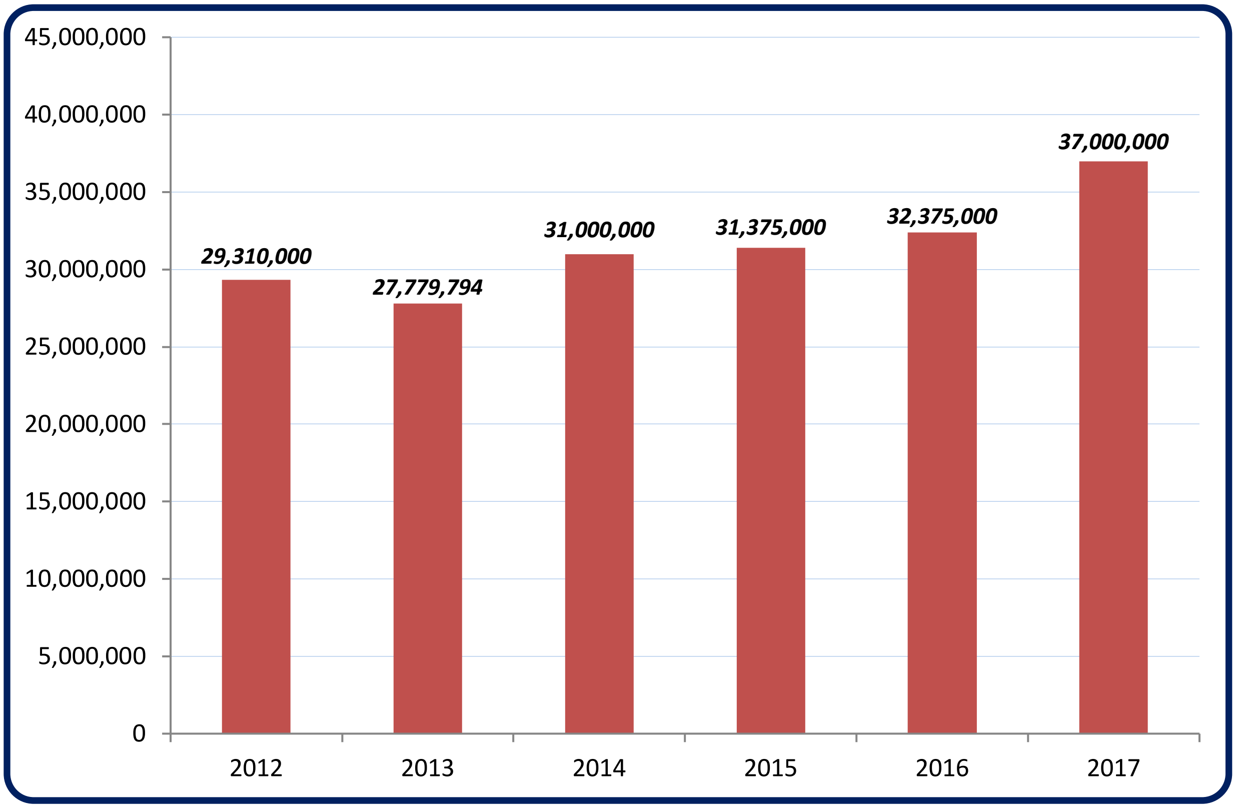
The STB has appropriate internal controls to ensure that its budget authority is not exceeded and funds are utilized efficiently and effectively in performance of the STB's mission.

Source of Funds

The STB receives its funding through an annual appropriation and was funded under a continuing resolution for much of FY 2017. The Consolidated Appropriations Act of 2017, P.L. 115-31, enacted May 5, 2017, provided the STB a funding level of $37,000,000 for FY 2017, an increase of $4,625,000 over the FY 2016 final appropriation level. The Board's appropriations for fiscal years 2012 through 2017 are shown in Figure 2.

The STB collects up to $1,250,000 in remittances for user fees and penalties. The user fees are credited to the STB's appropriations and user fee collections that are deposited at the U.S. Treasury are used for the STB operations.

Figure 2. STB Appropriations for FY 2012-2017 [a, b, c, d]



[a] Appropriations data are from annual appropriation acts as shown in the *STB Budget Request for FY 2019* (September 2017), Exhibit I-6.

[b] User fees of up to $1.25 million are credited to the Board's appropriation as offsetting collections.

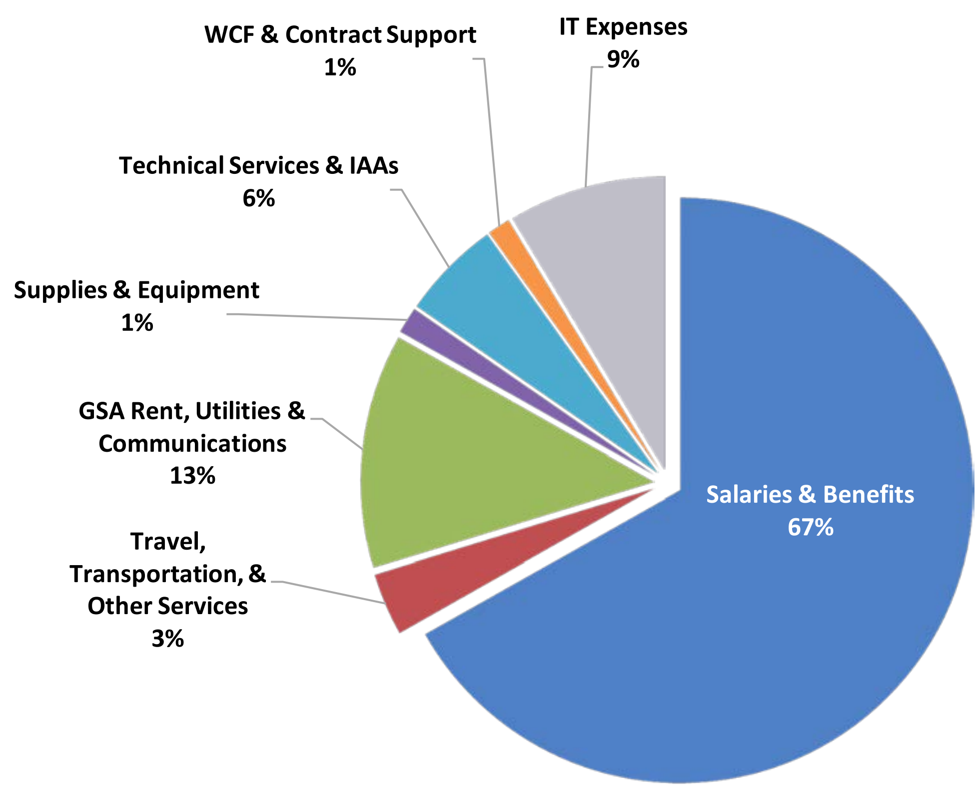
[c] In December 2015, the STB Reauthorization Act established the Board as a fully independent agency.

[d] The Consolidated Appropriations Act of 2017, P.L. 115-31, enacted May 5, 2017, provided the STB a funding level of $37,000,000 for FY 2017.

Uses of Funds by Expense Category

The allocation of appropriated funds for the STB for FY 2017 is shown in Figure 3. This chart expresses the appropriated funds as a percentage of the STB's total appropriation. A detailed listing of funds by category is shown in Table 6.

Figure 3. STB Use of Appropriated Funds for FY 2017



Notes to Figure 3:

a) *Salaries and Benefits* includes Reimbursable Obligations.

b) *Other Services* includes Printing, Training, Guard Service, Security Investigations, and Building Maintenance.

c) *Supplies and Equipment* includes Health and Miscellaneous Services.

d) *Technical Services and IAAs (Interagency Agreements)* includes Waybill and Lease Renewal Planning.

