



Surface Transportation Board

Performance and Accountability Report Fiscal Year 2025

MESSAGE FROM THE CHAIRMAN

January 7, 2026

The Fiscal Year (FY) 2025 Performance and Accountability Report for the Surface Transportation Board (STB or Board) provides a complete and reliable reflection of the Board's performance and financial data. During FY 2025, the Board achieved its strategic goals, advanced its mission, and implemented substantial reforms to deliver strong results for the American public.

The Board is focused on fulfilling its core statutory duties—the efficient, timely, and sound resolution of surface transportation issues and disputes subject to its jurisdiction. This year, the STB continued to facilitate critical infrastructure development, highlighted by a major Supreme Court victory concerning rail line construction. *See Seven County Infrastructure Coalition v. Eagle County, Colo.*, 605 U.S. 168 (2025). The Board continued to modernize its operations by integrating artificial intelligence tools and enhancing data management and analytics in support of evidence-based decision making. These innovations reflect the STB's dedication to smarter oversight and improved stakeholder engagement.

The STB's cybersecurity program has continued to mature, and, although a material weakness discovered and corrected last year remains unresolved, the Board's financial processes also continued to mature. Internally, the Board implemented a significant reorganization that streamlined operations and better aligned resources with strategic priorities. This realignment has resulted in improved efficiency and responsiveness.

In summary, FY 2025 was a year of advancement and innovation—from landmark victories to comprehensive reform. The Board made notable progress toward advancing its mission and improving its administrative processes during FY 2025. We will continue to strive to use resources wisely and ensure that the agency is responsive to its stakeholders and the public.

Sincerely,



Patrick J. Fuchs
Chairman

Table of Contents

Introduction	1
How This Report is Organized	2
Management's Discussion and Analysis	3
Mission Statement	3
History	3
Responsibilities	3
Statutory Authority	3
Organizational Structure	4
Board Members	4
STB Office Overview	4
STB Office Organization Chart	6
Summary of Significant Performance Results	7
Strategic Goals	7
Relationship Between Strategic Goals and Performance Goals	8
Achieving Strategic Goals	8
External Factors that Could Affect the Achievement of Strategic Goals	8
Strategic Performance Goals & Measures	9
Agency Oversight and Mission Challenges	17
Regulatory Responsibility and Oversight	17
Railroad Restructuring	18
Railroad Rates and Related Matters	21
Railroad Service, Practices, Competition, and Related Matters	23
Compliance with Laws	27
Chairman's Statement of Assurance	30
Program Performance Information	33
Overview	33
FY 2025 Activities and Accomplishments	33
Rail Mergers	33

Rail Service Oversight and Monitoring.....	34
Service, Rate and Other Complaint Cases	35
Amtrak and Other Passenger Rail	35
Rulemakings	36
Declaratory Orders	37
Licensing	38
Abandonments/Discontinuances.....	46
Environmental Review.....	47
Alternative Dispute Resolution.....	48
Public Outreach and Informal Dispute Resolution.....	48
Court Actions and Other Legal Matters	49
Advisory Committees.....	52
Workload Summary.....	54
FY 2025 Administrative Accomplishments.....	55
Risk Management, Cybersecurity, and Information Technology	55
Data Management, AI Capabilities, and Customer Experience	56
Human Resources.....	56
Facilities Management	57
Financial Services	57
Financial Information.....	59
Financial Performance Overview.....	59
Source of Funds	59
Full-Time Equivalent History	59
Uses of Funds by Expense Category.....	59
Overview of Financial Results	61
DOT OIG's Independent Auditor's Report.....	63
STB's Financial Statements and Notes.....	101
Required Other Information.....	121
Summary of Financial Statement Audit and Management Assurances	121
Payment Integrity	123
Program Review.....	123

Improper Payments Strategy	124
Recapture of Improper Payments Reporting	125
Biennial Review of User Fees	125
Civil Monetary Penalty Adjustment for Inflation.....	126

Introduction

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

The PAR satisfies the following legislation:

- The *Surface Transportation Board Reauthorization Act of 2015* (STB Reauthorization Act) requires the STB to submit an annual report on its activities.
- The *Federal Manager's Financial Integrity Act of 1982* (FMFIA) requires continuous evaluations and reporting of the adequacy of systems of internal accounting and administrative controls.
- The *Chief Financial Officers Act of 1990* provides for the production and submission of complete, reliable, timely, and consistent financial information for use by the Executive Branch of the government and Congress in the financing, management, and evaluation of Federal programs.
- The *Inspector General Reform Act of 2008* amends the Inspector General Act of 1978 to enhance the independence of Inspectors General, to create a council of the Inspectors General on Integrity and Efficiency, and for other purposes.
- The *Government Management Reform Act of 1994* requires the submission of audited financial statements.
- The *Reports Consolidation Act of 2000* authorizes agencies to consolidate several reports to provide performance, financial, and other related data in a more useful manner.
- The *Government Performance and Results Modernization Act of 2010 (GPRA Modernization Act)* requires an annual report that measures the performance results of the agency against the established agency goals.
- The *Payment Integrity Information Act of 2019* provides for estimates and reports of improper payments by Federal agencies.
- The *Digital Accountability and Transparency Act of 2014 (DATA Act)* amends the Federal Funding Accountability and Transparency Act of 2006, requiring the establishment of government-wide data standards for spending information.

How This Report is Organized

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

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

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

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

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

Management's Discussion and Analysis

Mission Statement

The Surface Transportation Board (STB, Board, or agency) is an economic regulatory agency that exercises its statutory authority to support an efficient, competitive, and sound transportation network underpinning robust domestic manufacturing, thriving farms, and American energy dominance and benefitting the general public.

History

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

Responsibilities

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

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

Statutory Authority

The STB is charged by statute with the economic oversight of the nation's freight rail system. The Board has jurisdiction over, among other things, the reasonableness of railroad rates and practices; mergers; line acquisitions; new rail line construction; abandonments of existing rail lines; rail service issues; certain matters regarding intercity passenger rail; and the national repository for recording loan agreements secured by rail equipment. Under the statute, the Board provides an efficient and effective forum for resolving disputes and other matters within its jurisdiction. The Board favors private-sector negotiations and resolutions whenever possible.

While most of the Board's statutorily required duties involve railroads, the STB also has statutory

functions concerning non-energy and non-water pipelines, household goods carriers' tariffs, the intercity bus industry, and rate regulation of non-contiguous domestic water transportation (marine freight shipping involving the mainland United States, Hawaii, Alaska, and U.S. territories and possessions such as Puerto Rico and Guam).

The statute also charges the Board with public-facing responsibilities, including direct services to the public (e.g., alternative dispute resolution or mediation) and regular reports to Congress.

Organizational Structure

Board Members

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

STB Office Overview

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

Office of Chief Counsel (OCC)

OCC is the Board's legal office. OCC provides legal advice and recommendations to the Board members for resolving the issues presented in cases before the agency, prepares draft decisions for the Board's consideration, and defends the Board's decisions when challenged in court. OCC also houses the legal functions and investigations management of the Board's statutory Passenger Rail Program, leading interoffice flex teams to carry out that work. In addition, OCC advises the Board on various mission-related legal matters, including government ethics requirements and matters involving the Freedom of Information, Paperwork Reduction, Government in the Sunshine, and Equal Employment Opportunity Acts, and other laws of government-wide applicability, and assists the Department of Justice in responding to ancillary litigation related to Board proceedings and the Solicitor General in transportation-related Supreme Court litigation. Finally, OCC performs administrative services for the Board, including receiving and processing formal filings, managing the agency's case and litigation dockets, administering the Board's voting process, clearing and releasing Board decisions, coordinating with the Federal Register for publication of decisions, tracking the Board's casework, and administering the agency's database for recording and perfecting

secured transactions involving vessels and railroad rolling stock.

The Office of Economics (OE)

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

The Office of Environmental Analysis (OEA)

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

The Office of the Managing Director (OMD)

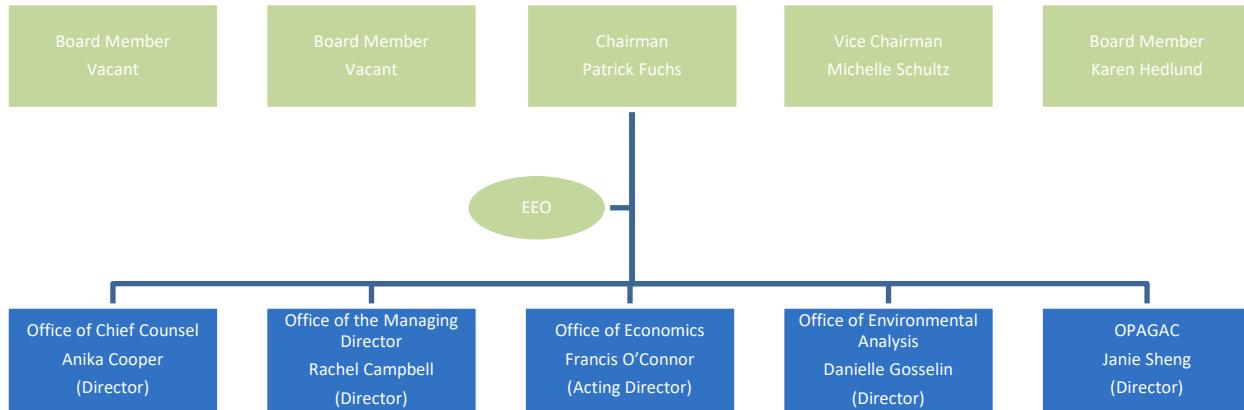
OMD provides a wide range of administrative services in support of the Board's mission, including human resource management, financial services, IT support, cybersecurity, the Privacy Act, facilities management, and records management. It heads the Board's Privacy, Records, and Risk Management programs.

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

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

STB Office Organization Chart

(as of 9/30/2025)



Summary of Significant Performance Results

Strategic Goals

The work that the Board conducts to carry out its responsibilities is guided by three strategic goals originally set forth in its Strategic Plan FYs 2022-2026.¹ The Board is in the process of updating its Strategic Plan and Strategic Performance Goals & Measures.

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

Strategic Objectives:

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

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

Strategic Objectives:

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

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

¹ Strategic Plan Fiscal Years 2022-2026, (STB decided February 28, 2023) (Board Member Fuchs dissenting). The Board's fourth strategic goal has been removed from this Performance and Accountability Report.

Strategic Objectives:

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

Relationship Between Strategic Goals and Performance Goals

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

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

Achieving Strategic Goals

Results

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

External Factors that Could Affect the Achievement of Strategic Goals

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

- Changes in law such as the Board's appropriation and authorization;
- Changes in market demand and strategic direction in the surface transportation industries under the Board's jurisdiction;
- Nationwide or regional economic changes;
- Major changes in the ability of surface transportation carriers to compete effectively or provide responsive and reliable service; and
- The impacts of homeland security events or national emergencies on the surface transportation industry.

