



Report QC2026018  
February 25, 2026

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# Quality Control Review of the Management Letter for the Surface Transportation Board's Audited Financial Statements for Fiscal Year 2025



# Highlights

## Quality Control Review of the Management Letter for the Surface Transportation Board's Audited Financial Statements for Fiscal Year 2025

*Mandated by the Accountability of Tax Dollars Act of 2002*

### Our Objective(s)

To perform a quality control review (QCR) of Allmond & Company, LLC's management letter related to the audit of STB's financial statements for the fiscal year ended September 30, 2025. We reviewed Allmond's management letter, dated January 7, 2026, and related documentation.

### About This Report

We contracted with the independent public accounting firm Allmond to audit STB's financial statements. Allmond also issued a management letter discussing internal control matters that Allmond was not required to include in its audit report.

### What We Found

The independent auditor, Allmond, found nine internal control matters in STB's operations:

- Completion of revenue reconciliations was not properly evidenced,
- Complementary user entity controls were not properly designed and implemented for the use of service organization systems,
- Accounts payable transaction was recorded and paid from an incorrect funding year,
- Improvements needed in internal control relating to the processing of personnel actions,
- Improvements needed in internal controls relating to annual leave,
- Improvements needed in internal control relating to the performance of property inventories,
- Lack of sufficient internal control over financial reporting relating to upward and downward adjustments of prior year obligations,
- Leave carryover balances were not properly calculated or reviewed, and
- Federal Employees Health Benefits Program premiums were included in Old-Age, Survivors, and Disability Insurance and Medicare taxes in error.

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



# 17

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



U.S. Department of Transportation  
**Office of Inspector General**

February 25, 2026

The Honorable Patrick J. Fuchs  
Chairman, Surface Transportation Board  
395 E Street SW  
Washington, DC 20423

Dear Chairman Fuchs:

I am pleased to transmit the attached management letter related to the audit of the Surface Transportation Board's (STB) financial statements for the fiscal year ended September 30, 2025, as mandated by the Accountability of Tax Dollars Act of 2002.<sup>1</sup> Allmond & Company, LLC (Allmond), completed the audit under contract with us. The contract required Allmond to perform the audit in accordance with U.S. generally accepted Government auditing standards, Office of Management and Budget (OMB) audit guidance, and the Government Accountability Office's (GAO) and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.<sup>2</sup> Allmond issued an auditor's report that included a clean (unmodified) opinion on STB's financial statements.<sup>3</sup>

Allmond also issued, and is responsible for, a management letter, dated January 7, 2026 (see enclosure), identifying nine internal control matters that require STB management's attention. Allmond was not required to include these matters or the related recommendations in its auditor's report.

We performed a quality control review (QCR) of the letter and related audit documentation.

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<sup>1</sup> The Accountability of Tax Dollars Act of 2002 mandates that certain agencies not otherwise covered by law prepare audited financial statements annually. Although our office is not the Inspector General for STB, under 49 U.S. Code § 1326, we have authority to review STB's financial management, property management, and business operations—including internal accounting and administrative control systems. Accordingly, we are authorized, but not legally obligated, to perform this review.

<sup>2</sup> GAO, *Financial Audit Manual*, volume 1 (GAO-25-107705), dated June 2025; volume 2 (GAO-24-107279), June 2024; and volume 3 (GAO-25-107707), August 2025.

<sup>3</sup> *Quality Control Review of the Independent Auditor's Report on the Surface Transportation Board's Audited Financial Statements for Fiscal Year 2025* (OIG Report No. QC2026009), January 14, 2026. OIG reports can be found on our website at <http://www.oig.dot.gov>.

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# Summary of Independent Auditor's Management Letter

In its management letter, Allmond reported the following matters involving STB's internal control and operations that require management's attention.

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## Completion of Revenue Reconciliation Was Not Properly Evidenced

Allmond found that STB's standard operating procedures do not specify how to evidence completed revenue reconciliations. For example, two of the five revenue reconciliations for June 2025 did not have supporting documentation to evidence that the reconciliation was completed.

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## Complementary User Entity Controls Were Not Properly Designed and Implemented for the Use of Service Organization Systems

Allmond found that STB did not timely initiate a form to terminate a separated user's access to the service organization's system. STB does not always notify officials for the service organization systems when individuals with user accounts separate from the agency.

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## Accounts Payable Transaction Was Recorded and Paid From an Incorrect Funding Year

Allmond found that STB's existing controls were not sufficient to prevent or detect entries to the general ledger that do not agree with source documentation. Specifically, for a vendor-initiated payment request, the vendor used an option year for which the period of performance had ended, resulting in the payment of a current year transaction using prior year funds.

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## **Improvements Needed in Internal Control Relating to the Processing of Personnel Actions**

Allmond found that STB's Human Resources department does not have agency-specific written policies and procedures for processing personnel actions, and STB lacks procedures to ensure that a second authorized person reviews all personnel actions before STB processes the action. For example, Allmond previously identified personnel actions that were initiated, approved, and submitted by the same person. Allmond re-issued this finding as STB has not implemented a corrective action plan.

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## **Improvements Needed in Internal Controls Relating to Annual Leave**

Allmond found that STB does not enforce existing policies that require employees to submit, and supervisors to approve, leave requests for annual leave used. Additionally, supervisors or other certifying officials do not review and certify time sheets at an appropriate level of precision. For instance, Allmond found one instance of an employee taking annual leave without a required leave request, and the supervisor approved the timesheet without the request.

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## **Improvements Needed in Internal Control Relating to the Performance of Property Inventories**

Allmond found that STB does not perform a full review of accountable property and does not timely update inventory listings to reflect items issued or reassigned to employees, items lost, or when employees separate. For instance, Allmond could not locate one property item and identified several instances in which STB did not update a property item's assignment or location on the property listing. Additionally, there were several instances where hand receipts did not trace to the listings, and the listings did not trace back to the hand receipts.