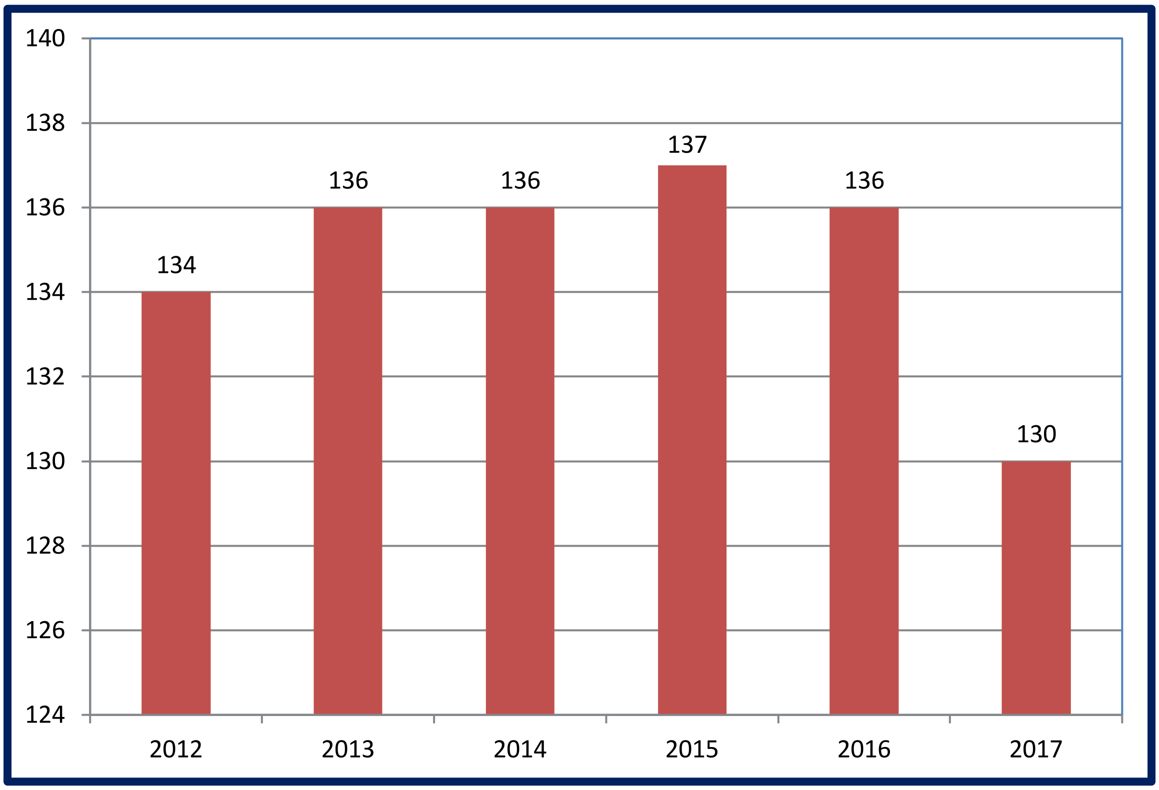
Table 6. STB Use of Appropriated Funds for FY 2017

(Dollars in Thousands)

CATEGORY	FY 2017
FULL TIME PERMANENT APPT.	$15,377
OTHER THAN FULL-TIME PERMANENT	$590
OTHER PERSONNEL COMPENSATION	$313
CIVILIAN PERSONNEL BENEFITS	$4,925
TOTAL PERSONNEL COMPENSATION & BENEFITS	**$21,205**
TRAVEL AND TRANSPORTATION	$54
GSA RENT, COMMUNICATIONS & UTILITIES	$4,246
PRINTING	$5
TECHNICAL SERVICE AGREEMENTS, INCLUDING WAYBILL & LEASE RENEWAL PLANNING	$259
TRAINING	$82
DOT WORKING CAPITAL FUND (WCF) & CONTRACTING SUPPORT	$413
GUARD SERVICE, SECURITY INVESTIGATIONS & BUILDING MAINTENANCE	$991
ACCOUNTING SERVICES & OTHER INTERAGENCY AGREEMENTS (IAAs)	$1,805
HEALTH & MISC. SERVICES	$60
OFFICE SUPPLIES, PERIODICALS, LEXIS NEXIS & WEST LAW	$388
EQUIPMENT & FURNITURE	$16
IT EXPENSES, INCLUDING SUPPLIES, CONTRACT SUPPORT, EQUIPMENT	$2,837
SUBTOTAL, DIRECT OBLIGATIONS	**$11,052**
REIMBURSABLE FULL TIME PERMANENT APPT.	$485
REIMBURSABLE PERSONNEL BENEFITS	$148
SUBTOTAL, REIMBURSABLE OBLIGATIONS	**$633**
TOTAL OBLIGATIONS	**$32,890**

To carry out Congress' charge, the STB has assembled a small but highly experienced staff of economists, lawyers, accountants, auditors, engineers, and experts in rail, shipping, and environmental matters. Much of the Board's staff time is devoted to analyzing the economic and environmental impacts of its decisions, ensuring that its decisions are fair, and defending those decisions in court. The STB FTEs for fiscal years 2012–2017 are shown in Figure 4.

Figure 4. STB FTEs for FY 2012-2017 [a]



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[a] FTE employment data are from Board reports to OPM (SF 113-G). FTE totals are averages for each fiscal year.

B. FINANCIAL STATEMENT HIGHLIGHTS

Discussion and Analysis of Financial Statements

The financial statements contained in the section *Independent Auditors' Report and Principal Financial Statements* report the agency's financial position and the results of operations on an accrual basis. These annual financial statements—Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources—along with related notes provide a clear description of the agency's mission and the significant accounting policies used to develop the statements.

The STB financial statements presented in this report are for FY 2017, and 2016 (restated). This report provides comparative statements for the first time, since prior to FY 2016, the Board's financial data were combined in DOT financial statements.

Limitations of the Financial Statements

Responsibility for the integrity and objectivity of the financial information presented in the financial statements lies with the STB management.

The accompanying 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 STB in accordance with GAAP 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 are presented for a component of the U.S. Government. As such, liabilities cannot be liquidated without legislation that provides resources to do so.

Balance Sheet

The major components of the Balance Sheet are assets, liabilities, and net position. Assets represent agency resources that have future economic benefits. The STB assets of $11,089,480 as of September 30, 2017, were comprised of the Fund Balance with the U.S. Treasury and two receivables accounts, as shown in the table.

The Fund Balance with the U.S. Treasury of $8,946,413 is the STB's largest asset and represents 81% of the agency's total assets. Fund balances with the U.S. Treasury are mostly undisbursed cash balances from appropriated funds to address current liabilities. The STB does not maintain any cash balances outside of the U.S. Treasury and does not have any revolving or trust funds. The STB has no capitalized assets.

Liabilities are recognized when they are incurred, regardless of whether budgetary resources cover them. In FY 2017, the STB had total liabilities of $4,460,303. The largest component, Other Liabilities, is described in the footnotes to the financial statements provided in the *Independent Auditors' Report and Principal Financial Statements* section of this report. The STB's net position represents the difference between assets and liabilities, as shown in the table below.

Table 7. Summary of Assets, Liabilities, and Net Position
as of September 30, 2017
(Dollars in Thousands)

Category	FY 2017	
Assets		
Fund Balance with the U.S. Treasury	$ 8,946	
Advances and Prepayments	2,139	
Accounts Receivable - Public	4	
Total Assets		$ 11,089
Liabilities		
Liabilities with the Public		
Accrued payables, benefits, and other liabilities	$ 2,068	
Accounts Payable	1,317	
Federal Employee Benefits	674	
Intragovernmental Liabilities	401	
Total Liabilities		$ 4,460
Net Position		$ 6,629

C. INDEPENDENT AUDITORS' REPORT and PRINCIPAL FINANCIAL STATEMENTS

Before the STB Reauthorization Act, the Board was not required to prepare audited financial statements. In FY 2016 and 2017, the DOT OIG engaged an independent public accounting firm to audit the STB's financial statements.

STB Audit History

Prior to the enactment of the STB Reauthorization Act, the Board was organizationally housed within DOT, and the STB's financial information was included in DOT's consolidated financial statements. For FY 2015, no material weaknesses, significant deficiencies, or instances of non-compliance with laws or regulations related to the STB were identified during the DOT consolidated financial statement audit. A copy of the related report is available at www.oig.dot.gov/library-item/32796.

STB Audit for FY 2017, and 2016 (Restated)

The Board received an unmodified audit opinion for FY 2017, and 2016 (restated). The auditor identified two deficiencies in internal controls over financial reporting that were considered to be material weaknesses. These deficiencies required the auditor to withdraw the previously issued FY 2016 auditor's report, dated November 7, 2016, and replace it with the following auditor's report on the restated financial statements. The following section also includes the audited financial statements.

U.S. Department of
Transportation

November 14, 2017

Ann D. Begeman
Acting Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Dear Chairman Begeman:

I respectfully submit our report on the quality control review (QCR) of the Surface Transportation Board's (STB) financial statement audit for fiscal years 2017 and 2016.

Leon Snead & Company, P.C. (Leon Snead) of Rockville, MD, completed the audit of STB's financial statements as of and for the years ended September 30, 2017, and September 30, 2016 (restated) (see attachment) under contract to the Office of Inspector General. The contract required Leon Snead to perform the audit in accordance with generally accepted Government auditing standards and Office of Management and Budget Bulletin 17-03, *Audit Requirements for Federal Financial Statements*.

Leon Snead concluded that the financial statements present fairly, in all material respects, STB's financial position as of September 30, 2017 and 2016 (restated), and the related net costs, changes in net position, and budgetary resources for the years ended, in conformity with U.S. generally accepted accounting principles.

Leon Snead withdrew its prior auditor's report dated November 7, 2016, due to errors in the statements that in aggregate were material. The 2016 (restated) statements included in the attached report replace those prior statements.