Strategic Performance Goals & Measures²

Performance Goals and Measures	FY25 Target	FY25 Actual
<u>Performance Goal 1.0.1: Promptly and fairly resolve disputes consistent with the public interest.</u>		
Performance Measure 1.0.1.1: Proportion of cases and disputes in which the Board issues decisions within applicable deadlines	75%	96%
Performance Measure 1.0.1.2: Proportion of court filings timely filed and accepted	95%	100%
Performance Measure 1.0.1.3: Number of substantive judicial filings made	NA	25
Performance Measure 1.0.1.4: Proportion of court decisions that fault the STB for failing to address issues raised	≤25%	0%
Performance Measure 1.0.1.5: Proportion of court decisions that set aside agency rulings	≤25%	25%
Performance Measure 1.0.1.6: Number of defensibility assessments completed	NA	151
<u>Performance Goal 1.0.2: Promulgate rules and policy statements, employing notice- and-comment procedures as appropriate.</u>		

² These Strategic Performance Goals and Measures are based on the Strategic Plan Fiscal Years 2022-2026, (STB decided February 28, 2023) (Board Member Fuchs dissenting). The Board's fourth strategic goal and its associated performance measures have been removed from this Performance and Accountability Report. The Board is in the process of updating its Strategic Plan and Strategic Performance Goals & Measures, including updated Performance Measures for FY 2026

Performance Goals and Measures	FY25 Target	FY25 Actual
Performance Measure 1.0.2.1: Proportion of rulemakings with publicly stated deadlines that are completed in the timeline identified in the Regulatory Agenda	60%	100%
Performance Goal 1.0.3: Provide for transparency and public participation in Board decisions and policymaking to the extent practicable.		
Performance Measure 1.0.3.1: Proportion of FOIA requests responded to within 20 business days as required by statute (excluding statutorily authorized extensions)	95%	93%
Performance Measure 1.0.3.2: Number of collaborative meetings hosted to discuss emerging challenges and industry trends with various stakeholder groups	225	164
Performance Goal 1.1.1: Provide rate case processes that fairly and efficiently resolve rate disputes.		
Performance Measure 1.1.1.1: Complete rulemakings to update procedures for small rate disputes in FY23	Achieve	Achieved
Performance Measure 1.1.1.2: Number of rate and unreasonable practice cases/disputes brought before the Board	NA	1
Performance Goal 1.2.1: Ensure compliance with applicable statutory and regulatory requirements.		
Performance Measure 1.2.1.1: Proportion of licensing actions resolved through Director Order in which the Order is timely published, or parties are informed of deficiencies	95%	95%

Performance Goals and Measures	FY25 Target	FY25 Actual
Performance Goal 1.2.2: Consider potential economic, environmental, and operational impacts in agency decision-making.		
Performance Measure 1.2.2.1: Total number of economic and operational analyses initiated during the FY in support of docketed and non-docketed cases	Baseline	53
Performance Measure 1.2.2.2: Number of categorical exclusions	NA	185
Performance Measure 1.2.2.3: Number of Environmental Impact Statements prepared	NA	6
Performance Measure 1.2.2.4: Number of Environmental Assessments prepared	NA	31
Performance Goal 1.3.1: Through Rail Customer and Public Assistance, provide an informal venue for the private-sector resolution of disputes, and assist Board stakeholders seeking guidance in complying with Board decisions and regulations.		
Performance Measure 1.3.1.1: Number of RCPA inquiries received	NA	1,338
Performance Measure 1.3.1.2: Proportion of informal inquiries and complaints from stakeholders and the public responded to by RCPA within 3 days of receipt	95%	95%
Performance Goal 1.3.2: Monitor the surface transportation network and gather industry information and data to allow the Board to intervene when necessary or prudent.		
Performance Measure 1.3.2.1: Proportion of weekly rail service metrics published within 48 hours of receipt	90%	100%
Performance Measure 1.3.2.2: Proportion of weekly rail service metrics analyzed and provided to the Board within 3 business days of receipt	75%	100%

Performance Goals and Measures	FY25 Target	FY25 Actual
Performance Goal 1.4.1: Conduct timely and thorough environmental and historic preservation reviews consistent with NEPA, NHPA, and other laws and regulations.		
Performance Measure 1.4.1.1: Proportion of environmental reviews concluded within the FY which adhered to applicable statutory and regulatory timelines	80%	96%
Performance Goal 1.4.2: Consult with other Federal agencies, state and local agencies, tribes, and other interested parties		
Performance Measure 1.4.2.1: Total number of cooperating agencies involved in environmental and historic review processes	NA	7
Performance Measure 1.4.2.2: Total number of tribes with which government-to- government consultation is conducted	NA	12
Performance Measure 1.4.2.3: Number of cases in which a NHPA Section 106 Memorandum of Agreement (MOA) or Programmatic Agreement (PA) is executed	NA	1
Performance Goal 1.4.3: Provide the opportunity for public participation in the environmental and historic review processes for specific cases before the Board.		
Performance Measure 1.4.3.1: Total number of public meetings held during environmental and historic reviews	NA	24
Performance Measure 1.4.3.2: Total number of comments (oral and written) received during environmental and historic reviews	NA	525

Performance Goals and Measures	FY25 Target	FY25 Actual
Performance Goal 2.0.1: Collect and publish rail service data permitting the public to better understand trends in traffic volumes, rates, and the financial health of the rail industry.		

Performance Goals and Measures	FY25 Target	FY25 Actual
Performance Measure 2.0.1.1: Proportion of monthly, quarterly, and annual statistical reports published within 30 days of receiving all needed inputs	100%	100%
Performance Measure 2.0.1.2: Proportion of waybill requests timely processed	100%	100%
Objective 2.1: Uphold the common carrier obligation.		
Performance Goal 2.1.1: Enforce the common carrier obligation through the formal adjudication of service complaints.		
Performance Measure 2.1.1.1: Number of service complaints brought before the Board	NA	1
Performance Goal 2.1.2: Facilitate the common carrier obligation through informal dispute resolution of service complaints.		
Performance Measure 2.1.2.1: Number of informal dispute resolutions relating to the common carrier obligation supported	NA	129
Performance Goal 2.2.1: Evaluate policies and implement rules to adjust to changes in the industry.		
Performance Measure 2.2.1.1: Number of research projects supporting policy evaluation or rulemakings	48	24
Performance Goal 2.3.1: Conduct public hearings and listening sessions on matters of economic import, including, when applicable, rate procedures.		
Performance Measure 2.3.1.1: Number of public events convened on matters of economic import	2	2
Performance Goal 2.4.1: Monitor the On-Time Performance (OTP) and delays of Amtrak's routes and trains as they provide passenger service over the nation's rail network		

Performance Goals and Measures	FY25 Target	FY25 Actual
Performance Measure 2.4.1.1: Administratively establish the Office of Passenger Rail in FY23	Achieve	Achieved
Performance Measure 2.4.1.2: Proportion of quarters in which quarterly data is analyzed and provided to the Board within 10 business days of posting by the FRA	75%	100%
Performance Goal 2.4.2: Enforce OTP through efficient adjudication of OTP complaints and Board-initiated investigations, when appropriate		
Performance Measure 2.4.2.1: Proportion of non-“grant stamp” decisions related to PRIIA Section 213 in which a plan and deadline for completion is established	100%	100%
Performance Measure 2.4.2.2: Proportion of non-“grant stamp” decisions related to PRIIA Section 213 in which established deadlines are achieved	75%	100
Performance Goal 2.5.1: Investigate changes in service metrics and/or reports from stakeholders.		
Performance Measure 2.5.1.1: Number of Class 1 Railroads audited by the STB within the FY	6	6
Performance Goal 2.5.2: Issue service letters, perform site visits, and hold meetings and hearings to ensure accountability and service reliability.		
Performance Measure 2.5.2.1: Number of service letters issued	NA	1
Performance Goal 2.6.1: Engage and communicate with stakeholders regarding the investment, maintenance, and development of the surface transportation system.		
Performance Measure 2.6.1.1: Proportion of recordations entered into the Board's public database within one business day	90%	97%

Performance Goals and Measures	FY25 Target	FY25 Actual
Performance Measure 2.6.1.2: Total number of major infrastructure investments reported by Class 1 railroads	NA	17
Performance Measure 2.6.1.3: Proportion of depreciation studies timely completed	100%	100%

Performance Goals and Measures	FY25 Target	FY25 Actual
Performance Goal 3.0.1: Make key, disclosable information from the Board's internal case monitoring and management system available to the public so that stakeholders can be informed about the expected timing for specific Board decisions.		
Performance Measure 3.0.1.1: Proportion of quarterly reports timely provided to Congress on status of rate reasonableness cases, formal complaints, informal complaints, and pending regulatory proceedings	100%	100%
Performance Measure 3.0.1.2: Publish Semi-annual Regulatory Agenda	Achieve	Achieved
Performance Goal 3.1.1: Offer alternative dispute resolution services that facilitate private sector solutions to problems.		
Performance Measure 3.1.1.1: Number of formal alternative dispute resolutions initiated	NA	1
Performance Measure 3.1.1.2: Number of informal dispute resolutions initiated	NA	129
Performance Goal 3.1.2: Hold conferences, hearings, and oral arguments and provide adequate guidance to the parties as to the methods the Board intends to use to adjudicate disputes.		

Performance Goals and Measures	FY25 Target	FY25 Actual
Performance Measure 3.1.2.1: Number of conferences, hearings, and oral arguments hosted	12	12
Performance Goal 3.2.1: Establish internal timelines and deadlines for work products needed to support Board decisions.		
Performance Measure 3.2.1.1: Proportion of weeks in which the Board is provided with a weekly internal deadline report	90%	100%

Agency Oversight and Mission Challenges

Regulatory Responsibility and Oversight

The Board is charged with advancing the national transportation policy of the United States and promoting an efficient, competitive, and sound freight rail network. We promote and protect the nation's economy by resolving surface transportation disputes, overseeing the flow of commerce, and facilitating infrastructure development.

The Board's regulatory jurisdiction includes, among other things, the reasonableness of railroad rates and practices, mergers, line acquisitions, new rail line construction, and abandonments of existing rail lines.³ The economics of freight rail regulation affect the national transportation network and are important to our nation's economy. For this reason, Congress gave the STB sole jurisdiction over railroad rates, practices, and service. Congress also gave the STB sole jurisdiction over rail mergers and consolidations, abandonments of existing rail lines, and new rail line constructions, exempting STB-approved transactions from federal antitrust laws and state and municipal laws. And, the Board has authority to investigate issues of national or regional significance on its own initiative, to conduct passenger rail on-time performance investigation (on complaint or its own initiative), and to intervene in emergency situations or as a national security warrants.

To carry out its regulatory responsibilities, the Board engages in a wide range of activities, including: adjudication, rulemaking, licensing, and investigation/enforcement. The Board adjudicates disputes between shippers and railroads regarding the reasonableness of the carriers' rates and practices or related to other statutory or regulatory provisions, including competitive access. In some instances, the Board also adjudicates disputes between the carriers themselves, or between the carriers and local communities in which their lines are located.

The Board also conducts rulemaking proceedings, in which the agency proposes, modifies, or eliminates regulations to carry out the agency's mission. After issuing a notice of the proposed rulemaking, the Board receives comments from its stakeholders and other interested parties and based on those comments, decides whether and how to adopt the proposed regulations.

The Board licenses rail line acquisition, construction, abandonment, or discontinuance of service, as well as rail carrier mergers and consolidations, to ensure that the transactions satisfy

³ The STB also performs certain oversight of the intercity bus industry, non-energy pipelines, household goods carriers' tariffs, and rate regulation of non-contiguous domestic water transportation (marine freight shipping involving the mainland United States, Hawaii, Alaska, Puerto Rico, and other U.S. territories and possessions). The STB also has certain regulatory authority over the National Railroad Passenger Corporation (Amtrak); its operations on other railroads' tracks; disputes over use; and cost allocation for Amtrak operations. The agency has wide discretion to tailor its regulatory approach to meet the Nation's changing transportation needs.

applicable statute and regulation.