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## **Lack of Sufficient Internal Control Over Financial Reporting Relating to Upward and Downward Adjustments of Prior Year Obligations**

Allmond found that STB does not currently have procedures to validate upward and downward adjustment activity in the general ledger and to make the necessary corrections to ensure that both the upward and downward adjustment balances are accurate. The general ledger system STB's financial management service provider uses does not appear to have the functionality to directly record a reversal of a downward adjustment to a prior year obligation or to make a non-dollar amount change to a contract without misstating both the downward and upward adjustment balances. Specifically, in the fiscal year 2021 audit, Allmond identified downward adjustments of prior year obligations that were incorrectly reversed by applying entries to upward adjustments due to this financial management system programming error. Allmond re-issued this finding as STB has not implemented a corrective action plan.

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## **Leave Carryover Balances Were Not Properly Calculated or Reviewed**

Allmond found that STB and its payroll and personnel shared service provider do not have control procedures in place to ensure that employees' annual leave balances are correct and that carryover balances comply with laws and regulations. In the fiscal year 2022 audit, Allmond identified one instance of an employee's carry over leave balance that exceeded the maximum amount allowable. STB corrected the error. However, Allmond re-issued this finding as STB has not implemented a corrective action plan to address the risks related to this process.

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## **Federal Employees Health Benefits Program Premiums Were Included in Old-Age, Survivors, and Disability Insurance and Medicare Taxes in Error**

In the fiscal year 2023 audit, Allmond found two instances for the same employee in which the employee's Federal Employees Health Benefits premiums were not deducted from taxable gross pay and were therefore taxed in error. Allmond

found that STB entered the employee's information incorrectly into the payroll system during the onboarding process, and another Human Resources specialist or supervisor did not detect the error prior to submission. STB has corrected the error. However, Allmond re-issued this finding because STB has not fully implemented a corrective action plan.

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## Recommendations

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

1. Ensure that documentation that evidences the performance of revenue reconciliations is complete and accurate.
2. Update policies and procedures to specify how the completion of the reconciliation process is evidenced.
3. Develop specific procedures to ensure that program managers, Contracting Officer's Representatives, and/or Human Resources personnel notify the Access Control Officers for service organization systems used by the agency when an employee or contractor separates from the agency or no longer needs access.
4. Implement and document a second-level review of the accounting information assigned to vendor-initiated payments to ensure that payments are assigned to the correct contracts and option years and that payments are assigned to the correct Treasury Account Symbol.
5. Create and enforce agency-specific written policies and procedures that specify how personnel actions should be initiated, reviewed, and submitted. These policies and procedures should specify the roles and responsibilities of Human Resources personnel relating to this process and the required elements and documentation of management's review of personnel actions prior to submission.
6. Perform and document routine reviews on a monthly or more frequent basis to ensure that all personnel actions processed during the period were appropriately reviewed and approved by a second, authorized Human Resources official and the information reported on the Standard Form 50 is accurate in all respects.
7. Enforce existing policies and procedures requiring all employees to submit a leave request for all annual leave used.

8. Require timekeepers or other appropriate personnel to verify that all employee leave requests have been submitted and properly approved by the certifying officials and that all leave hours taken agree with the leave type that was requested and approved.
9. Revise policies and procedures to ensure that supervisors are reviewing employee timesheets at a level of precision that ensures that leave requests have been submitted and approved for all leave hours taken.
10. Perform its annual physical inventory at a higher level of precision, including identifying and following up on items that have been reported as lost or stolen or for which the stated location is not accurate.
11. Correct and then regularly update all listings of STB's assets to enable the agency to quickly and accurately locate all items issued to STB personnel.
12. Work with the service provider to identify, at least quarterly, upward adjustments that have been offset by downward adjustments in the general ledger or perform an independent review of the general ledger activity of both accounts so that manual adjustments can be recorded to properly state the ending balances of both accounts, if needed.
13. Design and implement policies and procedures which enhance the internal review process for upward and downward adjustment transactions and include a reconciliation of the undelivered orders balances with the supporting documentation to ensure that transactions have been recorded correctly.
14. Perform a review of all employees' leave balances to ensure they are accurate and comply with 5 U.S. Code § 6304 requirements.
15. Enforce standard operating procedures to require a second Human Resources Specialist or the Human Resources Director to review all employee transfer and onboarding documents to ensure that the documentation is complete and agrees with the information that was entered into the payroll and personnel system before the information is submitted to the payroll service provider.
16. Perform and document STB's assessment of the recoverability of excess taxes that were paid in error by the agency in matching Old-Age, Survivors, and Disability Insurance and Medicare contributions and the conclusion that was reached.
17. Research the impacted employee's payroll records to confirm the error and determine why the error occurred. Appropriate action should then be taken to identify any other affected employees and to correct the root cause of the error.

STB management concurred with Allmond's 17 recommendations and committed to take corrective actions to address the findings issued to it in the management letter.

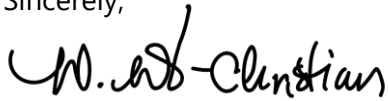
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## Quality Control Review

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

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

Sincerely,



Dormayne "Dory" Dillard-Christian  
Assistant Inspector General for Financial, IT, and Procurement Audits

cc: STB Acting Chief Financial Officer

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**Enclosure.** Independent Auditor's Management Letter

**SURFACE TRANSPORTATION BOARD**

**MANAGEMENT LETTER REPORT**

**SEPTEMBER 30, 2025**



**ALLMOND & COMPANY, LLC**  
**Certified Public Accountants**  
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## MANAGEMENT LETTER REPORT

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

We audited the Surface Transportation Board (STB) financial statements as of September 30, 2025 and for the year then ended and issued our report dated January 7, 2026 under separate cover.

In planning and performing our audit, we considered STB's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls. Though not considered to be material weaknesses or significant deficiencies, we noted additional matters involving internal control that are presented in this letter for STB management's attention and consideration. Exhibit I presents the status of prior year findings and recommendations.

The purpose of this report is solely for the information and use of STB management. We appreciate your assistance and cooperation during the audit and look forward to serving you in the near future.