Leon Snead's Fiscal Year 2017 Audit Report, dated November 10, 2017

Leon Snead reported two material weaknesses and one significant deficiency in internal control over financial reporting. The report did not include any instances of reportable noncompliance with tested laws and regulations.

Material Weaknesses

Accounting Errors Made in Recording Advances in Interim Statements. STB did not properly account for expenses incurred against outstanding advances as of September 30, 2016 or June 30, 2017. More specifically, STB did not have an account process in place to identify and record expenses incurred for goods and services provided by contractors for open obligations, with and without advances. This error caused the September 30, 2016 and June 30, 2017 financial statements to be materially misstated.

Material Errors in Year-End Financial Statements. STB's year-end financial statements and related footnote disclosures presented for audit contained material misstatements, presentation errors, omissions of required footnotes, and other errors. As a result, STB had to correct both the current year and prior year financial statements and resubmit them for audit.

Significant Deficiency

Abnormal Balances Caused by Posting Errors. STB did not follow a new U.S. Standard General Ledger posting model effective for fiscal year 2016. As a result, posting errors caused an abnormal balance in the June 30, 2017, general ledger trial balance that was not identified, researched, or corrected.

We performed a QCR of Leon Snead's report and related documentation. Our QCR, as differentiated from an audit performed in accordance with generally accepted Government auditing standards, was not intended for us to express, and we do not express, an opinion on STB's financial statements or conclusions about the effectiveness of internal controls or compliance with laws and regulations. Leon Snead is responsible for its report and the conclusions expressed in that report. However, our QCR disclosed no instances in which Leon Snead did not comply, in all material respects, with generally accepted Government auditing standards.

Leon Snead made five recommendations to strengthen STB's accounting for advances, preparation of financial statements, and review and correction of abnormal general ledger account balances. We agree with the recommendations and are not making any additional recommendations. STB concurred with the material weaknesses and the significant deficiency, agreed with the recommendations, and committed to implementing corrective actions.

We appreciate the cooperation and assistance of STB's representatives and Leon Snead. If you have any questions, please call me at (202) 366-1407, or George Banks, Program Director, at (202) 420-1116.

Sincerely,

Louis C. King
Assistant Inspector General for Financial and
Information Technology Audits

Attachment

Surface Transportation Board

Audit of Financial Statements

As of and for the Years Ended
September 30, 2017 and 2016 (restated)

Submitted By

Leon Snead & Company, P.C.
Certified Public Accountants & Management Consultants

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LEON SNEAD
& COMPANY, P.C.

Certified Public Accountants
& Management Consultants

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Rockville, Maryland 20850
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leonsnead.companypc@erols.com

Independent Auditor's Report

ACTING CHAIRMAN, SURFACE TRANSPORTATION BOARD
INSPECTOR GENERAL, DEPARTMENT OF TRANSPORTATION

We have audited the accompanying financial statements of Surface Transportation Board (STB), which comprise the balance sheet as of September 30, 2017, and 2016 (restated), and the related statements of net cost, changes in net position, and budgetary resources for the years then ended. The objective of our audit was to express an opinion on the fair presentation of the financial statements. In connection with our audit, we also considered the STB's internal control over financial reporting, and tested the STB's compliance with certain provisions of applicable laws, regulations, and significant provisions of contracts.

SUMMARY

As stated in our opinion on the financial statements, we found that the STB's financial statements as of and for the years ended September 30, 2017 and 2016 (restated), are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control would not necessarily disclose all deficiencies in internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. Our testing of internal controls identified two material weakness in internal controls over financial reporting relating to the absence of an accounting process to identify and record expenses incurred for goods and services provided by contractors for open obligations, with and without advances, when invoices have not yet been received; and failure to identify material errors in financial statements submitted for audit. In addition, we reported a significant deficiency relating to the absence of effective internal controls that would ensure that abnormal balances are identified, properly researched and corrected, as appropriate. This control weakness existed despite the assurances provided in response to our FY 2016 finding and recommendation that addressed this same internal control weakness. STB officials concurred with the audit's recommendations and provided an outline of the actions the agency has taken or plans to take.

Our tests of compliance with certain provisions of laws, regulations, and significant provisions of contracts, disclosed no instance of noncompliance that is required to be reported under

Government Auditing Standards and the Office of Management and Budget Bulletin 17-03, *Audit Requirements for Federal Financial Statements* (the OMB audit bulletin).

The following sections discuss in more detail our opinion on the STB's financial statements, our consideration of the STB's internal control over financial reporting, our tests of the STB's compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of STB, which comprise the balance sheets as of September 30, 2017, and 2016 (restated), and the related statements of net cost, statements of changes in net position, and statements of budgetary resources, for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States; and the OMB audit bulletin. Those standards and the OMB audit bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments in a Federal agency, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of the STB's internal control or its compliance with laws, regulations, and significant provisions of contracts. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of STB as of September 30, 2017, and 2016 (restated), and the related net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the STB restated its 2016 financial statement amounts due to errors resulting in an overstatement of assets, understatement of expenses and misstatements in other financial statement line items, and related footnote disclosures that, in aggregate, were material. We withdrew our previously issued auditor's report, dated November 7, 2016, and replace it with this auditor's report on the restated financial statements. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (MDA) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The performance measures and other accompanying information are presented for the purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

OTHER AUDITOR REPORTING REQUIREMENTS

Report on Internal Control

In planning and performing our audit of the financial statements of STB, as of and for the years ended, September 30, 2017 and 2016 (restated), in accordance with auditing standards generally accepted in the United States of America, we considered the STB's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the STB's internal control. Accordingly, we do not express an opinion on the effectiveness of the STB's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. During our audit, we identified two deficiencies in internal controls over financial reporting that we consider to be a material weakness. As discussed below, we also identified a deficiency in internal control that we consider to be a significant deficiency.

Because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Findings and Recommendations

1. Accounting Errors Made in Recording Advances in Interim Statements

STB and its accounting service provider did not properly account for expenses incurred against outstanding advances as of the September 30, 2016, or June 30, 2017, financial statements. We attributed this problem to the absence of an accounting process to identify and record expenses incurred for goods and services provided by contractors for open obligations, with and without advances. These accounting errors caused material misstatements in the June 30, 2017, and September 30, 2016, financial statements, and represent a material internal control deficiency.

During our audit of June 30, 2017, interim financial statements, we identified approximately $785,000 in advances that the agency's accounting records showed as outstanding, and that the contractors had not provided goods or services to STB. The majority of these advances were recorded in late September 2016. However, during our audit, we obtained information that showed the advances reported on the June 30, 2017, and the September 30, 2016, financial statements were misstated, and the contractors had, in fact, provided significant amounts of goods and/or services to STB. At our request, STB officials obtained information from each contractor[1] with an outstanding advance the value of goods and/or services actually provided as of September 30, 2016, and June 30, 2017.

In summary, for FY 2016, multiple line items in the financial statements and related footnotes were each misstated by approximately $160,000[2]. For the June 30, 2017, interim statements, multiple line items and related footnotes were each materially misstated by approximately $448,000[3]. To illustrate the impact of these errors, these two financial statements contained misstatements in: the balance sheet line items related to advances outstanding, total intragovernmental assets, total assets, unexpended appropriations, total net position, total liabilities and net position; the statement of net costs line items related to gross program costs, and net cost of operations; and related footnote disclosures.

FASAB, Statement of Federal Financial Accounting Standards No. 1, Paragraph No. 59, provides that "Advances and prepayments should be recorded as assets. Advances and prepayments are reduced when goods or services are received, contract terms are met, progress is made under a contract, or prepaid expenses expire. A travel advance, for example, should be initially recorded as an asset and should be subsequently reduced when travel expenses are actually incurred. Amounts of advances and prepayments that are subject to refund (for example, a settled travel claim indicating the traveler owes part of the advance to the government) should be transferred to accounts receivable."

Recommendations:

1. STB and its accounting service provider should implement accounting processes for estimating and recording the value of goods and/or services provided by vendors for open obligations, with and without an advance.

2. Develop written policies to: obtain invoices supporting the value of goods and services provided by vendors with advances so permanent reductions can be made to reduce the value of individual advances, close out advances where all services have been provided, and recoup all unused advance funding; including those currently outstanding.

2. Material Errors in Year-end Financial Statements

Year-end financial Statements and related footnote disclosures presented for audit contained material misstatements, presentation errors, omission of required footnotes, and other errors.

[1] We use the term contractor to refer to the entity that received the advance. These entities were other Federal agencies.
[2] STB in response to our audit, identified additional amounts of expenses that had not been properly reported in its FY 2016 financial statements.
[3] The June 30, 2017, misstatements would be adjusted by the amounts, as appropriate, that are related to prior period adjustments.