The Board also has authority to conduct investigations on both passenger and freight matters. In addition, the Board may issue emergency service orders when a carrier cannot transport the traffic offered to it in a manner that properly serves the public, among other reasons.

Collaborative Discussions

In FY 2025, the Board continued to hold collaborative meetings pursuant to Section 5 of the STB Reauthorization Act, which permits a majority of the Board to hold a meeting that is not open to public observation to discuss official agency business, provided that certain conditions are met.⁴

Quarterly Reports

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

Investigations

The STB Reauthorization Act provided a framework for the Board to conduct investigations on its own initiative. The STB established a three-stage process for conducting investigations: preliminary fact-finding, Board-initiated investigation, and formal Board proceeding. *Rules Relating to Board Instituted Investigations*, EP 731 (STB served May 16, 2016). No formal investigations were conducted in FY 2025 under those rules.

Railroad Restructuring

Mergers and Consolidations

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

⁴ In particular, no formal or informal vote or other official agency action may be taken at the meeting; each individual present at the meeting must be a member or an employee of the Board; and the General Counsel of the Board must be present at the meeting. In addition, after the meeting's conclusion, the Board must make available to the public a list of the meeting's participants and a summary of the matters discussed at the meeting, except for any matters the Board properly determines may be withheld from the public under 5 U.S.C. § 552b(c). The disclosure must be made two days after the meeting, unless the discussion directly relates to an ongoing proceeding before the Board, in which case the Board shall make the disclosure on the date of the final Board decision.

invoke a class exemption (an across-the-board exemption from the full application procedures, applicable to a broad class of transactions) at 49 C.F.R. § 1180.2(d)(2).

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 handled 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.

Exemptions simplify the regulatory process, while continuing to protect the public interest, and help preserve rail service in many areas of the country.

Trackage Rights

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

Leases by Class I Carriers

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

Line Constructors

New rail line construction generally requires Board authorization, such as where a rail carrier enters a new market but not where the carrier, for example, adds a second track to an existing line. Carriers may seek Board authorization by filing either an application or a petition for exemption. A simple notification procedure is available for the construction of connecting track on an existing rail right-of-way, on land owned by the connecting railroads, and for joint track relocation projects that do not disrupt service to shippers.

The agency can compel a railroad to permit a new line to cross its tracks if doing so would not

interfere with the operation of the existing line and if the owner of the existing line is compensated. If railroads cannot agree to terms, the Board can prescribe appropriate compensation.

Line Abandonments

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

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

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.

Preservation of Rail Lines

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

1. Offer of Financial Assistance

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

2. Feeder Line Development Program

When railroad service is inadequate for a majority of shippers transporting traffic over a particular line, or the line has been designated in a carrier’s system diagram map as a candidate for abandonment, the Board can compel the carrier to sell the line to a party that will provide service.

3. Trail Use/Railbanking

The Board administers the National Trails System Act’s “railbanking” program allowing

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

Liens on Rail Equipment

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

Railroad Rates and Related Matters

Cost of Capital

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

Common Carriage or Contract Carriage

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

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

Rate Disclosure Requirements: Common Carriage

A railroad's common-carriage rates and service terms must be disclosed upon request, and advance notice must be given for rate increases or changes in service terms. Rates and service terms for agricultural products and fertilizer must also be published. These regulatory

requirements generally do not apply in instances where the Board has exempted from regulation the class of commodities or rail services involved. Class exemptions exist for certain agricultural products, intermodal traffic, boxcar traffic, and other miscellaneous commodities.

Rate Challenges: Market-Dominance Determination

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

In 2020, the Board adopted a rule establishing a streamlined approach for pleading market dominance in rate reasonableness proceedings. Under this approach, establishing a particular set of factors would establish a *prima facie* showing of market dominance.

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

Rate Challenges: Rate-Reasonableness Determination

The Board maintains multiple rate reasonableness review methodologies. One methodology is the stand-alone cost (SAC) test, established among other constraints. Under the SAC test, a railroad may not charge a shipper more than it would cost to build and operate a hypothetical new, optimally efficient railroad (a stand-alone railroad) tailored to serve a selected traffic group that includes the complainant’s traffic.

A rate could also be challenged under a simplified version of SAC, known as Simplified SAC, which can be used in any rate case⁵. There is also a Three-Benchmark methodology for smaller cases, under which a challenged rate is evaluated using three benchmark figures and a comparable group of traffic. A shipper challenging a rate may choose to present evidence using either a Simplified SAC or Three-Benchmark methodology but with limits on the relief available

⁵ No case has ever been litigated to completion under this methodology.

if the Three-Benchmark methodology is used. The maximum recovery for Three- Benchmark cases is \$4 million, indexed for inflation.⁶ The Board has established a voluntary arbitration program for small rate disputes.

Railroad Service, Practices, Competition, and Related Matters

Competitive Access

Among its broad powers, the Board may compel a railroad to permit alternative service by another railroad or provide access to its terminal for another railroad. The Board may also prescribe reciprocal switching agreements, through routes, and through rates.

Emergency Service and Unreasonable Practices

The Board has broad authority to address the adequacy of the service provided by a railroad to its shippers and connecting carriers. If the Board determines that there has been a substantial, measurable deterioration or other demonstrated inadequacy in rail service, it can issue temporary service orders during rail service emergencies by directing a railroad to operate, for a maximum of 270 days, the lines of a carrier that has ceased operations. The Board may also direct the priority or preference of traffic as appropriate during time of war or threatened war. Finally, the Board has authority to address the reasonableness of a rail carrier's rules and practices.

Board/Stakeholder Discussions

Except for discussions of matters pending before the Board and rulemaking proposals to which the Board's ex parte communication prohibitions apply, the agency welcomes informal stakeholder meetings with the Board members and staff to discuss general service, transportation, and other issues of concern. During FY 2025, the Board continued to foster industry dialogue about railroad service through meetings of the Board's Advisory Committees.

Communications Between Railroads and Their Customers

During FY 2025, the Board continued to encourage railroads to establish regular communications with their customers as a productive way of preventing and addressing rail service concerns. In addition, RCPA continued to facilitate communication between railroads and their customers in their dispute resolution work, while regularly monitoring the rail industry's operating performance in order to identify service disruptions.

⁶ Five Three-Benchmark cases have been filed with the Board. The Board issued a decision on the merits in four of those cases. One case settled after the evidentiary record was complete but before the Board ruled on the merits.

Environmental Review

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

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

Financial Condition of Railroads

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

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

Amtrak and Passenger Rail

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

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

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

Motor Carriage

Pooling Arrangements

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

Household Goods Carriage

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

Intercity Bus Industry

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

Water Carriage

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

Tariff Requirements

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

Complaints

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

Pipeline Carriage

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

Compliance with Laws

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

Antideficiency Act (ADA)

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

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

There are no known ADA violations in FY 2025 at the STB.

Federal Managers' Financial Integrity Act

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

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

The STB received an unmodified audit opinion for FY 2025.

Federal Financial Management Improvement Act

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

Debt Collection Improvement Act of 1996

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

Prompt Payment Act of 1982

This Act requires agencies to make timely payments to vendors for supplies or services rendered on behalf of the agency. Agencies are penalized when payments are made after the due date. Agencies shall take cash discounts when they are economically justified. The STB reported 99% of invoices were paid on time in FY 2025, while late payments resulted in interest charges of \$19.88 (on total payments of \$15.6 million), .000001 % of total dollars disbursed for FY 2025.

Performance Measure Summary

The STB relies upon ESC for its financial accounting system. The agency acquires travel management, accounting, and financial services from ESC, and procurement services from DOT

through the DOT Working Capital Fund. The Board verifies and reconciles all financial statements and reports prior to publication and has remained in compliance with all reporting thresholds.

DATA Act Requirements

ESC implemented software that enabled the Board to comply with the requirement of the DATA Act to start capturing award information in financial systems effective January 1, 2017. The STB submitted timely files for DATA Act Reporting for FY 2025.

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

While the STB Reauthorization Act removed the requirement for DOT to provide administrative support to the Board, it provided authority to the DOT OIG to review the financial management, property management, and business operations of the Board, including internal accounting and administrative control systems, to determine the Board's compliance with applicable Federal laws, rules, and regulations. In FY 2025, the DOT OIG engaged an independent public accounting firm to audit the Board's financial statements. As further explained in the Financial Overview section of the report and mentioned above, the STB received an unmodified audit opinion for FY 2025.

Chairman's Statement of Assurance

This statement provides the Surface Transportation Board's (STB's or Board's) fiscal year (FY) 2025 Federal Managers' Financial Integrity Act of 1982 (FMFIA) assurance statement and summarizes noteworthy internal control and management efforts in support of that assurance.

This statement reflects the status for the year ended September 30, 2025.

FMFIA (Public Law (P.L.) 97-255)

STB management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of FMFIA. The STB conducted its assessment of risk and internal control in accordance with the Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of the assessment, the STB can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2025, with the exception of a material weakness identified in the June 2024 statements which remains outstanding.

During FY 2024, the Board's external auditors identified and reported to us a material weakness related to the preparation and review of adjusting entries, which resulted in the material misstatement of balances that were reported in the agency's June 30, 2024, Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The errors were corrected, and the agency is developing a corrective action plan which will fully address the concern identified and reported as a material weakness. This plan will be available for testing during the FY 2026 audit.

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

- i. Obligations and costs are in compliance with applicable law,
- ii. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation,
- iii. Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets,
- iv. Audit findings are promptly resolved, and
- v. Financial management systems (if applicable) conform to principles, standards, and related requirements prescribed by the Comptroller General.

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

STB management is responsible for establishing and maintaining effective internal control over reporting. The STB conducted its assessment of the effectiveness of STB's internal control over reporting in accordance with the requirements of OMB Circular A-123, Appendix A. During FY 2025, the STB documented and assessed internal controls over two business processes:

- Budget Formulation and Execution – Test of Effectiveness
- Revenue & Receivables – Test of Design

The STB also assessed its Internal Controls over Reporting at the Entity-level using an Internal Control Self-Assessment (ICSA). The scope of this assessment is based on a five-year rotation schedule, which evaluates the five components of the internal control framework established by the Government Accountability Office. For FY 2025, the component under review was Control Environment.

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

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

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

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

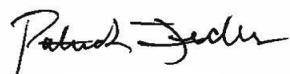
The STB reviewed the Travel, Purchase, and Fleet Card programs for compliance with OMB Circular A-123, Appendix B requirements. Based on the evaluation results, the STB can provide reasonable assurance that they comply with OMB Circular A-123, Appendix B.

Federal Information Security Modernization Act of 2014 (FISMA) (P.L. 113-283)

The DOT Office of Inspector General (OIG) conducted the FY 2025 audit of the STB's information security program and practices, as required by the FISMA. Based on the audit report

results, the OIG identified five new recommendations for remediation in FY 2025. The Board's maturity rating remained at "Consistently Implemented" in six domains, "Managed and Measurable" in one domain, and "Defined" in three domains. One domain moved from "Consistently Implemented" to "Defined."