Sincerely,

*Allmond & Company, LLC*

Lanham, MD  
January 7, 2026

Allmond & Company audited the balance sheets of the Surface Transportation Board (STB) as of September 30, 2025 and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended (the financial statements). We noted additional matters involving STB's internal controls and/or operations that we believe warrant management's attention; however, these issues were not considered to be significant deficiencies nor material weaknesses.

Under standards issued by the American Institute of Certified Public Accountants, 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 to detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, 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 the attention by those charged with governance. There was one material weakness and four significant deficiencies identified during our audit of STB's fiscal year (FY) 2025 financial statements. These matters were included in the FY 2025 Independent Auditor's Report, dated January 7, 2026.

We noted the following new control deficiencies during the FY 2025 audit:

1. Completion of Revenue Reconciliations Was Not Properly Evidenced
2. Complementary User Entity Controls Were Not Properly Designed and Implemented for the Use of Service Organization Systems
3. Accounts Payable Transaction Was Recorded and Paid from an Incorrect Funding Year

In addition, the following prior year findings were reissued during FY 2025:

4. Improvements Needed in Internal Control Relating to the Processing of Personnel Actions
5. Improvements Needed in Internal Controls Relating to Annual Leave
6. Improvements Needed in Internal Control Relating to the Performance of Property Inventories
7. Lack of Sufficient Internal Control over Financial Reporting Relating to Upward and Downward Adjustments of Prior Year Obligations
8. Leave Carryover Balances Were Not Properly Calculated or Reviewed
9. Federal Employees Health Benefits (FEHB) Program Premiums Were Included in Old-Age, Survivors, and Disability Insurance (OASDI) and Medicare Taxes in Error

The conditions for these findings are discussed in detail below.

**FINDING #1 – Completion of Revenue Reconciliations Was Not Properly Evidenced (MLR 2025-01)**

**CONDITION**

Internal control relating to the preparation of revenue reconciliations was not operating effectively to prevent, detect, or correct errors and omissions. During our review of STB's June 30, 2025 revenue reconciliation, we identified the following condition:

- For two of five revenue reconciliations that applied to the month of June 2025, STB was not able to provide supporting documentation to evidence that the reconciliations were completed.

### **CRITERIA**

STB Standard Operating Procedures, Revenue and Receivables (04/2021), states, “To track collections, the STB Section of Financial Services (SFS) reconciles Pay.gov, Collections Information Repository (CIR), and individual office repo[r]ts to verify and record its offsetting collections received from the public and stakeholders.... SFS verifies CIR activity against Pay.gov to see that the deposits [have] been received.... Amounts deposited and verified via Treasury’s CIR System are reported to ESC for entry into Delphi at month end [to] the STB’s CFO. Periodically during the fiscal year, STB will reconcile the cash collections with ESC to ensure that Delphi data is correct.”

OMB Circular A-123 “Management’s Responsibility for Enterprise Risk Management and Internal Control”, Section II. Standards (C. Control Activities), states, “application controls should be designed to ensure that transactions are properly authorized and processed accurately and that the data is valid and complete.”

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

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

### **CAUSE**

- The reconciliation process was not completed or was not fully documented.
- STB’s standard operating procedures relating to the performance of the revenue reconciliation do not specify how the completion of the reconciliation process should be evidenced.

### **EFFECT**

- Potential for incorrect revenue recognition or incorrect revenue entries into the general ledger.
- Increased risk of material misstatement, errors, and omissions in the financial statements and other required footnote disclosures.

**RECOMMENDATION**

We recommend that:

- STB management should ensure that documentation that evidences the performance of revenue reconciliations is complete and accurate.
- Policies and procedures should be updated to specify how the completion of the reconciliation process is evidenced.

**MANAGEMENT RESPONSE**

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

**General Comments**

Management has updated its Revenue and Receivable procedures to include the review and attestation of fee and billing collection reports by office representatives and the CFO. Additionally, management has implemented these revisions to the aforementioned procedures during the remaining fiscal periods after the occurrence of the incident.

**AUDITOR RESPONSE**

We will perform follow-up procedures during the FY 2026 audit to determine if corrective actions have been fully implemented.

**FINDING #2 - Complementary User Entity Controls Were Not Properly Designed and Implemented for the Use of Service Organization Systems (MLR 2025-02)**

**CONDITION**

The Surface Transportation Board’s (STB) internal control relating to the use of service organization systems is not properly designed and implemented to ensure that user accounts are terminated timely.

During our review of complementary end user consideration controls over the Delphi Financial Management System (Delphi) for the fiscal year ended September 30, 2025, we noted that for one of four separated employees whose accounts were disabled or terminated during the fiscal year, a user access termination form was not initiated timely to terminate the user’s account.

**CRITERIA**

National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision 5, Security and Privacy Controls for Federal Information Systems and Organizations, Section AC-2, Account Management, states:

“The organization:

- d. Specifies authorized users of the information system, group and role membership, and access authorizations (i.e., privileges) and organization-defined attributes (as required) for each account;
- f. Creates, enables, modifies, disables, and removes information system accounts in accordance with STB’s Information Technology Identification and Authentication Policy and the security requirements of the hosting entity/shared service provider, the U.S. Department of Transportation (DOT) Enterprise Service Center (ESC).

Report on the ESC’s Description of Its System for Hosting and Operating the Delphi Financials, including the iSupplier Portal, and ESC PRISM Systems, and for Processing User Entities’ Transactions, and the suitability of the Design and Operating Effectiveness of its Controls (SOC 1, Type 2 Report), Complementary User Entity Controls, Control Objective G2, number 9, states, “User entity controls provide reasonable assurance that: Access removal requests are submitted to the ESC in a timely manner.”

U.S. Department of Transportation Office of the Secretary of Transportation Office of Financial Management (OST B-30) Guidelines for Delphi Access Control Officers states, “The Access Control Officer (ACO) is required to submit a UAR to 9-AMC-CSC-FAA-DELPHI@FAA.GOV requesting access be end dated by the date of separation for any employee or contractor who is leaving an Operating Administration (OA) or customer organization, or whose contracts are expiring. ACO’s must process a termination request even if the employee or contractor is moving to a position with a different OA within the Department or when an employee or contractor changes positions in a customer organization that no longer requires access to Delphi.”