We attributed these problems to a breakdown in control processes at STB's service provider, and the need for strengthened oversight of financial reporting processes by STB; a material weakness in internal controls over financial reporting. As a result of these errors, we would have been prevented from issuing an unmodified opinion on the STB financial statements had STB, and its service provider not corrected these significant problems.

As discussed in finding number 1, we identified material errors in the June 30, 2017, interim financial statements and related footnote disclosures. We provided STB and its service provider with information that showed the June 30, 2017, interim financial statements, and the prior period September 30, 2016, financial statements were materially misstated due to overstatement of advances, corresponding understatement of expenses, and errors in related line items and footnotes[4]. We worked with STB to ensure that the final year-end FY 2017 and 2016 (restated) financial statements corrected these errors, and agreed to review corrected preliminary statements to ensure the issues noted were addressed prior to submitting year-end statements for audit. STB and its service provider agreed to provide corrected preliminary statements for our review. When these preliminary statements were submitted, we identified numerous material errors that continued to impact the statements, provided comments to STB, and requested revised preliminary statements be resubmitted. However, we were advised by STB officials that its accounting service provider would not provide additional preliminary statements, and the corrections would be made in the final year-end statements, including restating the FY 2016 financial statements, as we recommended.

We received the year-end FY 2017 and 2016 (restated) financial statements for audit on October 21, 2017. Our testing of these final statements identified a significant number of material errors that would have prevented the issuance of an unmodified audit opinion. It was determined that STB and its service provider would correct the statements, and address the issues noted by the audit[5]. We provided the following errors[6], among others, to STB and its service provider:

- Based upon the errors we identified in the interim June 30, 2017, financial statements, and additional reviews performed by STB, the agency compiled errors that totaled approximately $222,000 in adjustments that needed to be made to the prior year's FY 2016 financial statements[7]. However, when initiated testing of these statements, we identified that the FY 2016 financial statements did not contain any of the agreed upon, and required adjustments.

[4] In addition, at our request, STB reviewed all open obligations and disclosed additional amounts that impacted prior year statements and resulted in misstatements in accounts payable, expenses, and related financial statement line items and footnotes.
[5] We obtained assurances from STB and its service provider that a comprehensive analysis of the statements would be performed to ensure that all errors would be corrected, and a strengthen quality control review would be made of the statements prior to submission for audit. As noted by this audit report, these reviews were either not performed or performed effectively.
[6] Due to the number and materiality of the errors noted in these statements, we discontinued further audit tests of these statements.
[7] These errors also impacted, in most instances, the FY 2017 financial statements in a similar manner.

- Subsidiary records supporting the amounts of advances reported on the financial statements did not reconcile to the general ledger, and contained significant errors. The service provider made changes to these records, and provided a new trial balance to correct errors in these records and the general ledger. However, the service provider made none of these corrections to the financial statements and footnotes.

- The financial statements contain significant presentation issues. For example, the FY 2016 statements did not contain a restatement footnote as required by FASAB and OMB Circular A-136, the FY 2016 amounts were not show as restated, the required footnote relating to lease payments was omitted, and there was a $3 million error between the word statements and the excel statements provided for audit.

We discussed these problems with STB and its service provider officials. Service provider officials originally disagreed with our conclusions on the financial statements. However, after further discussions by STB officials with its service provider officials, the service provider agreed to correct the errors and resubmit the financial statements.

Recommendations:

1. Strengthen monitoring controls of financial management operations performed by the agency's accounting service provider. Develop policies, procedures and review checklists to ensure that monitoring processes are performed consistently and documented as required by GAO internal control standards.

2. Work with the accounting service provider to strengthen the service provider's quality control processes, and obtain documented assurances that quality control reviews have been performed on financial statements presented to the agency for audit.

3. Abnormal Balances Caused by Posting Errors

An abnormal balance in the June 30, 2017, general ledger trial balance was not identified, researched, and corrected. The abnormal balance was caused by a posting error. We researched the accounting used by the service provider for the entry that caused the abnormal balance that related to the posting of accounts receivable accruals[8]. We identified that the U.S. Standard General Ledger (USSGL) had issued a posting model, effective for FY 2016, which provided new accounting entries for collections that must offset appropriations.[9] The new posting model[10] provides new budgetary accounts, as well as requires that the recording of accounts receivables be made to general ledger account 5200, *Revenues for Services Provided*, not as an offset to expenses as the service provider used for this transaction.

[8] The service provided posted the accrual of accounts payable as a negative expense instead of posting the entry, as required by the proper USSGL to an income account – understating expenses and revenues.
[9] STB is required to offset appropriations by the amount of fees it receives from the public for services provided.
[10] This scenario created two new USSGL accounts which map to new lines 1136 and 1153 of the SF 133, as illustrated in OMB Circular No. A-11 (2015), Appendix F.

OMB Circular A-136, *Financial Reporting Requirements*, provides that agencies must ensure that transactions are processed in accordance with the USSGL. The abnormal balance would have been identified if proper research had been performed. As reported in our 2016 audit, lack of research to identify causes for errors has been and continues to be an internal control weakness at the service provider level.

Recommendation:

Determine the reasons that abnormal general ledger account balances were not identified, researched, and corrected, as appropriate despite the assurances provided in response to the same issues reported in the FY 2016 financial statement audit report. Implement additional controls to ensure abnormal account balances are properly identified, researched, and appropriate corrective actions are taken.

REPORT ON COMPLIANCE

As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the STB. Providing an opinion on compliance with certain provisions of laws, regulations, and significant contract provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

In connection with our audit, we noted no instance of noncompliance that is required to be reported according to *Government Auditing Standards* and the OMB audit bulletin guidelines. No other matters came to our attention that caused us to believe that STB failed to comply with applicable laws, regulations, or significant provisions of laws, regulations, and contracts that have a material effect on the financial statements insofar as they relate to accounting matters. Our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the STB's noncompliance with applicable laws, regulations, or significant provisions of laws, regulations, and contracts insofar as they relate to accounting matters.

Restricted Use Relating to Reports on Internal Control and Compliance

The purpose of the communication included in the sections identified as "Report on Internal Control" and "Report on Compliance" is solely to describe the scope of our testing of internal control over financial reporting and compliance, and to describe any material weaknesses, significant deficiencies, or instances of noncompliance we noted as a result of that testing. Our objective was not to provide an opinion on the design or effectiveness of the STB's internal control over financial reporting or its compliance with laws, regulations, or provisions of contracts. The two sections of the report referred to above are integral parts of an audit performed in accordance with *Government Auditing Standards* in considering the STB's internal control over financial reporting and compliance. Accordingly, those sections of the report are not suitable for any other purpose.

AGENCY'S RESPONSE

STB provided a written response, and advised that the agency has taken actions to report the material weaknesses identified in the audit in the agency's FMFIA report. In addition, the agency provided the actions it planned to take to address the report's other recommendations in FY 2018.

The STB's response to the audit report, which has been summarized in the body of this report, is included in its entirety as Attachment 2. The STB's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Leon Snead & Company, P.C.

Leon Snead & Company, P.C.
Rockville, MD 20850
November 10, 2017

STATUS OF PRIOR YEAR RECOMMENDATIONS

Rec. No.	Open Recommendations (FY 2016 Audit Prior Year Recommendations)	Status
1.	STB officials should ensure that unfunded FECA liabilities and FECA actuarial liabilities are calculated and included in year-end financial statements and related footnotes.	Closed
2.	STB officials should ensure that significant abnormal general ledger balances are researched and corrected prior to preparation of financial reports.	Open

Attachment 2

SURFACE TRANSPORTATION BOARD
Washington, DC 20423

November 10, 2017

Mr. Leon Snead, President
Leon Snead & Company, P.C.
416 Hungerford Drive, Suite 400
Rockville, MD 20850

Re: Fiscal Year (FY) 2017 and 2016 (restated) Financial Statement Audit Report

Dear Mr. Snead:

Thank you for the opportunity to provide comments on the draft FY 2017 and 2016 (restated) Financial Statement Audit Report. The Surface Transportation Board (Board or STB) has reviewed the report, and the Board concurs with the facts and conclusions in it. The STB is committed to resolving all recommendations to ensure financial statements and notes are presented fairly, in all material respects, and in conformity with accounting principles generally accepted in the United States of America. The Board responds to the specific recommendations below.

1. Accounting Errors Made in Recording Advances in Interim Statements

Recommendations:

1. STB and its accounting service provider should implement accounting processes for estimating and recording the value of goods and/or services provided by vendors for open obligations, with and without an advance.
2. Develop written policies to: obtain invoices supporting the value of goods and services provided by vendors with advances so permanent reductions can be made to reduce the value of individual advances, close out advances where all services have been provided, and recoup all unused advance funding; including those currently outstanding.
3. Disclose in the FY 2017 Federal Managers Financial Integrity Act report the material internal weaknesses identified in Findings 1 and 2 of this report.