One FY 2021 and four FY 2024 FISMA audit recommendations have been closed in FY 2025 and six remain open. The Board will continue to work on implementing solutions to address the remaining recommendations.



Patrick J. Fuchs
Chairman

Dated: January 7, 2026

Program Performance Information

Overview

The STB, through its strategic plan and performance budget, provided a performance plan to Congress pursuant to the GPRA Modernization Act. The Board's performance goals are organized to achieve its strategic goals. The Board's significant accomplishments in FY 2025 include issuing 349 decisions addressing rail restructuring, formal complaints, declaratory orders, ex parte proceedings, and other matters. In addition, the Board was active in court related work, defending the Board's decisions in courts of appeals, and in activities related to FOIA and ethics.

FY 2025 Activities and Accomplishments

Rail Mergers

Union Pacific/Norfolk Southern

In *Union Pacific Corporation and Union Pacific Railroad Company—Control—Norfolk Southern Corporation and Norfolk Southern Railway Company*, Docket No. FD 36873, Union Pacific Corporation (UPC), Union Pacific Railroad Company (UP), Norfolk Southern Corporation (NSC), and Norfolk Southern Railway Company (NS) notified the Board on July 30, 2025, that they intend to file an application seeking authority for UPC to acquire control of NSC and, through it, NS, and for the resulting common control by UPC of UP and NS, both Class I carriers.

On August 25, 2025, the Board directed the applicants to submit their 100% traffic tapes for 2019 through 2024. On August 28, 2025, the Board notified the public of receipt of the prefiling notification for this proposed major merger; in that decision the Board also appointed an administrative law judge to handle discovery matters and directed the applicants to submit certain additional information by September 29. On September 26, 2025, the Board invited public comments on a procedural schedule for this proceeding.

Canadian National/Iowa Northern

In *Canadian National Railway Company and Grand Trunk Corporation—Control—Iowa Northern Railway Company*, Docket No. FD 36744 et al., on January 14, 2025, the Board authorized Canadian National Railway Company (CN) and Grand Trunk Corporation (GTC) to acquire control of the Iowa Northern Railway Company (Iowa Northern), subject to conditions. The Board also authorized, subject to employee protective conditions, two related transactions that provide operating rights to Chicago, Central & Pacific Railroad Company (CCP) over an Iowa Northern line and operating rights to Iowa Northern over a CCP line. On January 31, 2025, the Board corrected the employee protective conditions imposed in the January 14 decision.

Watco/Great Lakes Central

In *Watco Holdings, Inc.—Acquisition of Control Exemption—Great Lakes Central Railroad, Inc.*, Docket No. FD 36843, the Board on August 29, 2025, authorized Watco Holdings, a noncarrier holding company that controls one Class II and 43 Class III rail carriers, to acquire control of Great Lakes Central Railroad, a Class III rail carrier that operates in Michigan, subject to certain conditions.

Rail Service Oversight and Monitoring

In *Canadian National Railway Company and Grand Trunk Corporation—Control—Iowa Northern Railway Company (General Oversight)*, Docket No. FD 36744 (Sub-No. 3), on March 13, 2025, the Board instituted a proceeding to implement the general oversight condition imposed by the Board’s decision authorizing Canadian National Railway Company (CN) and Grand Trunk Corporation (GTC) to acquire control of Iowa Northern Railway Company. The decision provided instructions for CN and GTC’s new reporting obligations related to the oversight condition.

In *Urgent Issues in Freight Rail Service—Railroad Reporting*, Docket No. EP 770 (Sub No. 1), the Board discontinued the Class I carriers’ required temporary reporting of several categories of data and extended, until December 31, 2025, their required temporary reporting of two types of employment data.

In connection with the agency’s oversight of the Canadian Pacific/Kansas City Southern merger, *Can. Pac. Ry.—Control—Kansas City S.*, Docket No. FD 36500, the Chairman, on June 17, 2025, set expectations that CPKC would submit a Service Action Plan after unfavorable trends emerged in certain key railroad performance metrics following CPKC’s deployment of new information technology systems for its combined rail network. On June 20, 2025, CPKC submitted its plan, and for the following seven weeks, until it achieved specific targets, it reported service performance data to the Board. The Board’s Office of Public Assistance, Governmental Affairs, and Compliance (OPAGAC) engaged with CPKC senior management on a regular basis during the recovery period and OPAGAC’s Rail Customer and Public Assistance (RCPA) worked with numerous CPKC customers to resolve acute service problems.

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

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

Service, Rate, and Other Complaint Cases

In *Evergy, Inc. v. BNSF Railway Company*, Docket No. NOR 42180, Evergy, Inc., Evergy Metro, Inc., and Evergy Kansas Central, Inc. (collectively, Complainants), filed a complaint alleging that BNSF Railway Company (BNSF) had violated its obligations under 49 U.S.C. §§ 11101(a) (common carrier obligation), 10702(2) (reasonable rules and practices), and 11121(a)(1) (car service). In one count of the complaint, Complainants also sought an order declaring the scope of BNSF's service obligations to Complainants. On November 14, 2024, the Board granted BNSF's motion to dismiss that count of the complaint.

On March 4, 2025, the Board granted, in part, a BNSF motion to compel production of discovery, directed the parties to meet and confer to coordinate the exchange of information and documents, and updated the procedural schedule. On May 14, 2025, the Board granted, in part, a second BNSF motion to compel and updated the procedural schedule.

In *North America Freight Car Association; American Fuel & Petrochemicals Manufacturers; The Chlorine Institute; The Fertilizer Institute; American Chemistry Council; Ethanol Products, LLC d/b/a POET Ethanol Products; POET Nutrition, Inc.; and Cargill Incorporated v. Union Pacific Railroad Company*, Docket No. NOR 42144 et al., the Board on January 15, 2025, partially granted complaints filed by the North America Freight Car Association, other associations, and individual complainants related to the use of privately owned tank cars. The Board clarified what Union Pacific Railroad Company must do to comply with its statutory duties to furnish safe and adequate car service and to establish, observe, and enforce reasonable rules and practices on car service.

In *CSX Transportation, Inc. v. Norfolk Southern Corporation and Norfolk Southern Railway Company*, NOR 42183, et al, the Board granted a motion to hold this proceeding in abeyance, as well as dockets: FD 36459, AB 290 (Sub-No. 299X), and AB 1024X. These proceedings have been initiated by CSXT in relation to the transaction at issue in *Norfolk Southern Corporation and Norfolk Southern Railway Company—Acquisition of Control—Norfolk & Portsmouth Belt Line Railroad Company*, Docket No. FD 36836. The Board found that first addressing the acquisition of control proceeding would promote efficiency.

Amtrak and Other Passenger Rail

In *Application of The National Railroad Passenger Corporation Under 49 U.S.C. § 24308(a)—Canadian National Railway Company.*, Docket No. FD 35743, on February 19, 2025, the Board announced that Board staff would hold a technical conference with the parties on March 11, 2025, to discuss forthcoming requests for additional information. On April 8, 2025, the Board directed the parties to submit additional information. On September 22, 2025, the Board delegated authority to the Director of the Office of Economics to perform certain functions as part of this proceeding.

In *Complaint and Petition of The National Railroad Passenger Corp. Under 49 U.S.C. § 24308(f)—for Substandard Performance of Amtrak's Sunset Limited Trains 1 and 2*, Docket No. NOR 42175, on August 6, 2025, the Board granted a motion to dismiss filed by the complainant,

the National Railroad Passenger Corporation (Amtrak), because Amtrak had reached a settlement with Union Pacific Railroad Company.

The agency continues to analyze the quarterly Amtrak on-time performance data released by the Federal Railroad Administration (FRA) including observations about trends and assessment of the data. In addition, the Board's Passenger Rail Advisory Committee (PRAC) which began meeting for the first time in FY 2024, convened four times. Since its formation, the PRAC has established its procedures, elected leadership, and created four subcommittees to provide advice and guidance to the Board on issues surrounding railroad passenger transportation services.

Finally, throughout FY 2025, OPAGAC monitored Amtrak's performance through publicly available information and responded to informal inquiries about Amtrak. OPAGAC staff also met regularly with Amtrak staff to discuss Amtrak's publicly available, monthly, on-time performance operating statistics.

Rulemakings

In *Joint Petition for Rulemaking to Consider Amendments to Regulations Governing Interim Use of Rights-of-Way as Trails* (49 C.F.R. Part 1152), Docket No. EP 777, the U.S. Department of the Interior and the U.S. Department of Justice's Environment and Natural Resources Division jointly petitioned the Board to consider potential amendments to the Board's regulations implementing section 208 of the National Trails System Act Amendments of 1983. At petitioners' request, the Board waived the regulatory deadline for acting on the petition and deferred action until further order of the Board.

In *Final Offer Rate Review*, Docket No. EP 755 et. al., the Board removed its final rule concerning Final Offer Rate Review because the final rule was vacated upon judicial review. In the same decision, the Board also terminated the proceeding in *Expanding Access to Rate Relief*, Docket No. EP 665 (Sub-No. 2).

In *Guidance on Referrals for Potential Criminal Enforcement*, Docket No. EP 783, in response to Executive Order 14294, Fighting Overcriminalization in Federal Regulations, the Board provided notice of its plans to address criminally liable regulatory offenses.

In *Petition for Rulemaking to Adopt Rules Governing Private Railcar Use by Railroads*, Docket No. EP 768, the Board issued a decision stating that it was unable to reach a majority decision on the petition for rulemaking and that the proceeding would remain open.

In *Railroad Revenue Adequacy*, Docket No. EP 722, and *Joint Petition for Rulemaking—Annual Revenue Adequacy Determinations*, Docket No. EP 766, the Board discontinued proceedings in which it sought comment on proposed modifications to its procedures for annually determining whether Class I rail carriers are revenue adequate.

In *Petition For Rulemaking—Amendments To Regulations Governing Ex Parte Communications*, Docket No. EP 782, the Board granted a petition to institute a rulemaking and opened a

proceeding to consider revisions to the Board's regulations governing ex parte communications but made no determination regarding the merits of the petition.

In *Updating Class I Rail Carrier Reporting Requirements*, EP 787, the Board proposed to terminate Class I carriers' supplemental reporting of certain positive train control expenditures and to require Class I carriers to report two service metrics on a weekly basis.

In *Reporting Requirements for Positive Train Control Expenses and Investments*, EP 706, the Board denied as moot, due to the initiation of docket no. EP 787, a petition by the Association of American Railroads to reopen this proceeding.

Declaratory Orders

In *Liberty Harbor Holding LLC—Petition for Declaratory Order*, Docket No. FD 36772, the Board concluded that tracks previously located on a parcel of land acquired by Liberty Harbor Holding LLC in 2001 were excepted tracks under 49 U.S.C. § 10906.

In *Grafton and Upton Railroad Company—Petition for Declaratory Order*, FD 36464, the Board reopened the proceeding and denied a petition filed by Grafton and Upton Railroad Company (GURR) seeking a determination that federal law preempts efforts by the Town of Hopedale, Mass., to pursue remedies under state and local law related to GURR's acquisition of control and use of certain real property in the town.

In *Utah Department of Transportation—Petition for Declaratory Order*, Docket No. FD 36799, the Board granted the Utah Department of Transportation's request for an order declaring that the previous owner of a railroad right-of-way consummated the abandonment authority granted by the Board's predecessor agency.