Surface Transportation Board Issuance No. 9-169, Access Control Policy, Section 4.2, Account Management, states:

- “B. Assigns account managers;
  - F. Creates, enables, modifies, disables, and removes accounts in accordance with account management procedure;
  - H. Notifies account managers within:
    - 1. Three (3) business days when accounts are no longer required.
    - 2. Three (3) business days when users are terminated or transferred; and
    - 3. Three (3) business days when system usage or need-to-know changes for an individual.”

**CAUSE**

- ACOs are not always notified by program offices when individuals with Delphi user accounts are separating from the agency; therefore, termination of user access is not processed concurrently with a user’s separation from the agency or the employee’s reassignment with the agency.
- The terminated user’s account was identified during the ACO’s semi-annual review of user access; however, this control is not performed frequently enough to serve as the primary mechanism for identifying accounts that require termination.

**EFFECT**

- Users may retain access to the system when access is no longer needed. This could negatively impact the accuracy and integrity of the agency’s financial data.
- Permission settings in Delphi allow a user to either initiate or approve transactions, but not both. This segregation of duties control could be circumvented if a separated user’s account and login credentials were used by another Delphi user with complementary permissions.
- Certain control objectives of the service organization can be achieved only if complementary client controls are suitably designed and operating effectively.

**RECOMMENDATION**

We recommend that STB management:

- Develop specific procedures to ensure that program managers, Contracting Officer’s Representatives (CORs), and/or Human Resources personnel notify the ACO(s) for service organization systems used by the agency when an employee or contractor separates from the agency or no longer needs access.

**MANAGEMENT RESPONSE**

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

**AUDITOR RESPONSE**

We will perform follow-up procedures during the FY 2026 audit to determine if corrective actions have been fully implemented.

**FINDING #3 - Accounts Payable Transaction Was Recorded to and Paid from an Incorrect Funding Year (MLR 2025-03)**

**CONDITION**

During our review of Accounts Payable transactions that were recorded at the end of fiscal year (FY) 2025, we identified one transaction for \$6,006.51 that was incorrectly assigned to the FY 2024 Treasury Account Symbol (TAS), resulting in the payment of a current year transaction using prior year funds.

**CRITERIA**

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

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

- Design of Control Activities at Various Levels
- Segregation of Duties.”

GAO Standards for Internal Control in the Federal Government, Principle 10.03: Design of Appropriate Types of Control Activities, states, “Management designs appropriate types of control activities for the entity’s internal control system.

- Proper execution of transactions - Transactions are authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use, or commit resources are initiated or entered into. Management clearly communicates authorizations to personnel.
- Accurate and timely recording of transactions - Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

**CAUSE**

- The vendor initiated the payment request in the Invoice Processing Platform (IPP) system using the incorrect (i.e., the prior year) option year for the contract, for which the period of performance had ended. STB personnel did not identify this error during their review and approval of the invoice, resulting in the payment of the invoice from the prior year contract’s expired obligated balance.
- Existing controls are not sufficient to prevent or detect entries to the general ledger that do not agree with source documentation (i.e., purchase orders, contract modifications, vendor invoices, and payment transfers).

**EFFECT**

- Prior to payment of the invoice - \$6,006.51 overstatement of Accounts Payable in TAS 2024; \$6,006.51 understatement of Accounts Payable in TAS 2025.
- Following the payment of the invoice - \$6,006.51 overstatement of Delivered Orders-Paid in TAS 2024; \$6,006.51 understatement of Delivered Orders-Paid in TAS 2025.

**RECOMMENDATION**

We recommend that STB management:

- Implement and document a second-level review of the accounting information assigned to vendor-initiated payments to ensure that payments are assigned to the correct contracts and option years and that payments are assigned to the correct Treasury Account Symbol.

**MANAGEMENT RESPONSE**

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

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**AUDITOR RESPONSE**

We will perform follow-up procedures during the FY 2026 audit to determine if corrective actions have been fully implemented.

**FINDING #4 - Improvements Needed in Internal Control Relating to the Processing of Personnel Actions (MLR 2025-04)**

**CONDITION**

Internal control over the processing of personnel actions is not properly designed and implemented to prevent or detect and correct errors and omissions relating to payroll expenses and liabilities. During our prior year review of personnel actions that were processed during the interim period of October 1, 2023 through May 31, 2024, we noted the following conditions:

- Two (2) of the four (4) personnel actions that were selected for testing were initiated, approved, and submitted by the same person.

To date, a corrective plan has not been implemented.

**CRITERIA**

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

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

GAO Standards for Internal Control in the Federal Government, Principle 10.03: Segregation of duties, states, “Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.”

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

GAO Standards for Internal Control in the Federal Government, Principle 17.06: Corrective Actions, states, “Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis. These corrective actions include resolution of audit findings. Depending on the nature of the deficiency, either the oversight body or management oversees the prompt remediation of deficiencies by

communicating the corrective actions to the appropriate level of the organizational structure and delegating authority for completing corrective actions to appropriate personnel. The audit resolution process begins when audit or other review results are reported to management, and is completed only after action has been taken that (1) corrects identified deficiencies, (2) produces improvements, or (3) demonstrates that the findings and recommendations do not warrant management action. Management, with oversight from the oversight body, monitors the status of remediation efforts so that they are completed on a timely basis.”

**CAUSE**

- STB’s Human Resources (HR) department does not have agency-specific written policies and procedures that specify how personnel actions should be initiated, reviewed, and submitted.
- STB does not have control procedures in place to ensure that all personnel actions are reviewed by a second authorized person prior to submission of the personnel action for processing.