Management Response:

The STB concurs with the recommendations. The STB has addressed Recommendation 3 by disclosing in the STB's FY 2017 Federal Managers Financial Integrity Act report the material internal weaknesses identified in Findings 1 and 2 of this report. In addition, the following corrective actions will be taken during the first half of FY 2018 to address Recommendations 1 and 2:

- The STB will work with its accounting service provider, Enterprise Services Center (ESC), to determine what accounting processes can be implemented for estimating and recording the value of goods and/or services for open obligations, with and without an advance.
- The STB is working to develop and implement written internal procedures and processes to ensure proper recording of these items.

2. Material Errors in Year-end Financial Statements

Recommendations:

1. Strengthen monitoring controls of financial management operations performed by the agency's accounting service provider. Develop policies, procedures and review checklists to ensure that monitoring processes are performed consistently and documented as required by GAO internal control standards.
2. Work with the accounting service provider to strengthen the service provider's quality control processes, and obtain documented assurances that quality control reviews have been performed on financial statements presented to the agency for audit.

Management Response:

The STB concurs with the recommendations. The following corrective actions will be taken during FY 2018:

- The Board is in the process of developing written policies and procedures to fully address the material control weaknesses identified in its financial reporting.
- The Board is working closely with ESC to improve communication between the agency and ESC and to strengthen the overall quality control and monitoring processes of the Board's financial statements, including required documentation.
- The Board will request documented assurances from ESC that quality control reviews have been performed on financial statements presented to the agency for audit.

3. Abnormal Balances Caused by Posting Errors

Recommendation:

Determine the reasons that abnormal general ledger account balances were not identified, researched, and corrected, as appropriate despite the assurances provided in response to the same issues reported in the FY 2016 financial statement audit report. Implement additional controls to ensure abnormal account balances are properly identified, researched, and appropriate corrective actions are taken.

Management Response:

The STB concurs with the recommendation. The following corrective actions will be taken during FY 2018:

- The Board will work with ESC to identify abnormal general ledger account balances and determine the reasons for them.
- The STB will determine what additional controls can be implemented to ensure abnormal account balances are properly identified, researched, and appropriate corrective actions are taken.

Sincerely,

Adil Gulamali

Adil Gulamali
Acting Chief Financial Officer
Surface Transportation Board

SURFACE TRANSPORTATION BOARD
BALANCE SHEET
As of September 30, 2017, and 2016 (Restated)
(Dollars in Thousands)

	2017	2016 (Restated)
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 8,946	$ 3,562
Other (Note 4)	2,139	606
Total intragovernmental	11,085	4,168
Assets with the Public		
Accounts receivable (Note 3)	4	11
Total assets	$ 11,089	$ 4,179
Liabilities:		
Intragovernmental:		
Other	$ 401	$ 411
Total intragovernmental	401	411
Liabilities with the Public		
Accounts Payable	1,317	328
Federal Employee and Veterans Benefits (Note 5)	674	634
Other (Note 6)	2,068	2,185
Total Liabilities (Note 5)	$ 4,460	$ 3,558
Net Position:		
Unexpended appropriations	$ 8,993	$ 3,000
Cumulative results of operations	-2,364	-2,379
Total Net Position	$ 6,629	$ 621
Total Liabilities and Net Position	$ 11,089	$ 4,179

The accompanying notes are an integral part of these statements

Surface Transportation Board
STATEMENT OF NET COST
For the Years Ended September 30, 2017, and 2016 (Restated)
(Dollars in Thousands)

	2017	2016 (Restated)
Gross Program Costs:		
Program A:		
Gross costs	$ 103,355	$ 63,946
Less: earned revenue	(637)	(643)
Net Program Costs:	$ 102,718	63,303
Net cost of operations (Note 7)	$ 102,718	$ 63,303

The accompanying notes are an integral part of these statements

Surface Transportation Board
Statement of Changes in Net Position
for the Years Ended September 30, 2017, and 2016 (Restated)
(Dollars in Thousands)

Cumulative Results from Operations:	**2017**	**2016 (Restated)**
Budgetary Financing Sources:		
Beginning Balance	$ (2,379)	$ -
Beginning Balance, as adjusted	(2,379)	-
Appropriations Used	30,374	28,732
Other Financing Sources:		
Imputed Financing	72,358	32,192
Total Financing Sources	102,733	60,924
Net Cost of Operations	102,718	63,303
Net Change	15	(2,379)
Cumulative Results of Operations	**$ (2,364)**	**$ (2,379)**
Unexpended Appropriations:		
Budgetary Financing Sources		
Beginning Balance	$ 3,000	$ -
Beginning Balance, as adjusted	$ 3,000	$ -
Budgetary Financing Sources:		
Appropriations received	36,367	31,732
Appropriations used	(30,374)	(28,732)
Total Budgetary Financing Sources	5,993	3,000
Total Unexpended Appropriations	8,993	3,000
Net Position	**$ 6,629**	**$ 621**

The accompanying notes are an integral part of these statements

SURFACE TRANSPORTATION BOARD

STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2017, and 2016 (Restated)

(Dollars in Thousands)

	2017	2016 (Restated)
Budgetary Resources		
Unobligated balance brought forward, Oct 1	$ 342	$ -
Unobligated balance brought forward, Oct 1, as adjusted	342	-
Recoveries of unpaid prior year obligations	462	-
Other changes in unobligated balance (+ or -)	8	-
Unobligated balance from prior year budget authority, net	812	-
Appropriations	36,367	31,732
Spending authority from offsetting collections	633	643
Total Budgetary Resources	**$ 37,812**	**$ 32,375**
Status of Budgetary Resources		
New obligations and upward adjustments		
Total (Note 8)	$ 33,401	$ 32,033
Apportioned, unexpired accounts	4,110	342
Unexpired unobligated balance at end of year	4,110	342
Expired unobligated balance at end of year	301	-
Unobligated balance at end of year (total)	4,411	342
Total Budgetary Resources	**$ 37,812**	**$ 32,375**
Change in Obligated Balance		
Unpaid obligations:		
Unpaid obligations, brought forward, Oct 1	$ 3,220	$ -
New obligations and Upward Adjustments	33,401	32,033
Outlays (gross) (-)	(31,623)	(28,813)
Recoveries of prior year unpaid obligations (-)	(462)	-
Unpaid obligations, end of year	$ 4,536	$ 3,220
Obligated balance, start of year (+ or -)	$ 3,220	$ -
Obligated balance, end of year (+ or -)	$ 4,536	$ 3,220
Budget Authorization and Outlays		
Budget authority, gross	$ 37,000	$ 32,375
Actual offsetting collections	(641)	(643)
Recoveries of prior year paid obligations	8	-
Budget authority, net	$ 36,367	$ 31,732
Outlays, gross	$ 31,633	$ 28,813
Actual offsetting collections	(641)	(643)
Distributed offsetting receipts (-)	-	-
Agency outlays, net	$ 30,992	$ 28,170

The accompanying notes are an integral part of these statements

SURFACE TRANSPORTATION BOARD

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity, Including Changes Related to STB Reauthorization

The Surface Transportation Board (the Board) was created on January 1, 1996, by Public Law 104–88, the Interstate Commerce Commission Termination Act of 1995 (ICCTA). The Surface Transportation Board Reauthorization Act of 2015 (Public Law 114–110) established the Board as a wholly independent agency and expanded the Board's membership from three to five Board Members.

The Board is specifically responsible for the regulation of the rail and pipeline industries and certain non-licensing regulation of motor carriers and water carriers. The Board has regulatory jurisdiction over railroad rate reasonableness, mergers, line acquisitions, new rail line construction, abandonments of existing rail lines, and the conversion of rail rights-of-way into hiking and biking trails. While the majority of the Board’s work involves freight railroads, the STB also performs certain oversight of passenger rail operations and the intercity bus industry, non-energy pipelines, and household goods carriers’ tariffs, and rate regulation of non-contiguous domestic water transportation (freight shipping between mainland United States, Hawaii, Alaska, Puerto Rico, and other U.S. territories and possessions). The Board’s responsibilities over the National Railroad Passenger Corporation (Amtrak), particularly Amtrak’s relationships with the freight railroads, have grown in recent years. The STB reporting entity consists of the general fund and the user fee receipts fund. User fees not to exceed $1,250,000 are credited to the appropriation as offsetting collections. STB does not own any non-entity assets.

Prior to the enactment of the Reauthorization Act in December 2015, the Board was administratively affiliated with the Department of Transportation and its financial information, including the year-end financial statements, was included in the DOT’s consolidated financial statements. As a result of the Reauthorization law, the Board is now an independent agency, which necessitated a significant change in its financial reporting responsibilities. Before the Reauthorization Act, the STB was not required to prepare audited financial statements. As an independent agency, the STB is required to issue an audited set of financial statements in accordance with the Accountability of Tax Dollars Act of 2002. In FY 2017, the DOT Office of Inspector General engaged an independent public accounting firm to audit STB’s financial statements. These audited financial statements are presented in this report.