In *Sunflower State Industrial Railway, LLC—Petition for Declaratory Order*, Docket No. FD 36714 (Sub-No. 1), the Board declined to issue a declaratory order but provided guidance on its jurisdiction and categories of railroad track.

In *Kansas Department of Transportation and Sunflower Redevelopment, LLC—Petition for Declaratory Order*, Docket No. FD 36817, the Board found that certain track located at the former Sunflower Army Ammunition Plant is outside the Board's jurisdiction.

In *Northeast Louisiana Multimodal District—Petition for Declaratory Order*, Docket No. FD 36809, the Board denied a petition for declaratory order and explained that a court properly found that a 2.7-mile track segment in Louisiana is subject to the Board's exclusive jurisdiction.

In *Pipe Properties, LLC—Petition for Declaratory Order—Certain Trackage in Hamilton County, Chattanooga, Tenn.*, FD 36830, the Board found that abandonment of certain track in Chattanooga, Tenn., does not require prior approval from the Board.

In *City of Philadelphia—Petition for Declaratory Order*, FD 36768, the Board granted the City of Philadelphia's request for a declaratory order finding that the Board no longer has jurisdiction over the property underlying a portion of the Philadelphia & Reading Railroad Company's former Ninth Street Branch.

In *Mendocino Railway—Petition for Declaratory Order*, FD 36868, the Board confirmed that Mendocino Railway is a class III rail carrier subject to the jurisdiction of the Board.

Licensing

In *BNSF Railway Company—Trackage Rights Exemption—Union Pacific Railroad Company*, Docket No. FD 36377 (Sub-No. 9), the Board authorized the expiration of certain Board-approved rights held by BNSF Railway Company to operate over certain lines of Union Pacific Railroad Company, even though such rights typically continue indefinitely.

In *CSX Transportation, Inc.—Acquisition and Operation—Rail Line of Meridian & Bigbee Railroad, L.L.C.*, Docket No. FD 36727, the Board authorized CSX Transportation, Inc., to acquire from Meridian & Bigbee Railroad, L.L.C., and operate a rail line between Burkeville, Ala., and Myrtlewood, Ala.

In *Canadian Pacific Kansas City Limited and The Kansas City Southern Railway Company, d/b/a CPKC—Acquisition and Operation—Certain Rail Line of Meridian & Bigbee Railroad, L.L.C. in Lauderdale County, Miss., and Choctaw and Marengo Counties, Ala.*, Docket No. FD 36732 et al., the Board authorized Canadian Pacific Kansas City Limited, on behalf of itself and its wholly owned subsidiary, The Kansas City Southern Railway Company, to acquire from Meridian & Bigbee Railroad, L.L.C., and operate a rail line between Meridian, Miss., and Myrtlewood, Ala.

In *Avalon Motor Coaches, LLC, and Avalon Transportation, LLC—Acquisition of Control—Kerrville Bus Company Inc., All West Coachlines, Inc., American Coach Lines of Atlanta, Inc., Coach Leasing, Inc., Cam Leasing, LLC, Coach USA, Inc., and Coach USA Administration, Inc.*, Docket No. MCF 21120, on October 18, 2024, the Board tentatively approved and authorized Avalon Transportation, LLC, Avalon Motor Coaches, LLC, Virgin-Fish, Inc., and Jeffrey Brush to acquire control over certain assets of Coach USA, Inc. subsidiaries Kerrville Bus Company, Inc.; All West Coachlines, Inc.; American Coach Lines of Atlanta, Inc.; Coach Leasing, Inc.; CAM Leasing, LLC; and Coach USA Administration, Inc. The authority became effective on December 3, 2024.

In *Union Pacific Railroad Company—Construction and Operation Exemption—in Maricopa County, Ariz.*, Docket No. FD 36501, on November 14, 2024, the Board directed Union Pacific Railroad Company (UP) to cure certain deficiencies in its responses to Board-ordered document requests and reinstated a schedule for submissions placed in abeyance earlier in the year. On June 3, 2025, the Board announced it was unable to reach a majority decision on whether UP violated Section 110(k) of the National Historic Preservation Act (NHPA). The decision stated that no determination about whether Section 110(k) is applicable would be issued under

36 C.F.R. § 800.9(c), and the Board would continue the Section 106 process under NHPA and its consideration of UP's petition.

In *Patrick O. Regan—Acquisition of Control—Faribault Transportation Service, Inc., Minnesota Coaches, Inc., Marschall Line, Inc., Rehbein Transit Co., Inc., Minn-Dakota Coaches, Inc., Voyageur Bus Company, Inc., and Ready Bus Company, Inc.*, Docket No. MCF 21123, on November 14, 2024, the Board tentatively approved and authorized Patrick O. Regan (Applicant) to acquire control of Faribault Transportation Service, Inc. (FTS). The Board also tentatively approved and authorized after-the-fact several already-consummated transactions that ultimately resulted in Applicant's acquisition of control of six passenger motor carriers: Minnesota Coaches, Inc., Marschall Line, Inc., Rehbein Transit Co., Inc., Minn-Dakota Coaches, Inc., Voyageur Bus Company, Inc., and Ready Bus Company, Inc. The authority became effective on December 31, 2024.

In *Traxx Coachlines Ltd., Quick Coachlines Ltd., and Vancouver Tours & Transit Ltd. c/b/a Charter Bus Lines of British Columbia—Amalgamation of Three Companies Into One Under the Name Traxx Coachlines Ltd.*, Docket No. MCF 21125, on November 15, 2025, the Board tentatively approved and authorized interstate passenger motor carrier Traxx Coachlines Ltd. to merge its assets and operations with those of Quick Coachlines Ltd. and Vancouver Tours & Transit Ltd. c/b/a Charter Bus Lines of British Columbia. The authority became effective on December 31, 2024.

In *Traxx America Inc. and Beeline Tours Ltd.—Acquisition of Beeline Tours Ltd. by Traxx America Inc.*, Docket No. MCF 21135, the Board tentatively authorized motor passenger carrier Traxx America Inc. to acquire all or substantially all of the operating assets of motor passenger carrier Beeline Tours Ltd., subject to the addition of an additional applicant.

In *Van Pool Transportation LLC—Acquisition of Control—Butler's Bus Service, Inc.*, Docket No. MCF 21124, the Board on November 15, 2024, tentatively approved and authorized Van Pool Transportation LLC and AG Van Pool Holdings, LP, to acquire control of interstate passenger motor carrier Butler's Bus Service, Inc., from its shareholders, Bruce Lyskawa and Emo Chynoweth. The authority became effective on December 31, 2024.

In *Trivest Fund VII, L.P. and Passenger Transport Holdings, L.P.—Acquisition of Control—Cline Tours, Inc. et al.*, Docket No. MCF 21131, the Board tentatively approved and authorized Trivest Fund VII, L.P., and its subsidiary, Passenger Transport Holdings, L.P., both noncarriers, to acquire control of Cline Tours, Inc. (Cline), a passenger motor carrier, and Cline's passenger motor carrier subsidiaries, Bus Supply Charters, Inc. (BSCI), and Crown Coach Corporation (Crown). In the same decision, the Board tentatively approved and authorized after-the-fact Cline's prior acquisition of BSCI and Crown.

In *Stefan Soloviev, Executor, Estate of Sheldon H. Solow—Continuance in Control Exemption—Colorado Pacific San Luis Railroad LLC*, Docket No. FD 36795, the Board's decision allowed the Estate of Sheldon H. Solow to continue in control of Colorado Pacific San Luis Railroad LLC when it becomes a Class III rail carrier in a related transaction involving its acquisition of a rail line.

In *First Coast Railroad Inc.—Lease and Operation Exemption*—CSX Transportation, Inc., Docket No. FD 36777, the Board waived the 60-day advance notice requirement with respect to First Coast Railroad Inc.’s exemption to extend the term of its lease for approximately 31.83 miles of rail line and allowed the exemption to take effect on November 24, 2024.

In *Townline Rail Terminal, LLC—Construction and Operation Exemption*—in Suffolk County, N.Y., Docket No. FD 36575, the Board denied separate requests from Townline Association and John Kenavan to reconsider the Board’s August 15, 2024 decision granting Townline Rail Terminal, LLC, authority to construct and operate a new rail line in New York.

In *Carload Express, Inc.—Control Exemption*—the Maryland and Delaware Railroad Company, Docket No. FD 36807, the Board authorized Carload Express, Inc., a noncarrier, to acquire control of The Maryland and Delaware Railroad Company.

In *TIP Minnesota Coaches Acquisition LLC, TIP MN Investments LP, and Tiger Infrastructure Partners Fund IV AIV LP—Acquisition of Control*—Marschall Line, Inc., Minnesota Coaches, Inc., Rehbein Transit Co., Inc., Ready Bus Company, Inc., Voyageur Bus Company, Inc., Minn-Dakota Coaches, Inc., and Faribault Transportation Service, Inc., Docket No. MCF 21127, on January 8, 2025, the Board tentatively approved and authorized TIP Minnesota Coaches Acquisition LLC, TIP MN Investments LP, and Tiger Infrastructure Partners Fund IV AIV LP to acquire control of seven interstate passenger motor carriers: Marschall Line, Inc., Minnesota Coaches, Inc., Rehbein Transit Co., Inc., Ready Bus Company Inc., Voyageur Bus Company, Inc., Minn-Dakota Coaches, Inc., and Faribault Transportation Service, Inc. The authority became effective on February 25, 2025.

In *Avalon Motor Coaches, LLC—Acquisition of Control*—Rose Chauffeured Transportation, Inc., Docket No. MCF 21128 TA, on January 6, 2025, the Board permitted Avalon Motor Coaches, LLC, and its affiliates Virgin-Fish, Inc., and Jeffrey Brush (collectively, Avalon), to manage and operate certain assets of Rose Chauffeured Transportation, Inc. (Rose), on an interim basis while the Board considered Avalon’s related application to purchase those assets.

In that related proceeding, *Avalon Motor Coaches, LLC—Acquisition of Control*—Rose Chauffeured Transportation, Inc., Docket No. MCF 21128, on January 10, 2025, the Board tentatively approved and authorized Avalon to purchase most of Rose’s assets and assume substantially all of its outstanding contracts related to its charter services. The authority became effective on February 25, 2025.

In *Atchison, Topeka & Santa Fe Railway Company—Operating Rights*—Southern Pacific Transportation Company, Docket No. FD 22218, the Board denied in part and granted in part BNSF Railway Company’s motion to compel the production of discovery responses by Union Pacific Railroad Company. The decision also directed the parties to meet and confer on a proposed revised procedural schedule for the remainder of this proceeding.

In *TBL Group, Inc.—Acquisition of Control*—Reston Limousine & Travel Service, Inc., Docket No. MCF 21126, on February 14, 2025, the Board tentatively approved and authorized TBL

Group, Inc., a holding company that owns multiple interstate motor passenger carriers, to acquire an additional federally regulated motor passenger carrier, Reston Limousine & Travel Service, Inc. The authority became effective on April 1, 2025.

In *TBL Group, Inc.—Control—Echo Windy City, LLC*, Docket No. MCF 21129, the Board on February 20, 2025, tentatively approved and authorized TBL Group, Inc., a holding company, to acquire an additional federally regulated motor passenger carrier, Echo Windy City, LLC. The authority became effective on April 8, 2025.