**EFFECT**

The failure to properly authorize, approve, and ensure the validity and accuracy of personnel actions increases the possibility of misuse and abuse of government resources, as follows:

- An increased risk that unauthorized actions may be initiated and processed without detection.
- An increased risk of material misstatement of the agency’s payroll and benefits expense and related liabilities due to undetected error or fraud. Also, incorrect amounts could be withheld from employees’ pay.
- An increased risk of noncompliance with legal and regulatory requirements.
- A decreased likelihood that the agency will be able to prevent or identify and recover overpayments made to employees.

**RECOMMENDATION**

We recommend that STB management should:

- Create and enforce agency-specific written policies and procedures that specify how personnel actions should be initiated, reviewed, and submitted. These policies and procedures should specify the roles and responsibilities of Human Resources personnel relating to this process and the required elements and documentation of management’s review of personnel actions prior to submission.
- Perform and document routine reviews on a monthly or more frequent basis to ensure that all personnel actions processed during the period were appropriately reviewed and approved by a second, authorized HR official and the information reported on the SF 50 is accurate in all respects.

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**MANAGEMENT RESPONSE**

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

**AUDITOR RESPONSE**

We will perform follow-up procedures during the FY 2026 audit to determine if corrective actions have been fully implemented.

**FINDING #5 - Improvements Needed in Internal Controls Relating to Annual Leave (MLR 2025-05)**

**CONDITION**

Improvement is needed in internal controls relating to the submission, review, and approval of employee annual leave requests and the accuracy of employee timesheets.

During our interim review of 80 employee timesheets that were selected for review from the population of all employees who were paid during the period of October 1, 2024 through May 31, 2025, we noted the following conditions:

- One (1) instance in which a leave request for annual leave was not submitted by the employee and the time sheet was approved by the supervisor without the required leave request for leave taken during that pay period.

**CRITERIA**

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

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

GAO Maintaining Effective Control Over Employee Time and Attendance Reporting (January 2003 revision), Control Objectives Relative to Time & Attendance (T&A) Information, states, “Controls over T&A information should provide reasonable assurance that such information (1) is recorded completely, accurately, and as promptly as practicable, (2) relates to authorized individuals, (3) reflects actual work performed and leave taken or other absences during authorized workhours and periods, (4) is sufficiently detailed to allow for verification, (5) complies with legal requirements, and (6) is supported by recorded evidence of supervisory review and approval.”

STB Administrative Issuance No. 7-505 states, “Employees are to request annual leave in advance of the date they plan to use it by filling out an OPM-71, Application for Leave. In emergency situations and cases of unanticipated personal need, employees may be unable to fill out a leave slip. In such cases, employees

must notify their first-line supervisors, if available, or second-line supervisors by phone at the earliest possible time and indicate that they must take leave for an emergency or an unanticipated personal need. When the employee returns to work, he/she will complete an OPM-71, have it approved, and give it to the timekeeper; or the employee will initial the Work Schedule Control Sheet for the leave which was taken.”

STB Key Business Process Memorandum (04/2021): Quicktime Time Entry, Approval and Validation, states, “The Approving Official (e.g. supervisor) is responsible for reviewing their employee’s timesheet for accuracy and approval.”

**CAUSE**

- STB does not enforce existing agency policies that require employees to submit, and supervisors to approve, a leave request for all annual leave that is used by employees.
- Time sheets are not being reviewed and certified by supervisors or other certifying officials at an appropriate level of precision to ensure that all leave taken agrees with the type of leave that was requested and approved.

**EFFECT**

- The failure to properly review and certify employees’ time and attendance increases the risk of material misstatement in payroll expense and related liabilities.
- An increase in the risk that employees’ leave balances may be incorrect.

**RECOMMENDATION**

We recommend that STB management:

- Enforce existing policies and procedures requiring all employees to submit a leave request for all annual leave used.
- Require timekeepers or other appropriate personnel to verify that all employee leave requests have been submitted and properly approved by the certifying officials and that all leave hours taken agree with the leave type that was requested and approved.
- Revise policies and procedures to ensure that supervisors are reviewing employee timesheets at a level of precision that ensures that leave requests have been submitted and approved for all leave hours taken.

**MANAGEMENT RESPONSE**

Corrective action will be taken and completed in the current fiscal year.

***General Comments***

- STB HR provides bi-weekly emails to the entire STB staff, informing them to:  
Ensure their time card is coded correctly.  
Ensure leave slips accurately reflect their time out of the office and match their time cards.

- STB HR provides guidance to all employees on their roles and responsibilities within Quicktime. In addition, mandatory training has been provided for the last two years to all agency employees in their associated roles.
- STB is currently revising its leave policy to incorporate changes to administrative leave regulations.

### **AUDITOR RESPONSE**

We will perform follow-up procedures during the FY 2026 audit to determine if corrective actions have been fully implemented.

### **FINDING #6 - Improvements Needed in Internal Control Relating to the Performance of Property Inventories (MLR 2025-06)**

#### **CONDITION**

Improvements are needed in internal control relating to the agency's tracking of accountable and sensitive assets and the performance of annual property inventories. Specifically, during our on-site visit at STB headquarters, we noted the following exceptions:

- 1 of 45 property items could not be located
- 1 of 45 items was disposed of, but was not removed from the property listing
- 2 of 45 items did not have the correct location in the system
- 1 of 24 items also did not have the correct location in the system.

In addition, during our review of STB's inventory results for FY 2025, we traced the hand receipts (i.e., documentation of the issued equipment) for 127 employees, which comprised 174 capitalized, accountable, and sensitive items, and noted the following exceptions:

- 68 instances in which the assigned individual or location of the asset did not agree to the hand receipts
- 6 instances in which items on the hand receipts could not be traced to the property listing
- 1 instance in which the property item was simultaneously assigned to more than one person
- 1 instance in which the tag number was not correct on the listing
- 16 instances in which the employee separated from STB, but the property listing was not updated to remove that individual or reassign the property to inventory or another employee.