B. Basis of Presentation

The STB financial statements are presented to report the agency’s financial position and operations. The statements are required by the Accountability of Tax Dollars Act of 2002, the Chief Financial Officers’ Act of 1990 and the Government Management Reform Act of 1994.The financial statements have been prepared in accordance with the principles generally accepted in the United States of America as well as standards issued by the Federal Accounting Standards Advisory Board (FASAB); OMB Circular A-136, Financial Reporting Requirements, as amended; and STB accounting policies, which are summarized in this note. 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 the STB’s financial position.
- The Statement of Net Cost with the agency’s operating results.
- The Statement of Changes in Net Position with the changes in the agency’s equity accounts.
- The Statement of Budgetary Resources with the sources, status and uses of STB resources.

C. Basis of Accounting

STB transactions are recorded in accordance with accrual basis of accounting and a budgetary basis of accounting. 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. STB’s use of budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

D. Fund Balance with Treasury

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 STB by the public associated with the user fees charged by the agency for certain filings. An allowance for uncollectible accounts receivable from the public is established after a management review of outstanding accounts and the determination that collection is unlikely to occur considering the debtor's ability to pay.

F. Property, Equipment, and Software

STB had no depreciable assets as of September 30, 2017. The following is the Board's policy regarding property, equipment and software: STB's property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software, recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. STB's maintenance and repair costs are expensed as incurred with a capitalization threshold of $50,000 for individual purchases. Property, equipment, and 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

Advances are generally prohibited by law. Some exceptions include reimbursable agreements and payments to contractors.

H. Liabilities

Liabilities occur as a result of transactions or events that have already occurred. Liabilities are covered by budgetary resources funded by a current appropriation. STB's liabilities include accounts payable and accrued payroll and benefits. Accounts payable include amounts owed to another entity for goods ordered and received.

I. Employee Leave

STB employees accrue annual and sick leave as it is earned. 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

STB recognizes contingent liabilities in balance sheet and statement of net cost when both probable and can be reasonably estimated. In FY 2017, 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.

Note 2 Fund Balance with the U.S. Treasury as of September 30, 2017, and 2016 (Restated)

(Dollars in Thousands)

Fund Balances	2017	2016 (Restated)
General Funds	$ 8,947	$ 3,562
Total	$ 8,947	$ 3,562

Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 4,110	$ 342
Unavailable	301	3,220
Obligated Balance not yet Disbursed	4,536	-
Total	$ 8,947	$ 3,562

Note 3 Accounts Receivable

STB's accounts receivable balances as of September 30, 2017, and 2016 (Restated) were the following:

(Dollars in Thousands)

Accounts Receivable	2017	2016 (Restated)
Total Public	$ 4	$11
Total Receivables	$ 4	$ 11

Note 4 Other Assets

(Dollars in Thousands)

	2017	2016 (Restated)
Intragovernmental		
Advances and Prepayments	$ 2,139	$ 606
Total Intragovernmental Other Assets	$ 2,139	$ 606

Note 5 Liabilities Not Covered by Budgetary Resources for Years Ended September 30, 2017, and 2016 (Restated)

(Dollars in Thousands)

	2017	2016 (Restated)
Intragovernmental:		
Unfunded FECA Liability	$ 147	$ 147
Unfunded Employment Related Liability	97	97
Total Intragovernmental	$ 244	$ 244
Public (Non-Federal)		
Federal Employee and Veteran Benefits Payable	$ 674	$ 634
Accrued Pay and Benefits	1,450	1,512
Total Liabilities not covered by Budgetary Resources	$ 2,368	$ 2,390
Total Liabilities covered by Budgetary Resources	$ 2,092	$ 1,168
Total Liabilities	$ 4,460	$ 3,558

Note 6 Other Liabilities

(Dollars in Thousands)

Intragovernmental	Non-Current	Current	2017 Total
Accrued Pay and Benefits	$ -	$ 157	$ 157
Total Intragovernmental covered by Budgetary Resources	$ -	$ 157	$ 157
Not covered by Budgetary Resources			
Federal Employees Compensation Act (FECA)			
2017 Bill (Non-Current)	$ 66	$ -	$ 66
2016 Bill (Current)	-	66	66
Quarter of FY 2017 (Non-Current)	15	-	15
Total FECA Liabilities	$ 81	$ 66	$ 147
Unfunded Employment Related Liability	$ -	$ 97	$ 97
Budgetary Resources	$ 81	$ 163	$ 244
Total Intragovernmental Other Liabilities	$ 81	$ 320	$ 401
Public			
Covered by Budgetary Resources			
Accrued Pay and Benefits	$ -	$ 618	$ 618
Total Intragovernmental covered by Budgetary Resources	$ -	$ 618	$ 618
Not Covered by Budgetary Resources			
Accrued Pay and Benefits	$ -	$ 1,450	$ 1,450
Total Public not covered by Budgetary Resources	$ -	$ 1,450	$ 1,450
Total Public Other Liabilities	$ -	$ 2,068	$ 2,068

Note 7 Intragovernmental Costs and Exchange Revenues for Years Ended September 30, 2017, and 2016 (Restated)

	(Dollars in Thousands)	
	Total 2017	**Total 2016 (Restated)**
Surface Transportation		
Intragovernmental Costs	$ 83,365	$ 42,443
Public costs	19,990	21,502
Total Program Costs	103,355	63,945
Public earned revenue	(637)	(643)
Total Program earned revenue	$ 102,718	$63,302

Note 8 Statement of Budgetary Resources for Years Ended September 30, 2017, and 2016 (Restated)

Surface Transportation Board

STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2017 and 2016 (Restated)

(in thousands)

	2017			**2016 (Restated)**		
	Direct	**Reimbursable**	**Total**	**Direct**	**Reimbursable**	**Total**
Category A	$ 33,401	$ -	$ 33,401	$ 32,033	$ -	$ 32,033
Total	$ 33,401	$ -	$ 33,401	$ 32,033	$ -	$ 32,033

	FY 2017	**FY 2016**
Undelivered orders, Unpaid at the end of the period	$ 2,444	$ 2,114

Note 9 Reconciliation of Net Cost of Operations to Budget for Years Ended September 30, 2017, and 2016 (Restated)

Surface Transportation Board
Reconciliation of Net Cost of Operations to Budget
For the Years Ended September 30, 2017 and 2016 (Restated)
(Dollars in Thousands)

	2017	2016 (Restated)
Budgetary Resources Obligated		
Obligations Incurred	$ 33,401	$ 32,033
Spending Authority from Offsetting Collections and Recoveries	(1,103)	(643)
Obligations Net of Offsetting Collections	$ 32,298	$ 31,390
Offsetting Receipts	-	-
Net Obligations	$ 32,298	$ 31,390
Other Resources		
Imputed Financing from Costs Absorbed by Others	$ 72,358	$ 32,192
Net Other Resources Used to Finance Activities	$ 72,358	$ 63,582
Total Resources Used to Finance Activities	$ 104,656	$ 63,582
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods/Services/Benefits Services Ordered but Not Yet Provided	$ 1,924	$ 2,658
Resources That Fund Expenses Recognized in Prior Periods	51	11
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Other/Change in Unfilled Customer Orders	- -	-
Total Resources Used to Finance Items Not Part of the Net Cost Of Operations	(1,975)	(2,669)
Total Resources Used to Finance the Net Cost of Operations	$ 102,681	$ 60,913
Components of Net Cost of Operations Not Requiring/Generating Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	$ -	$ 1,512
Increase in exchange revenue receivable from the public	(4)	-
Change in Other Liabilities (+/-)	40	878
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	$ 36	$ 2,390
Components not Requiring or Generating Resources		
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	$ 36	$ 2,390
Net Cost of Operations	**$ 102,718**	**$ 63,303**

Note 10 Restatement

In FY 2017, STB corrected material misstatements identified by Leon Snead & Company (LSC) and DOT OIG auditors in the Consolidated Balance Sheet (BS), Statement of Net Cost (SNC), and the Statement of Changes in Net Position (SCNP). The FY 2016 year-end financial statements, and related footnotes were restated to address the misstatements in accounting for advances and related general ledger accounts due to overstatement of advances, corresponding understatement of expenses, and errors in related line items. LSC withdrew their previously issued auditor's report, dated November 7, 2016, and replaced it with the FY 2017 auditor's report on the restated financial statements. The opinion was not modified with respect to this matter.