In *Jefferson Partners, L.P. DBA Jefferson Lines—Acquisition of Control—Karst Stage, Inc.*, Docket No. MCF 21130 TA, the Board permitted Jefferson Partners, L.P., d/b/a Jefferson Lines (Jefferson) to operate the assets of Karst Stage, Inc., on an interim basis while the Board considered Jefferson's application to purchase those assets.

In that related proceeding, *Jefferson Partners, L.P. DBA Jefferson Lines—Acquisition of Control—Karst Stage, Inc.*, Docket No. MCF 21130, the Board on March 12, 2025, tentatively approved and authorized Jefferson to purchase and operate Karst Stage's assets. The authority became effective on April 29, 2025.

In *Kansas & Oklahoma Railroad, Inc.—Acquisition Exemption—Central Kansas Railway, LLC*, Docket No. FD 34030, the Board denied Weskan Grain LLC's petition to reopen and partially revoke the acquisition exemption previously noticed in this proceeding and directed Kansas & Oklahoma Railroad, LLC, to file a petition for exemption or application to obtain after-the-fact lease renewal authority.

In *Savage Tooele Railroad Company—Construction and Operation Exemption—Line of Railroad in Tooele County, Utah*, Docket No. FD 36616, the Board denied a petition to reconsider the Board's April 1, 2024 decision granting Savage Tooele Railroad Company authority to construct and operate approximately 11 miles of rail line in Tooele County, Utah.

In *Macquarie Infrastructure Partners V GP, LLC, et al.—Continuance in Control—North Florida Industrial Railroad, LLC*, Docket No. FD 36823 et al., the Board allowed Macquarie Infrastructure Partners V GP, LLC, for the benefit of the Macquarie Infrastructure Partners V fund vehicle; MIP V Rail, LLC; Pinsly Holdco, LLC; and Pinsly Railroad Company, LLC, all noncarriers, to continue in control of North Florida Industrial Railroad, LLC, when it becomes a Class III rail carrier as a result of a related transaction involving its lease and operation of a rail line in Columbia County, Fla. The Board also set the effective date for the exemption in that related transaction.

In *Norfolk Southern Corporation and Norfolk Southern Railway Company—Acquisition of Control—Norfolk & Portsmouth Belt Line Railroad Company*, Docket No. FD 36836, the Board on March 14, 2025 reviewed a submission by Norfolk Southern Corporation and Norfolk Southern Railway Company, styled as an application for a minor transaction, that sought the Board's approval to acquire control of Norfolk & Portsmouth Belt Line Railroad Company. In its March 14 decision, the Board found that the proposed transaction would be "significant" rather than minor and considered the applicants' submission as a prefiling notification. On June 13,

2025, applicants filed a supplement to perfect their application for a “significant” transaction. On April 11, 2025, the Board invited public comment on a proposed a procedural schedule and designated 2023 as the year to be used for the impact analysis, and on June 13 addressed a number of issues related to discovery. On July 10, 2025, the Board found that the application was complete, accepted the application for consideration, and adopted a procedural schedule.

In Central Oregon & Pacific Railroad, Inc.—Lease and Operation Exemption Including Interchange Commitment—Union Pacific Railroad Company, Docket No. FD 36818, the Board denied a request to waive the labor notification requirements under 49 C.F.R. § 1150.42(e) and denied requests to reject the notice of exemption in this proceeding.

In Soo Line Railroad Company D/B/A Canadian Pacific Railway—Acquisition and Operation Exemption—BNSF Railway Company, Docket No. FD 35068, on April 11, 2025, the Board removed this proceeding from abeyance and granted Soo Line Railroad Company’s d/b/a Canadian Pacific Railway petition to reconsider a 2020 Board decision that reopened this 2007 exemption proceeding. The April 11, 2025 decision vacated the 2020 decision.

In BNSF Railway Company—Petition for Enforcement—Interchange with Savage Tooele Railroad Company, Docket No. FD 32760 (Sub-No. 50), the Board denied Union Pacific Railroad Company’s request to dismiss BNSF Railway Company’s petition for enforcement and set a procedural schedule.

In Norfolk Southern Railway Company—Trackage Rights Exemption—CSXT Transportation, Inc., Docket No. FD 36790 (Sub-No. 1), the Board authorized the expiration of certain Board-approved trackage rights held by Norfolk Southern Railway Company over certain lines of CSXT Transportation, Inc., even though such rights typically continue indefinitely.

In CSX Transportation, Inc.—Trackage Rights Exemption—Norfolk Southern Railway Company, Docket No. FD 36776 (Sub-No. 1), the Board authorized the expiration of certain Board-approved trackage rights held by CSX Transportation, Inc. over certain lines of Norfolk Southern Railway Company, even though such rights typically continue indefinitely.

In San Joaquin Valley Railroad Co.—Lease and Operation Exemption Including Interchange Commitment—Union Pacific Railroad Company, Docket No. FD 36829, the Board waived a 60-day advance notice requirement and allowed San Joaquin Valley Railroad Co. to enter into a lease agreement with Union Pacific Railroad Company and continue to operate approximately 101.5 miles of rail line in California, on or after May 2, 2025.

In Marquette Rail, LLC—Lease and Operation Exemption Including Interchange Commitment—CSX Transportation, Inc., Docket No. FD 36831, the Board waived a 60-day advance notice requirement and allowed Marquette Rail, LLC, to continue to lease and operate approximately 129.03 miles of rail line in Michigan, on or after May 11, 2025.

In Willamette & Pacific Railroad, Inc.—Lease and Operation Exemption Including Interchange Commitment—Union Pacific Railroad Company, Docket No. FD 36827, the Board waived a 60-day advance notice requirement and allowed Willamette & Pacific Railroad, Inc., to enter into an

amended lease agreement for approximately 160.95 miles of rail line in Oregon, on or after May 14, 2025.

In Portland & Western Railroad, Inc.—Lease and Operation Exemption Including Interchange Commitment—Union Pacific Railroad Company, Docket No. FD 36826, the Board waived a 60-day advance notice requirement and allowed Portland & Western Railroad, Inc., to continue to lease and operate approximately 47.20 miles of rail line in Oregon, on or after May 11, 2025.

In California Northern Railroad Company—Lease and Operation Exemption Including Interchange Commitment—Union Pacific Railroad Company, Docket No. FD 36828, the Board waived a 60-day advance notice requirement and allowed California Northern Railroad Company to continue to lease and operate approximately 183 miles of rail line in California, on or after May 14, 2025.

In Portland & Western Railroad, Inc.—Acquisition and Operation Exemption—Port of Tillamook Bay, Docket No. FD 36850, the Board waived a 60-day advance notice requirement and allowed Portland & Western Railroad, Inc., to acquire from Port of Tillamook Bay and operate approximately 1.01 miles of rail line in Oregon, on or after May 24, 2025.

In ISQ Bus BidCo, Inc. et al.—Acquisition of Control—A&S Transportation Incorporated et al., Docket No. MCF 21133, the Board tentatively approved and authorized ISQ Bus BidCo, Inc.; ISQ Global Infrastructure Fund III Bus AIV, LP; ISQ Global Infrastructure Fund III Bus AIV, LP; ISQ Global Infrastructure Fund III Bus AIV, LP; and ISQ Global Infrastructure Fund III Bus AIV, LP, to acquire from Mobico Group PLC indirect control of its North American home-to-school transportation entities, which include regulated interstate passenger motor carriers. The authority became effective on July 8, 2025.

In Kaw River Railroad, LLC—Lease Exemption With Interchange Commitment—BNSF Railway Company, Docket No. FD 34693 (Sub-No. 1), the Board waived a 60-day advance notice requirement and allowed Kaw River Railroad, LLC, to enter into a lease agreement with BNSF Railway Company and continue to operate approximately 15.69 miles of rail line in Missouri, on or after May 31, 2025.

In Kaw River Railroad, LLC—Lease Exemption with Interchange Commitment—BNSF Railway Company, Docket No. FD 35015 (Sub-No. 1), the Board waived a 60-day advance notice requirement and allowed Kaw River Railroad, LLC, to enter into a lease agreement with BNSF Railway Company and continue to operate approximately 14.66 miles of rail line in Missouri, on or after May 31, 2025.

In Grainbelt Corporation—Trackage Rights Exemption—BNSF Railway Company, Docket No. FD 36486 (Sub-No. 9), the Board authorized the expiration of certain Board-approved rights held by Grainbelt Corporation to operate over certain lines of BNSF Railway Company, even though such rights typically continue indefinitely.

In Trivest Fund VII, L.P. and Passenger Transport Holdings, L.P.—Acquisition of Control Roadrunner Charters Inc. et al., Docket No. MCF 21132, on June 4, 2025, the Board tentatively

approved and authorized Trivest Fund VII, L.P., and its subsidiary Passenger Transport Holdings, L.P. to acquire all voting securities of Roadrunner Charters, Inc., and its affiliate, Clark Charters and Travel, Inc., d/b/a Clark Travel Enterprises, both of which are interstate passenger motor carriers. The authority became effective on July 22, 2025.

In Van Pool Transportation LLC and AG Van Pool Holdings, LP—Acquisition of Control—Bill's Taxi Service Inc., Dell Transportation Corp., Hendrickson Bus Corporation, Huntington Coach Corporation, Huntington Coach, L.L.C., Towne Bus Corp., Towne Bus LLC, Van Trans LLC, We Transport (Ny) LLC, We Transport LLC (Connecticut), And We Transport, Inc., Docket No. MCF 21134, on June 13, 2025, the Board tentatively approved and authorized Van Pool Transportation LLC and AG Van Pool Holdings, LP, to acquire control of an interstate passenger motor carrier, Bill's Taxi Service Inc. d/b/a A&A Metro Transportation, from its shareholders, Thomas Arrighi, Michael Arrighi, and Gaile Arrighi. In addition to this proposed transaction, Applicants also obtained after-the-fact authority to control the following Van Pool subsidiaries: Dell Transportation Corp., Hendrickson Bus Corporation, Huntington Coach Corporation, Huntington Coach, L.L.C., Towne Bus Corp., Towne Bus LLC, Van Trans LLC, WE Transport LLC, WE Transport LLC, and WE Transport, Inc. The authority became effective on July 29, 2025.

In BNSF Railway Company—Petition for Clarification—Service to Colorado Materials, Docket No. FD 32760 (Sub-No. 49), the Board denied a request from BNSF Railway Company to issue an order clarifying that it has the right to serve a shipper named Colorado Materials pursuant to conditions imposed by the Board as part of the Union Pacific Corporation/Southern Pacific Rail Corporation merger approval. However, the Board granted BNSF the opportunity to take limited discovery from Union Pacific Railroad Company and, if supported, to file an amended petition based on any additional information obtained.

In BNSF Railway Company—Petition for Enforcement—Service to Granite Mountain Quarries, Docket No. FD 32760 (Sub-No. 48), the Board denied a petition filed by BNSF Railway Company seeking enforcement of conditions. The Board found that BNSF failed to demonstrate, based on the current record, that it has the right to serve a facility known as Granite Mountain Quarries under the conditions imposed by the Board as part of the Union Pacific Corporation/Southern Pacific Rail Corporation merger approval. However, the Board granted BNSF the opportunity to take discovery from Union Pacific Railroad Company and file an amended petition based on any additional information that is obtained.

In BNSF Railway Company—Trackage Rights Exemption—Union Pacific Railroad Company, Docket No. FD 36377 (Sub-No. 11), the Board authorized the expiration of certain Board-approved rights held by BNSF Railway Company to operate over certain lines of Union Pacific Railroad Company, even though such rights typically continue indefinitely.