#### **CRITERIA**

STB Standard Operating Procedures for STB Property Management (September 22, 2025) Section 1.4. Sensitive Property states, "Personal property can be defined as sensitive regardless of acquisition value, which require special processes and accounting to ensure accountability and safeguarding. Sensitive assets must be formally accounted for to include, but are not limited to, assets in the following categories:

- a. Communication devices (i.e., Meeting Owls, Motorola two-way radios)
- b. Smart phone devices (i.e., Android and iPhone)
- c. Monitors
- d. Laptop, tablet, notebook, desktops and other portable computers
- e. Audio digital and recording devices

- f. Video TV equipment, cameras and digital players
- g. Fax machines and multi-purpose fax.
- h. Refrigerators and microwaves
- i. Network Servers
- j. Network printers, desktop printers, scanners,
- k. Inherently portable assets and assets that can easily be converted to private use or have a high potential for theft. The Property Management Officer (PMO) will identify sensitive assets and define specific equipment accountability levels to be applied in connection to the assets' Federal Aviation Administration (FAA) Real Estate and Asset Management System (FRAMES) record keeping.”

STB Standard Operating Procedures for STB Property Management (September 22, 2025) Sections 2.5 – 2.7 state,

“2.5. The official personal property record in FRAMES will be updated immediately upon any issuance transaction. Issuing refers to the action of assigning stewardship of specific property to an end user, to be used in the performance of the end user’s official duties. Exception is if the FRAMES system is unavailable or unable to access the FAA portal due to malfunction or administrative access denial.

2.6. Assets may not be transferred directly to another employee, between employees without prior authorization documentation by the PMO or the Section of System Services (SSS or Information Technology (IT)) staff.

2.7. The Board’s PMO is the only authorized person who can request removal or reinstate an asset within the FRAMES network.”

Government Accountability Office (GAO), Standards for Internal Control in the Federal Government, Section 10.03 Physical control over vulnerable assets, states, “Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.”

## **CAUSE**

We noted the following causes for the conditions identified above:

- Inventory listings are not updated timely when items are issued, lost, or reassigned or when employees separate from the agency.
- A full review of accountable and sensitive property is not performed. That is, the hand receipts are not traced to the listings and the listings are not traced to the hand receipts to ensure they agree.
- STB migrated to a new inventory tracking system. Missing items on the listing may be attributed to incomplete migration of property records or failure to subsequently add/remove/update items during the transition period.
- STB completed the property inventory during September 2025, but was unable to update the system with the inventory results during the months of October through December 2025 because of the lapse of appropriations and a subsequent systems outage. However, we noted that updating of inventory items should take place as events occur, not just during or following the annual inventory process.

- Missing items, including lost or stolen items, are not identified during the property inventory and appropriate follow up action is not taken to process reports of lost and stolen property and remove them from the property listing.

**EFFECT**

- The failure to maintain a complete and accurate listing of STB assets and perform regular reviews of STB property increases the risk of possible theft or misuse of assets.
- The failure to document the reissue of assets creates uncertainty as to the property's disposition and location and may result in the agency not recovering property from separating personnel because STB does not know it is in their possession.
- The failure to maintain a complete and accurate listing of capitalized and sensitive assets increases the likelihood of material misstatement of PPE assets included on the agency's balance sheet and related footnotes.

**RECOMMENDATION**

We recommend that:

- STB should perform its annual physical inventory at a higher level of precision, including identifying and following up on items that have been reported as lost or stolen or for which the stated location is not accurate.
- STB should correct and then regularly update all listings of STB's assets to enable the agency to quickly and accurately locate all items issued to STB personnel.

**MANAGEMENT RESPONSE**

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

**AUDITOR RESPONSE**

We will perform follow-up procedures during the FY 2026 audit to determine if corrective actions have been fully implemented.

**FINDING #7 - Lack of Sufficient Internal Control over Financial Reporting Relating to Upward and Downward Adjustments of Prior Year Obligations (MLR 2025-07)**

**CONDITION**

The Surface Transportation Board's (STB's) internal control over financial reporting lacks sufficient control procedures to ensure the reliability of the balances of Upward and Downward Adjustments of Prior Year Unpaid Delivered and Undelivered Orders balances. Specifically, we have not received any

documentation that evidences that a corrective action plan has been implemented that appropriately addresses the risk of material misstatement of the financial statements due to invalid offsetting transactions. During the FY 2021 audit, we noted the following exceptions during our review of current and prior year obligations:

- 7 of 34 downward adjustment of prior year obligations transactions totaling \$136,955.53, for which transactions to perform changes to non-dollar elements of existing obligations or to reverse deobligations were initially recorded using downward adjustments and then reversed due to a financial management system programming error by applying entries to upward adjustments of prior year obligations rather than reversing the downward adjustment directly.

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

### **CRITERIA**

The Government Accountability Office (GAO), Standards for Internal Controls in the Federal Government, (issued September 2014), Principle 10.03: Design of Appropriate Types of Control Activities, Accurate and Timely Recording of Transactions, states,

“Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

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

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

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

**CAUSE**

- The general ledger system used by the STB’s financial management service provider does not appear to have the functionality to directly record a reversal of a downward adjustment to a prior year obligation or to make a non-dollar amount change to a contract without creating a misstatement of both downward and upward adjustment balances.
- STB does not currently have policies and procedures in place to validate upward and downward adjustment activity in the general ledger and to make the necessary corrections to ensure that both balances are accurate and reflect the true economic substance of each transaction.

**EFFECT**

A control deficiency or control gap relating to internal control over financial reporting can lead to material misstatements to the financial statements and line items not being properly valued or classified in accordance with generally accepted accounting principles.

If uncorrected, the STB’s Statement of Budgetary Resources could be misstated as follows:

- Unobligated Balance from Prior Year Budget Authority, net and Total Budgetary Resources will be overstated, and
- New Obligations and Upward Adjustments and Total Status of Budgetary Resources will be overstated.

**RECOMMENDATION**

We recommend that:

- STB management should work with the service provider to identify, at least quarterly, upward adjustments that have been offset by downward adjustments in the general ledger or perform an independent review of the general ledger activity of both accounts so that manual adjustments can be recorded to properly state the ending balances of both accounts, if needed.
- STB management should design and implement policies and procedures which enhance the internal review process for upward and downward adjustment transactions and includes a reconciliation of the undelivered orders balances with the supporting documentation to ensure that transactions have been recorded correctly.