The restated FY 2016 financial statements include $222,481.23 in expenses that had not been accounted for in the previously issued financial statements. Of that total, $160,714.49 in expenses were incurred against outstanding advances as of September 30, 2016. Due to the imminent publishing of the FY 2017 audited financial statements, the FY 2016 restatement will be presented comparatively. The restatement will affect the line balances of the Other Intragovernmental Assets-Other, Total Intragovernmental, Total Assets, Accounts Payable, Total Liabilities, Unexpended Appropriations, Total Net Position, and Total Liabilities and Net Position on the Balance Sheet; Gross Costs, Net Program Costs, and Net Cost of Operations on the Statement of Net Cost; Budgetary Financing Sources-Appropriations Used, Other Financing Sources-Total Financing Sources Net Cost of Operations, Net Change; Cumulative Results from Operations-Unexpended Budgetary Financing Sources Beginning Balance, Beginning Balance, As Adjusted, Appropriations Used, Total Budgetary Financing Sources, Total Unexpended Appropriations, and Net Position on the Statement of Changes in Net Position; and related footnotes.

STB did not previously have a process in place to estimate the accruals of expenses and to correctly report the total expenses incurred during the reporting period. In FY 2017, STB implemented a process to fully address the internal control deficiency. The process includes, where necessary, estimating expenses incurred on the open purchase orders, including those with the advanced amounts, and ensuring that the accounting entries to record the expenses accurately reflect the incurred expenses on the financial statements. In the first half of FY 2018, STB will work with its service provider to ensure processes are implemented for estimating and recording open obligations. In addition, the STB will work its vendors for timely submission of invoices.

Balance Sheet (Dollars in Thousands)	September 30, 2016 Consolidated Financial Statements (without restatement)	September 30, 2016 Consolidated Financial Statements (with restatement)	Impact of September 30, 2016 Restatements
ASSETS			
Intragovernmental Assets			
Fund Balance with Treasury (Note 2.)	$3, 562	$3, 562	-
Other (Note 4.)	767	606	(161)
Total Intragovernmental	$ 4, 329	$ 4, 168	$ (161)
Assets with the Public			
Accounts receivable (Note 3.)	11	11	-
TOTAL ASSETS	$4, 340	$4, 179	$ (161)
LIABILITIES			
Intragovernmental Liabilities			
Other	$ 411	$ 411	$ -
Liabilities with the Public			
Accounts Payable	266	328	62
Federal Employee and Veterans	634	634	-
Benefits (Note 5.)			
Other (Note 6.)	2, 184	2, 184	-
Total Liabilities (Note 5.)	$ 3, 496	$ 3, 558	$ 62
NET POSITION			
Unexpended Appropriations	$3, 222	$3, 000	(222)
Cumulative Results of Operations	(2, 379)	(2, 379)	-
TOTAL NET POSITION	$ 844	621	(222)
TOTAL LIABILITIES AND NET POSITION	$4, 340	$ 4, 179	$ (161)

STATEMENT OF NET COST (Dollars in Thousands)	**September 30, 2016 Consolidated Financial Statements (without restatement)**	**September 30, 2016 Consolidated Financial Statements (with restatement)**	**Impact of September 30, 2016 Restatements**
PROGRAM A			
Gross Costs	$ 63, 723	$ 63, 946	$ 222
Less: Earned Revenue	(643)	(643)	-
Net Program Costs	$ 63, 080	$ 63, 303	$ 222
Net Cost of Operations	$ 63, 080	$ 63, 303	$ 222

STATEMENT OF CHANGES IN NET POSITION (Dollars in Thousands)	September 30, 2016 Consolidated Financial Statements (without restatement)	September 30, 2016 Consolidated Financial Statements (with restatement)	Impact of September 30, 2016 Restatements
Cumulative Results from Operations			
Budgetary Financing Sources			
Beginning Balance	$ -	$ -	$ -
Appropriations Used	$ 28, 509	$ 28, 732	$ 222
Other Financing Sources			
Imputed Financing	$ 32, 192	$ 32, 192	$ -
Total Financing Sources	$ 60, 701	$ 60, 924	$ 222
Net Cost of Operations	$ 63, 080	$ 63, 303	$ 222
Net Change	$(2, 379)	$(2, 379)	$ -
	$(2, 379)	$(2, 379)	$ -
Cumulative Results from Operations			
Unexpended Appropriations:			
Budgetary Financing Sources			
Beginning Balance	$ -	$ -	$ -
Appropriations Received	31, 732	31, 732	$ -
Appropriations Used	(28, 509)	(28, 732)	(222)
Total Budgetary Financing Sources	$ 3,223	$ 3,000	$ (222)
Total Unexpended Appropriations	$ 3,223	$ 3,000	$ (222)
Net Position	$ 844	$ 621	$ (222)

Note 11 Leases

Entity as Lessee:

Description of Lease Arrangements: The STB has an operating lease for its building and no capital leases. The STB's lease for its building amounted to $3.5 million for FY 2017. In FY 2017, the STB signed a new 15-year operating lease with the GSA for the facility that houses its day-to-day mission that will take effect in FY 2019. Future minimum lease payments under leases of commercial property due as of September 30, 2017 are as follows:

Future Payments Due for Non-Cancellable Operating Lease:

	Asset Category (Dollars in Thousands)	
Fiscal Year	(1)	Totals
2018	$ 3,488	$ 3,488
2019	$ 2,933	$ 2,933
2020	$ 2,748	$ 2,748
2021	$ 2,748	$ 2,748
2022	$ 2,748	$ 2,748
After 5 years	$ 32,976	$ 32,976
Total Future Lease Payments	$ 47,641	$ 47,641

IV. OTHER INFORMATION

A. IMPROPER PAYMENTS INFORMATION ACT

The STB has fully complied with the requirements of the Improper Payments Information Act of 2002 and as amended by the Improper Payments Elimination and Recovery Act of 2012. As required, the STB has reviewed all programs and activities administered to determine which activities are considered susceptible to significant erroneous payments as defined by the Act.

Following the guidance of OMB Circular No. A-136, a risk assessment analysis was completed by the Board in FY 2016 and updated in FY 2017. OMB Circular No. A-136 defines significant erroneous payments to be annual erroneous payments in a program that exceed both $10 million and 1.5% or $100 million of total annual disbursements. The assessment considered certain risk factors that would likely cause improper payments. It covered all disbursement programs including payroll, intragovernmental transactions, and vendor payments. It was determined that the STB does not meet the baseline criteria stated in OMB Circular No. A-136 (Appendix C).

The STB's authorized budget for FY 2017 was $37,000,000. The largest annual disbursements related to salaries and benefits and represent 66% of the annual budget. The next largest allocation of funds (13%) was for GSA rent, utilities, and communications. Based on the results of testing a sample of payroll transactions, the STB's assessment of risk factors, and its reliance on internal controls, including an appropriate segregation of duties, performed at both the service provider level and the STB, it was determined that no STB programs and activities were susceptible to significant erroneous payments in FY 2017. The Board has an efficient and effective process (including detailed documentation process rules) that provides a reasonable assurance that payments are made for legitimate and proper expenses of the STB.

The Board plans to continuously review, monitor, and evaluate its programs and activities and periodically perform updates to its risk assessments, especially when programs may experience changes in processing transactions or testing results indicate potential flaws in the STB's internal control procedures.

Enterprise Services Center

Due to the STB's limited human resource staffing for its accounting functions and financial reporting functions, 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 levels.

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 pre-payment processes, ESC verifies an entity against both SAM and the Internal Revenue Service's Taxpayer Identification Number (TIN) Match Program before establishing them as a vendor in its core financial accounting system.

Do Not Pay (DNP) Business Center

An important part of the STB's program integrity efforts designed to prevent, identify, and reduce improper payments is integrating the U.S. Treasury Department's DNP Business Center into the STB's existing processes, which was done in coordination with its service provider ESC. The DNP Business Center is used to perform online searches, screen payments against the DNP databases, and augment the data analytics capabilities.

Using the DNP Business Center helps the STB improve the quality and integrity of information in its financial system. Since FY 2015, ESC has engaged DNP Analytics Services to match the STB's vendor records with the Death Master File (DMF). The review identified high-risk vendor records possibly associated with deceased individuals and enabled the Board to classify vendor records into risk-based categories for further evaluation. ESC deactivated the highest risk vendor records, thereby decreasing the likelihood of improper payments to deceased individuals.

ESC performs post-payment reviews to adjudicate conclusive matches identified by the DNP Business Center. The monthly adjudication process involves verifying payee information against internal sources, reviewing databases within the DNP Business Center, and confirming whether the STB applied appropriate business rules when the payments were made.

B. FREEZE THE FOOTPRINT

The STB's GSA lease expired in February 2017. GSA executed a one-year lease extension which expires in February 2018 for the STB's existing office space of 74,289 square feet in Patriots Plaza 1. In June 2017, GSA executed a new lease for the STB space for a total of 63,825 square feet in Patriots Plaza, representing a reduction of 10,464 square feet in office space. The new lease will take effect once the new space has been completed by the landlord. The square footage comparison in the following table includes the current year (CY).