In Commuter Rail Division of The Regional Transportation Authority D/B/A Metra—Terminal Trackage Rights—Union Pacific Railroad Company, Docket No. FD 36844, by decision served July 1, 2025, the Board denied Metra's request for a temporary injunction or emergency service order. Subsequently, on September 3, 2025, the Board granted Metra's application for terminal trackage rights over three Union Pacific railroad lines used to operate commuter rail service in

the Chicago area. On September 30, 2025, the Board imposed, on a temporary basis, interim liability and indemnification terms applicable to the three railroad lines.

In *Union Pacific Corporation, Union Pacific Railroad Company and Missouri Pacific Railroad Company—Control—Missouri-Kansas-Texas Railroad Company, et al.*, Docket No. FD 30800 et al., the Board granted the petition of the Kansas City Southern Railway Company (KCSR) and determined that KCSR may continue to use the “South End” haulage rights outlined in its 1988 contract with Union Pacific Railroad Company (UP) to move certain grain traffic originated by Canadian Pacific/Soo Line Railroad Company over UP trackage from Beaumont, Tex., to the ports of Houston, Tex., and Galveston, Tex.

In *Savannah Industrial Transportation, LLC—Operation Exemption—in Effingham County, Ga., et al.*, Docket Nos. FD 36489, 36723, and 36723 (Sub-No. 1), the Board granted after-the-fact authority for Savannah Industrial Logistics, LLC, to construct, and for Savannah Industrial Transportation, LLC, to lease and operate, a rail line located in an industrial park near Rincon, in Effingham County, Ga., subject to an environmental mitigation condition.

In *American Safety Holdings, LLC, a Louisiana Limited Liability Company—Acquisition of Property—American-International Travel, Inc. d/b/a Dixieland Tours & Cruises, a Louisiana Corporation*, Docket No. MCF 21136, the Board approved and authorized, subject to the filing of opposing comments, a proposed acquisition of property of American-International Travel, Inc. d/b/a Dixieland Tours and Cruises; and approved and authorized, subject to the filing of opposing comments, after the fact a prior acquisition of the assets of New Orleans Tours, Inc. and its affiliates.

In *Port of Moses Lake—Acquisition Exemption—Moses Lake, Wash.*, Docket No. FD 34936 (Sub-No. 1), the Board directed the Port of Moses lake to file a notice of exemption, petition for exemption, or application for authority to acquire approximately 0.5 miles of trackage as part of a rail construction project in and near the city of Moses Lake, Wash., that the Board previously authorized.

In *Van Pool Transportation LLC and Ag Van Pool Holdings, LP—Acquisition of Control—George M. Carroll Transportation, Inc.*, MCF 21137, the Board approved and authorized, subject to the filing of opposing comments, Van Pool Transportation LLC and AG Van Pool Holdings, LP to acquire control of George M. Carroll Transportation, Inc. dba George M. Carroll Inc. from its sole shareholder, John Schindler.

In *Arkansas-Oklahoma Railroad, Inc.—Lease & Operation Exemption Including Interchange Commitment—BNSF Railway Company, Inc.*, FD 36871, the Board waived a 60-day advance notice requirement and allowed Arkansas-Oklahoma Railroad, Inc., to continue to lease and operate approximately 10.658 miles of rail line in Oklahoma, on or after September 24, 2025.

In *U S Rail Corporation—Construction and Operation Exemption—Brookhaven Rail Terminal*, FD 35141, et al., the Board permitted Brookhaven Rail LLC and the Citizen Campaign for the

Environment to withdraw various petitions concerning a rail terminal in Brookhaven, N.Y. The decision also directed Sills Road Realty LLC to file an application for after-the-fact authority to acquire a rail line in the terminal.

In *TBL Group, Inc.—Acquisition of Control—BTM Coaches, Inc.*, MCF 21138, the Board approved and authorized, subject to the filing of opposing comments, TBL Group, Inc.’s application to acquire an additional federally regulated motor passenger carrier BTM Coaches, Inc.

In *Norfolk Southern Railway Company—Petition to Set Trackage Rights Compensation—Norfolk & Portsmouth Belt Line Railroad Company*, FD 36223, the Board denied Norfolk Southern Railway Company’s motion to remove this proceeding from abeyance, granted a motion filed by CSXT to continue to hold the proceeding in abeyance, and denied CSXT’s motion to dismiss the proceeding.

In *Lake Providence Port Commission—Feeder Line Application—Line of Delta Southern Railroad Located in East Carroll and Madison Parishes, La.*, FD 36447, the Board: (1) removed this proceeding from abeyance, (2) denied the motions to dismiss the proceeding, (3) directed the parties to submit a proposed procedural schedule, and (4) denied a request for attorneys’ fees.

In *TBL Group, Inc.—Control—Kaptyn Nevada, LLC*, MCF 21139, the Board approved and authorized, subject to the filing of opposing comments, TBL Group, Inc.’s application to acquire the assets of Kaptyn Nevada, LLC, a federally regulated motor passenger carrier.

Abandonments/Discontinuances

In *CG Railway, LLC—Discontinuance of Service Exemption—in New Orleans, La.*, Docket No. AB 1340X, the Board authorized CG Railway, LLC, to discontinue service over approximately 3.4 miles of rail line in New Orleans, La.

In *Midcoast Railservice, Inc.—Discontinuance of Service Exemption—in Cumberland, Knox, Lincoln, Sagadahoc Counties, Me.*, Docket No. AB 1341X, the Board authorized Midcoast Railservice, Inc., to discontinue service over approximately 58.68 miles of rail line in Cumberland, Knox, Lincoln, and Sagadahoc Counties, Me.

In *CSX Transportation, Inc.—Abandonment Exemption—in Pinellas County, Fla.*, Docket No. AB 55 (Sub No. 794X), the Board denied a motion filed by the National Association of Reversionary Property Owners seeking termination of a notice of interim trail use or abandonment issued to the City of St. Petersburg and CSX Transportation, Inc.

In *Mohawk, Adirondack & Northern Railroad Corporation—Abandonment Exemption—in Lewis and Jefferson Counties, N.Y.*, Docket No. AB 768X, et al., the Board removed these proceedings from abeyance, granted a request by The Lowville & Beaver River Railroad Company to waive the requirement that a rail carrier have Board-authorized ownership of a rail line for at least two

years in order to use the expedited procedures for terminating operations on out-of-service lines, denied requests to reject the verified notices of exemption filed in these dockets, and authorized publication of the verified notices in the Federal Register.

In *Knoxville & Holston River Railroad Co., Inc., a Wholly Owned Subsidiary of Gulf & Ohio Railways, Inc.—Abandonment Exemption—in Knox County, Tenn.*, Docket No. AB 580 (Sub-No. 1X), the Board permitted Knoxville & Holston River Railroad Co., Inc., to abandon approximately 3.8 miles of rail line in Knox County, Tenn., subject to trail use, environmental, and standard employee protective conditions.

In *Norfolk Southern Railway Company—Abandonment Exemption—in the City of Baltimore, Md.*, Docket No. AB 290 (Sub-No. 412X), the Board found that the Acting Director of the Office of Proceedings was correct to grant a railroad's request to withdraw its verified notice of exemption.

In *Colorado Landowners—Adverse Abandonment—Great Western Railway of Colorado, LLC in Weld County, Colo.*, Docket No. AB 857 (Sub-No. 2), the Board on July 30, 2025, denied an application for adverse abandonment of a rail line owned by Great Western Railway of Colorado in Weld County, Colo.

In *Walkersville Southern Railroad, Inc.—Discontinuance of Service Exemption—Frederick County, Md.*, Docket No. AB 1339X, the Board denied an appeal filed by the Maryland Transit Administration and Frederick County, Maryland, of a prior Board decision declining to issue a notice of interim trail use for a rail line in Frederick County.

In *West Belt Railway, LLC—Discontinuance of Service Exemption—in the City of St. Louis, and St. Louis County, Mo.*, AB 1346, the Board allowed West Belt Railway, LLC, to discontinue service over approximately 9.66 miles of rail line in St. Louis, Mo.

Environmental Review

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

During FY 2025, OEA worked on 6 EISs and 31 EAs in rail projects, comprising rail line constructions, rail line abandonments and acquisitions. During FY 2025, 185 cases before the Board either fell within a categorical exclusion from NEPA review or did not qualify as a major Federal action requiring NEPA review. These cases included leases, operating exemptions, declaratory orders, rulemakings, transactions involving corporate changes, and certain acquisitions and discontinuances.

Environmental Impact Statements

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

Environmental Assessments

The EAs addressed 10 rail line construction cases that would provide passenger service or freight rail service to various industrial complexes and port facilities and 21 rail line abandonments. Finally, the Board completed the National Historic Preservation Act requirements for a complex rail line abandonment in Jersey City, N.J.

Alternative Dispute Resolution

The Board has established arbitration and mediation rules to help parties informally resolve disputes and avoid costly litigation, and the Board actively encourages parties to use alternative dispute resolution. Mediation efforts have facilitated the settlement of cases and satisfactorily addressed other conflicts. Successful mediation settlements result in significant savings of litigation expenses to the parties, allow both sides to reach mutually satisfactory agreements, and make available the Board's limited staff resources to work on other matters. In FY 2025, the Board held one mediation, which did not reach a successful resolution. To date, there has not been an arbitration case filed under the Board's mediation and arbitration procedures.

Public Outreach and Informal Dispute Resolution

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

In FY 2025, RCPA handled 1,338 inquiries from stakeholders, of which approximately 129 pertained to shipper-railroad disputes. RCPA worked with parties to successfully resolve matters related to timely fulfillment of car orders, availability of rail resources, track maintenance, interchange operations, inter-carrier disputes, switching services, car storage, rates and charges, track lease agreements, and responsibility for spur track.

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

In addition to its dispute resolution function, OPAGAC also serves as a primary liaison between the public and the Board. OPAGAC fields inquiries from Board practitioners, other agencies, state, local and foreign governments, members of Congress, and members of the broader public

to provide those parties with a better understanding of the laws and regulations administered by the Board, as well as proceedings before the Board.

Court Actions and Other Legal Matters

In FY 2025, the Office of the General Counsel (OGC), now part of the Office of Chief Counsel, handled a variety of cases on behalf of the Board:

In the area of new-carrier entry, in December 2023, the D.C. Circuit denied a petition for rehearing en banc of the Court's August 2023 decision vacating and remanding a Board decision authorizing, through an exemption, the construction and operation of a rail line in Utah. *See Eagle Cnty., Colo., et al. v. Surface Transportation Board, et al.*, Nos. 22-1019 and 22-1020 (reviewing *Seven Cnty. Infrastructure Coal.—Rail Constr. & Operation Exemption—in Utah, Carbon, Duchesne, & Uintah Cntys., Utah*, FD 36284 (STB served Dec. 5, 2021)).

The project proponents petitioned the Supreme Court for a writ of certiorari, which the Court granted on June 24, 2024. *Seven Cnty Infrastructure Coal., et al., v. Eagle Cnty, CO, et al.*, No. 23-975 (S. Ct.)

In June 2025, the Supreme Court reversed the D.C. Circuit decision in part and remanded the case to the D.C. Circuit for further proceedings. Intervenor, Seven County Infrastructure Coalition subsequently moved the D.C. Circuit to remand to the Board without vacatur, which the Board supported, while Petitioners moved the Court to remand to the agency with vacatur, which the Board opposed.