**MANAGEMENT RESPONSE**

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

**AUDITOR RESPONSE**

We will perform follow-up procedures during the FY 2026 audit to determine if corrective actions have been fully implemented.

**FINDING #8 - Leave Carryover Balances Were Not Properly Calculated or Reviewed (MLR 2025-08)**

**CONDITION**

The Surface Transportation Board's (STB's) internal controls over the maintenance of employees' personnel records are not sufficiently designed to prevent, detect, or correct errors in employees' annual leave balances.

During a prior year, we noted the following exception during our review of employees' annual leave carryover balances:

- One (1) instance in which the employees' carryover leave balance of 269.30 hours (33.66 days) at the beginning of calendar year 2022 exceeded the maximum allowable carryover balance of 240 hours (30 days) for non-Senior Executive Service, Senior-Level, or Scientific and Professional Employees stationed within the United States.

We noted that STB has corrected the error that we identified; however, a corrective action plan has not been implemented to address the risks relating to this process.

**CRITERIA**

5 United States Code (U.S.C) § 6304a) – Annual Leave; Accumulation, states, “Except as provided by subsections (b), (d), (e), (f), and (g) of this section, annual leave provided by section 6303 of this title, which is not used by an employee, accumulates for use in succeeding years until it totals not more than 30 days at the beginning of the first full biweekly pay period, or corresponding period for an employee who is not paid on the basis of biweekly pay periods, occurring in a year.”

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

“(a) The head of each agency shall ensure that persons having access to or involved in the creation, development, processing, use, or maintenance of personnel records are informed of pertinent recordkeeping regulations and requirements of the Office of Personnel Management and the agency.

(b) The Office is responsible for establishing minimum standards of accuracy, relevancy, necessity, timeliness, and completeness for personnel records it requires agencies to maintain.”

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

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

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

**CAUSE**

- STB and its payroll and personnel shared service provider do not have control procedures in place to ensure that employees’ annual leave balances are correct and carryover balances comply with laws and regulations relating to annual leave ceilings.

**EFFECT**

- The failure to verify employee leave balances increases the risk of material misstatements in payroll-related expense and related liability balances; in addition, separated employees could receive leave pay-out payments for leave that should have been forfeited.

**RECOMMENDATION**

We recommend that:

- STB should perform a review of all employees’ leave balances to ensure they are accurate and comply with 5 U.S.C. § 6304 requirements.

**MANAGEMENT RESPONSE**

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

**AUDITOR RESPONSE**

We will perform follow-up procedures during the FY 2026 audit to determine if corrective actions have been fully implemented.

**FINDING #9 - Federal Employees Health Benefits (FEHB) Program Premiums Were Included in OASDI and Medicare Taxes in Error (MLR 2025-09)**

**CONDITION**

Internal controls over the computation and deduction of Old-Age, Survivors, and Disability Insurance (OASDI) and Medicare taxes are not sufficiently designed to prevent, detect, or correct errors in employees’ payroll records.

During our prior year review of 113 payroll transactions (93 employees) selected from the population of all employees who were paid during the period of October 1, 2022 through September 30, 2023, we identified the following condition:

- Two (2) instances for the same employee in which the employee's Federal Employees Health Benefits (FEHB) premiums were not deducted from taxable gross pay and were therefore taxed in error.

We noted that STB has taken some action to correct the errors that we identified; however, to date, a corrective action plan has not been fully implemented.

### **CRITERIA**

Internal Revenue Code (IRC) § 125 – Cafeteria Plans – Modification of Application of Rule Prohibiting Deferred Compensation Under a Cafeteria Plan, states, “A cafeteria plan is defined in § 125(d)(1) as a written plan maintained by an employer under which all participants are employees, and the participants may choose among two or more benefits consisting of cash and qualified benefits. Section 125(f) defines a “qualified benefit” as any benefit which, with the application of § 125(a), is not includable in the gross income of the employee by reason of an express provision of Chapter I of the Internal Revenue Code (other than §§ 106(b), 117, 127 or 132). Qualified benefits include employer-provided accident and health plans excludable from gross income under §§ 106 and 105(b), group-term life insurance excludable under § 79, dependent care assistance programs excludable under § 129 and adoption assistance programs excludable under § 137.”

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

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

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

### **CAUSE**

- The affected STB employee's information was entered incorrectly into the payroll system during the onboarding process and the error was not detected by another Human Resources Specialist or a supervisor prior to submission.

- A signed waiver is required for an employee to opt-out of the default option (i.e., pre-tax status). There was no control in place to prevent or to detect and correct a change from pre-tax to taxable status without the receipt of a signed waiver.

**EFFECT**

- Overstatement of the agency's payroll expense and related liabilities; in addition, incorrect amounts were withheld from the employee's pay for OASDI, Medicare, and other taxes.
- Potential noncompliance with the Internal Revenue Code and Social Security Administration laws and regulations relating to the calculation, withholding, and employer contributions of employees' OASDI and Medicare taxes.

**RECOMMENDATION**

We recommend that:

- STB should enforce standard operating procedures to require a second Human Resources Specialist or the Human Resources Director to review all employee transfer and onboarding documents to ensure that the documentation is complete and agrees with the information that was entered into the payroll and personnel system before the information is submitted to the payroll service provider.
- STB should perform and document STB's assessment of the recoverability of excess taxes that were paid in error by the agency in matching OASDI and Medicare contributions and the conclusion that was reached.
- STB should research the impacted employee's payroll records to confirm the error and determine why the error occurred. Appropriate action should then be taken to identify any other affected employees and to correct the root cause of the error.

**MANAGEMENT RESPONSE**

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

**AUDITOR RESPONSE**

We will perform follow-up procedures during the FY 2026 audit to determine if corrective actions have been fully implemented.