Table 8. Freeze the Footprint Baseline Comparison			
	FY 2012	**2017 (CY-1)**	**Change (FY 2012 Baseline to 2018, CY)**
Square Footage	74,289	74,289	(10,464)

Table 9. Reporting of O&M Costs – Owned and Direct Lease Buildings			
	FY 2012 Reported Cost	**2017 (CY-1)**	**Change (FY 2012 Baseline to 2017, CY -1)**
Square Footage	74,289	74,289	(10,464)

C. 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—2017 Adjustment*, Docket No. EP 716 (Sub-No. 2), issued a final rule to adjust its existing civil monetary penalties for inflation for 2017.

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.

Table 10. Civil Monetary Penalty Adjustment for Inflation							
Statutory Authority	**U.S. Code Citation**	**Penalty (Name or Description)**	**Year Enacted**	**Latest Year of Adjustment (Statute or Regulation)**	**Current Penalty Level ($ Amount or Range)**	**Sub-Agency/ Bureau/ Unit**	**Location for Penalty Update Details**
Rail Carrier Civil Penalties							
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	2017	$7,635	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$763	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(b)	For each day violation continues.	1995	2017	$39	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$7,635	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$152-$763	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(d)	For each day violation continues.	1995	2017	76	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Yr of Adjustment (Statute or Regulation)	Current Penalty Level ($ Amt or Range)	Sub-Agency/ Bureau/ Unit	Location for Penalty Update Details
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	2017	763	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	152	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	152	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
Motor and Water Carrier Civil Penalties							
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14901(a)	Minimum penalty for each violation and for each day.	1995	2017	1,045	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	10,450	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	26,126	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$20,900-$41,801	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Yr of Adjustment (Statute or Regulation)	Current Penalty Level ($ Amt or Range)	Sub-Agency/ Bureau/ Unit	Location for Penalty Update Details
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	2017	$1,527	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14901(d)(2)	Minimum penalty for each instance of transportation of household goods if broker provides estimate without carrier agreement.	1995	2017	$15,271	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$38,175	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$3,054	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$7,635	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$152,703	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$305	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Yr of Adjustment (Statute or Regulation)	Current Penalty Level ($ Amt or Range)	Sub-Agency/ Bureau/ Unit	Location for Penalty Update Details
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14904(a)	For all subsequent violations.	1995	2017	$382	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$763	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$3,054	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$763	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$3,054	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$15,271	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$2,090	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Yr of Adjustment (Statute or Regulation)	Current Penalty Level ($ Amt or Range)	Sub-Agency/ Bureau/ Unit	Location for Penalty Update Details
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	2017	$5,225	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14907	Maximum penalty for recordkeeping/reporting violations.	1995	2017	$7,635	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$3,054	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$763	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$12,135	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
Pipeline Carrier Civil Penalties							
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	2017	$7,635	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$763	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Yr of Adjustment (Statute or Regulation)	Current Penalty Level ($ Amt or Range)	Sub-Agency/ Bureau/ Unit	Location for Penalty Update Details
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	2017	$152	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$152	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)
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	2017	$1,527	NA	Federal Register: 82 FR 4796 (FR Doc. 2017-00690)

D. SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Table 11 provides a summary of the financial audit findings with regard to the audit opinion. This table is a summary of the results of the independent audit of the STB's consolidated financial statements, as well as information reported by the STB's auditors in connection with the FY 2017 Financial Statement Audit. Table 12 is a summary of the STB's FMFIA management assurances.

For FY 2017, the STB received an unmodified opinion. Two material weaknesses were identified by the DOT OIG in the OIG report "STB Audit of Financial Statements, as of and for the Years Ended September 30, 2017, and 2016 (restated)."

Table 11. Summary of Financial Statement Audit					
Audit Opinion:	**Unmodified**				
Restatement:	**Yes**				
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
1. Material Errors in Year-end Financial Statements	-	1	-	-	1
2. Accounting Errors Made in Recording Advances in Interim Statements	-	1	-	-	1
Total Material Weaknesses	-	2	-	-	2

Table 12. Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance: Qualified						
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
1. Material Errors in Year-end Financial Statements	-	1	-	-	-	1
2. Accounting Errors Made in Recording Advances in Interim Statements	-	1	-	-	-	1
Total Material Weaknesses	-	2	-	-	-	2

APPENDIX

Information Available on the STB Website

Board Decisions, Filings, News Releases, and Board Members' Speeches and Testimony

The STB is pleased to provide on its website the information discussed herein. Specifically, the Board posts its decisions, filings, and news releases to its website. The site also contains Board Members' speeches and testimony before Congress.

Financial and Operations Reports, Decisions, and Notices

The Board also includes financial and operations reports for Class I railroads and the following periodic financial decisions and notices issued by the STB:

Commodity Revenue Stratification Report—showing the revenue and URCS variable costs by two-digit STCC code for each of three Revenue-to-Variable Cost (RVC) Ratio categories.

Depreciation Rate Prescriptions—depreciation rates, by property account, for each Class I railroad.

Indexing the Annual Operating Revenues of Railroads—an annual notice setting forth the annual inflation-adjusting index numbers (railroad revenue deflator factors) used to adjust gross annual operating revenues of railroads for classification purposes.

Rail Cost Adjustment Factor (RCAF)—an index used to adjust for inflation in long-term railroad contracts, rate negotiations, and transportation studies as computed quarterly in *Quarterly Rail Cost Adjustment Factor*, EP 290 (Sub-No. 5).

Railroad Cost of Capital—determination of the cost of capital rate for the railroad industry issued annually in EP 558.

Railroad Cost Recovery Procedures—Productivity Adjustment—productivity adjustment factor used to adjust the quarterly RCAF, computed annually in EP 290 (Sub-No. 4).

Railroad Revenue Adequacy—determination of revenue-adequate railroads issued annually in EP 552.

Board Publications

The following Board publications are available on the agency's website.

Class I Freight Railroads—Selected Earnings Data—compilation of railway operating revenues, net railway operating income, net income, and revenue ton-miles of freight of Class I railroads developed from quarterly RE&I and CBS forms compiled quarterly.

Guidance to Historic Preservation—an overview of the Board's involvement in historic preservation relating to railroad licensing proceedings, including those in which a railroad seeks agency authorization to abandon a rail line or acquire or construct a new rail line.

Guide to the STB's Environmental Rules—questions and answers to assist in understanding and applying the Board's environmental rules.

Performance and Accountability Report (PAR)—an annual report on the Board's performance results against its established goals as required by the *Government Performance and Results Modernization Act of 2010* (Pub.L.103-62); includes the fiscal year's Independent Auditors' Report.

Overview: Abandonments and Alternatives to Abandonments—rules and regulations applicable to abandonments, line sales, and rail banking (revised 2008).

Rail Rate Studies—study of trends in average annual rail rates, based on data of select commodity groups obtained from the annual waybill files.

Report of Railroad Employment—Class I Line-Haul Railroads (Form C)—monthly compilation of the number of railroad employees in this industrial segment.

Request for Interim Trail Use—a sample of a request for both a Public Use Condition and a Trail Use Condition.

So You Want to Start a Small Railroad: Surface Transportation Board Small Railroad Application Procedures—rules and regulations involved in applying for Board authority to operate a new railroad (revised March 1997).

Surface Transportation Board Annual Reports—reports covering the Board's activities from its Jan. 1, 1996 inception.

Surface Transportation Board Reports, Volumes 1 through 7—GPO-published reports containing major Board decisions, including final rules, served January 1996 through December 2004.

Wage Statistics of Class I Railroads in the United States (Statement A-300)—compilation of the number of employees, service hours, compensation, and mileage as developed from Wage Forms A and B (compiled annually).

Software, Data, and User Documentation

The following software, data, and user documentation are available from the Board.

Uniform Railroad Costing System (URCS) Phase III Railroad Cost Program—used to develop individual shipment cost estimates for U.S. Class I railroads and the eastern and western regions of the United States. The *URCS Phase III Railroad Cost Program* and *User Manual*, as well as Worktables and Data for recent years, are available on the STB's website www.stb.gov at *Industry Data > Economic Data > URCS*.

Confidential Carload Waybill Sample File—movement-specific sample of U.S. railroad traffic used by the Board and others. The *Confidential Carload Waybill Sample File* is available for a fee. Requests for access to the data must follow the procedures specified in 49 C.F.R. § 1244.9. The *Reference Guide for the Surface Transportation Board Carload Waybill Sample* is available on the STB's website www.stb.gov at *Industry Data > Economic Data > Waybill*.

Carload Waybill Sample Public Use File—non-confidential railroad movement and revenue data for use in performing transportation planning studies. The *Carload Waybill Sample Public Use Files* for recent years are available on the STB's website www.stb.gov at *Industry Data > Economic Data > Waybill*.