Status of Prior Year Findings and Recommendations

The following table provides the fiscal year (FY) 2025 status of all recommendations included in the Management Letter Report on the STB’s FY 2024 Financial Statements (November 6, 2024).

Finding Name	Year of Issue	Recommendations	FY 2025 Status
<p>Improvements Needed in Internal Control Relating to the Processing of Personnel Actions (MLR 2024-01)</p>	<p>2024</p>	<p><b>Recommendations:</b></p> <p>Improve internal control over the review of personnel actions to ensure segregation of duties.</p> <p>Specifically, we recommended that management:</p> <ol style="list-style-type: none"> <li>1. Create and enforce agency-specific written policies and procedures that specify how personnel actions should be initiated, reviewed, and submitted. These policies and procedures should specify the roles and responsibilities of Human Resources personnel relating to this process and the required elements and documentation of management’s review of personnel actions prior to submission.</li> <li>2. Perform and document routine reviews on a monthly or more frequent basis to ensure that all personnel actions processed during the period were appropriately reviewed and approved by a second, authorized HR official and the information reported on the Standard Form (SF)-50 Notification of Personnel Action is accurate in all respects.</li> </ol>	<p>Open</p> <p>Open</p>
<p>Improvements Needed in Internal Control Relating to Annual Leave (MLR 2024-02)</p>	<p>2024</p>	<p>Improve internal controls relating to the submission, review, and approval of employee annual leave requests and the accuracy of employee timesheets.</p> <p>Specifically, we recommended that management:</p> <ol style="list-style-type: none"> <li>1. Enforce existing policies and procedures requiring all employees to submit a leave request for all annual leave used.</li> <li>2. Require timekeepers or other appropriate personnel to verify that all employee leave requests have been submitted and properly approved by the certifying officials and that all leave hours taken agree with the leave type that was requested and approved.</li> </ol>	<p>Open</p> <p>Open</p>

Status of Prior Year Findings and Recommendations

<p>Improvements Needed in Internal Control Relating to the Performance of Property Inventories (MLR 2024-03)</p>	<p>2024</p>	<p>Improve internal control relating to the agency’s tracking of accountable and sensitive assets and the performance of annual property inventories.</p> <p>Specifically, we recommended that management:</p> <ol style="list-style-type: none"> <li>1. Perform a full inventory of all accountable and capitalized property during the annual physical inventory, including identifying and following up on items that have been reported as lost or stolen or for which the stated location is not accurate.</li> <li>2. Correct and then regularly update all listings of STB’s assets to enable the agency to quickly and accurately locate all items issued to STB personnel.</li> </ol>	<p>Open</p> <p>Open</p>
<p>Lack of Sufficient Internal Control Over Financial Reporting Relating to Upward and Downward Adjustments of Prior Year Obligations (2024-04)</p>	<p>2021</p>	<p>Improve controls relating to recording of upward and downward adjustments of prior year obligations in order to identify and eliminate offsetting entries.</p> <p>Specifically, we recommended that management:</p> <ol style="list-style-type: none"> <li>1. Work with the service provider to identify, at least quarterly, upward adjustments that have been offset by downward adjustments in the general ledger or perform an independent review of the general ledger activity of both accounts so that manual adjustments can be recorded to properly state the ending balances of both accounts, if needed.</li> <li>2. Design and implement policies and procedures which enhance the internal review process for upward and downward adjustment transactions and include a reconciliation of the undelivered orders (UDO) balances with the supporting documentation to ensure that transactions have been recorded correctly.</li> </ol>	<p>Open</p> <p>Open</p>

Status of Prior Year Findings and Recommendations

<p>Leave Carryover Balances Were Not Properly Calculated or Reviewed (2024-05)</p>	<p>2022</p>	<p>Improve controls relating to the transfer and maintenance of employees' personnel records relating to annual leave carryover balances to ensure accuracy and compliance with regulatory requirements.</p> <p>Specifically, we recommended that management:</p> <ol style="list-style-type: none"> <li>1. Perform a review of all employees' leave balances to ensure they are accurate and comply with 5 U.S.C. § 6304 requirements.</li> </ol>	<p>Open</p>
<p>Improvements Needed in Internal Controls Relating to Property Additions (2024-06)</p>	<p>2022</p>	<p>Improve controls relating to the valuation and classification of capitalized assets.</p> <p>Specifically, we recommended that management:</p> <ol style="list-style-type: none"> <li>1. Record all equipment purchases that meet its capitalization thresholds as capitalized assets. If the acquired property is not ready to be placed into service, then that property should be classified as Construction in Progress or Other General Property, Plant and Equipment, depending on the circumstances that apply to the purchased items at that time.</li> <li>2. Regularly assess all capitalized property and identify assets that require reclassification, such as when assets are being placed into, or taken out of, service.</li> <li>3. Update the reporting and property management policies and procedures to include the recording of new capitalized purchases in accordance with generally accepted accounting principles.</li> </ol>	<p>Open</p> <p>Open</p> <p>Open</p>

Status of Prior Year Findings and Recommendations

<p>Federal Employees Health Benefits (FEHB) Program Premiums Were Included in OASDI and Medicare Taxes in Error (2024-07)</p>	<p>2023</p>	<p>Improve controls relating to the review and approval of personnel actions to prevent the inadvertent taxing of employee benefits.</p> <ol style="list-style-type: none"> <li>1. STB should research the impacted employee’s payroll records to confirm the error and determine why the error occurred. Appropriate action should then be taken to identify any other affected employees and to correct the root cause of the error.</li> <li>2. STB should enforce standard operating procedures to require a second Human Resources Specialist or the Human Resources Director to review all employee transfer and onboarding documents to ensure that the documentation is complete and agrees with the information that was entered into the payroll and personnel system before the information is submitted to the payroll service provider.</li> <li>3. Perform and document STB’s assessment of the recoverability of excess taxes that were paid in error by the agency in matching OASDI and Medicare contributions and the conclusion that was reached.</li> </ol>	<p>Open</p> <p>Open</p> <p>Open</p>
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U.S. Department of Transportation  
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# Fraud & Safety Hotline

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