The Board is defending its decisions exempting the construction and operation of a different rail line in Utah from the prior approval requirements of 49 U.S.C. § 10901. The Board granted the exemption request filed by Savage Tooele Railroad Company in April 2024 and denied reconsideration in March 2025. An environmental-advocacy group has petitioned the D.C. Circuit for review of the Board's environmental review and decision making in that case. A briefing schedule has been established.

In the area of switching, the Board defended its final rule providing for the prescription of a reciprocal switching agreement as a means to promote adequate rail service. *Reciprocal Switching for Inadequate Rail Serv.*, EP 711 (Sub-No. 2) (STB served Apr. 30, 2024). CSXT, Union Pacific and Canadian National sought review of the Board's decision in the Seventh Circuit. *Grand Trunk., et al. v. STB, et al.*, No. 24-1811 (7th Cir.). Briefing and oral argument occurred in 2024 and early 2025. On July 8, 2025, the U.S. Court of Appeals for the Seventh Circuit entered an order vacating that rule and remanding to the Board for further proceedings.

In the area of combinations and mergers, the Board successfully defended its decision approving the combination of Canadian Pacific and Kansas City Southern, which was the first merger of Class I carriers approved by the Board in over 25 years. *Can. Pac. Ry.—Control—Kansas City S.*, FD 36500 (STB served Mar. 15, 2023). A coalition of Chicago-area local government entities sought review of the decision in the D.C. Circuit. *Coalition to Stop CPKC, et al. v. Surface Transportation Board, et al.*, Nos. 23-1165, and 23-1274 (D.C. Cir.). (Union Pacific and commuter-rail operation Metra had also sought review but subsequently withdrew their petitions.) On June 20, 2025, the D.C. Circuit denied the Coalition's petition, concluding that the

Board reasonably assessed the merger’s environmental harms (with a specific focus on the projected increase in blocked crossing delays) and reasonably determined that the merger was in the public interest (with a specific focus on passenger-rail congestion in the Chicago suburbs). *Coal. to Stop CPKC v. Surface Transportation Bd.*, No. 23-1165, 2025 WL 1720672 (D.C. Cir. June 20, 2025).

In the area of interchange, the Board successfully defended its decision in *Wisc. Cent. Ltd.—Pet. for Declaratory Order*, FD 36397 (STB served Jan. 29, 2024), which concluded that Canadian National’s proposal for receiving traffic from Canadian Pacific Kansas City is inconsistent with the statutory reasonableness requirement. Canadian National sought review of the Board’s decision in the Seventh Circuit and oral argument was held in November 2024. On December 11, 2024, the Seventh Circuit denied Canadian National’s petition for review, concluding that (1) the question of reasonableness was within the scope of the Court’s prior remand decision and (2) the factors considered by the Board in its reasonableness assessment (including, particularly the costs of interchange and the agency’s policy of encouraging private resolution of interchange disputes) fell firmly within the scope of the discretion conferred by the statutory term “reasonable.”

In the area of rates, the Eighth Circuit denied the Board’s petition for rehearing or rehearing en banc with respect to the court’s judgment vacating the Board’s rulemaking adopting “Final Offer Rate Review” procedures. The Board’s decision stated that FORR would have given shippers a practical way to seek rate relief through accelerated procedural schedules, flexible rate reasonableness standards, and “final offer” procedures for selecting the rate that will be prescribed for the future. Upon petitions for review by Union Pacific and the Association of American Railroads, the court held in August 2024 that cases under FORR would constitute formal adjudication under the Administrative Procedure Act (APA) and did not comply with the APA’s burden of proof requirements applicable to such proceedings. The court also held that FORR would have impermissibly permitted the parties, instead of the Board, to prescribe the maximum rate. *Union Pacific Railroad Company & the Association of American Railroads v. Surface Transportation Board*, Nos. 22-3648 & 23- 1325 (8th Cir. Aug. 20, 2024.). The Board sought rehearing on the first holding on that grounds that the holding violated long-established precedent and contravened the party presentation principle. In December 2024, the en banc court denied rehearing in an 8-3 vote.

The Board’s decision adopting arbitration procedures for small rate cases has been challenged in court by railroad interests. The arbitration program, which followed the contours but not all the details of a program that the rail industry recommended, would have postponed FORR’s application for a period of at least five years, but only if all Class I railroads opted into the program; because only one railroad did so, the program is currently inoperable. *Joint Pet. for Rulemaking to Establish a Voluntary Arb. Program for Small Rate Disputes*, EP 765 (STB served Dec. 19, 2022). The court case was in abeyance as the Board considers administrative petitions for reconsideration. *Grand Trunk Corp. and Illinois Central Railroad Co. v. Surface Transportation Board*, No. 22-3289 (7th Cir.). The petitioners filed an unopposed motion for voluntary dismissal, which was granted on August 19, 2025.

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

Also in the area of trackage rights, the Board is defending its September 3, 2025 decision granting Metra's application for terminal trackage rights over three Union Pacific Railroad lines used to operate commuter rail service in the Chicago area. Union Pacific petitioned the Eighth Circuit for review of the Board's decision and moved for a judicial stay, which the Board has opposed.

In the area of interim trail use/railbanking, the Board is defending its decision revoking a notice of interim trail use for a line located in Pinellas County, Florida due to failure by the trail sponsor and railroad to properly railbank the line. *CSX Transp., Inc.—Aban. Exemption—Pinellas Cnty., Fla.*, AB 55 (Sub-No. 794X) (STB served Nov. 14, 2023). The rail carrier and the trail sponsor—CSX Transportation and GHL High Line Railway—petitioned for review of the Board's decision in the Eleventh Circuit. *CSX Transp., et al. v. STB, et al.*, No 23-13860 (11th Cir.). Briefing was completed in 2025 and oral argument has been tentatively scheduled for the week of February 23, 2026.

Also in the area of interim trail use/railbanking, the Board is defending against a complaint brought in the United States District Court for the District of Kansas by Sunflower State Industrial Railway seeking a declaration that the Board must more readily authorize the reactivation of railbanked rights-of-way. *See Sunflower State Industrial Railway*, 5:25-cv-04056-JAR-RES (D. Kan.). The Board filed a motion to dismiss on September 2, 2025. After the Board filed a motion to dismiss on September 2, 2025, Sunflower voluntarily moved to dismiss its complaint.

In the area of preemption, the Board is defending its decision in a declaratory order proceeding where it found that 49 U.S.C. § 10501(b) did not preempt a town's attempt to enforce in state court a statutory right of first refusal to purchase land that a railroad sought to acquire for development as a transload facility. *Grafton & Upton R.R. —Pet. For Declaratory Order*, FD 36464 (STB served Dec. 18, 2024). Grafton & Upton Railroad sought review of the Board's decision in the D.C. Circuit. *Grafton & Upton R.R. v. Surface Transportation Board*, No. 25-1058 (D.C. Cir.). The Board's brief was filed June 20, 2025. Oral argument was held on October 28, 2025.

In the area of car service, the Board is defending a decision partially granting and partially denying complaints filed by car providers that alleged that Union Pacific Railroad (UP) failed to compensate them for UP's use of their tank cars to provide freight rail service and improperly charged them for moving their cars to repair facilities. *North America Freight Car Association v. Union Pacific Railroad*, NOR 42144 et al. (STB served Jan. 15, 2025). UP sought judicial review in the Eighth Circuit. *Union Pacific R.R. v. Surface Transportation Board*, No. 25-1121 (8th Cir.). After the car providers sought administrative reconsideration of the Board's decision, the

Eighth Circuit placed the petition for review proceeding in abeyance pending the Board's resolution of the reconsideration petition, which remains pending.

In the area of abandonment authorization, the Board is defending its decision granting a railroad's request to withdraw its verified notice of exemption seeking abandonment authority for approximately one mile of line in Baltimore, Maryland. *Norfolk Southern Rwy. Co.—Abandonment Exemption—in the City of Baltimore, Md.*, AB 290 (Sub-No. 412X) (STB served Dec. 9, 2024). A potential offeror of financial assistance for the line is seeking review of the Board's decisions in the D.C. Circuit. *Riffin v. STB, et al.*, No. 24-1385 (D.C. Cir. 2024) and No. 25-1141 (D.C. Cir. 2025), which have been consolidated. The Board moved to dismiss the petition for review in No. 1385 as premature, which the motions' panel referred to the merit's panel. A briefing schedule has been established.

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

Advisory Committees

The Board has four transportation advisory committees, of which the Board members are ex-officio members. Established under the ICC Termination Act of 1995, the Railroad-Shipper Transportation Advisory Council (RSTAC) advises the Board, the Secretary of Transportation, and Congress on railroad-transportation policy issues of particular importance to small shippers and small railroads, such as railcar supply, railroad service, rates, and competitive matters. Its 15 appointed members consist of senior officials representing large and small shippers, large and small railroads, and one at-large representative. Along with the Board members, the Secretary of Transportation is also an ex-officio member. RSTAC held quarterly in-person meetings during FY 2025 on December 9-10, 2024, March 19-20, 2025, June 17-18, 2025, and September 9-10, 2025.

The Rail Energy Transportation Advisory Committee (RETAC) was created in 2007 to provide advice and guidance to the agency on emerging issues concerning the rail transportation of energy resources such as coal, crude oil, ethanol, and other biofuels. The 27 voting members of RETAC represent a balance of stakeholders, including large and small railroads, coal producers, electric utilities, the biofuels industry, the petroleum production industry, the private railcar industry, the renewable energy industry, and labor. RETAC typically holds meetings twice per year. In FY 2025, RETAC met in-person on October 9, 2024, and again on May 29, 2025.

The National Grain Car Council (NGCC) assists the Board in addressing issues concerning grain transportation by fostering communication among railroads, shippers, rail-car manufacturers, and the government. The NGCC, which meets once a year, is composed of 12 representatives from Class I railroads, seven from Class II and Class III railroads, 14 from grain shippers and receivers, and seven from private rail car owners and manufacturers. In FY 2025, NGCC met in-person on August 19, 2025.

The Passenger Rail Advisory Committee (PRAC) was created in 2023 and provides advice and guidance to the Board on issues surrounding railroad passenger transportation services. PRAC, which meets at least twice a year, is composed of approximately 21 members, with knowledge regarding passenger rail transportation, freight rail transportation, commuter rail operations, and transportation public policy. In FY 2025, PRAC met in-person on October 16, 2024, February 11, 2025, May 5, 2025, and September 18, 2025.

Workload Summary

Workload Category	FY 2025 (actual as of 9/30/2025)	FY 2026 Estimate	FY 2027 Estimate
Alternative Dispute Resolution			
Arbitrations	0	0	0
Informal Dispute Resolution	129	120	120
Mediations	1	2	3
Audits	9	8	9
Decisions			
Complaints			
Rate	1	12	16
Non-Rate	29	25	30
Declaratory Orders	22	20	25
Ex Parte Proceeding Decisions			
Rulemakings	22	25	25
Other	30	22	22
Licensing			
Applications/Petitions	92	100	100
Notices of Exemption	151	185	190
Other (incl. grant stamps)	7	26	40
Non-Rail Decisions	24	10	10
Other	23	25	25
Defensibility Assessments	151	160	120
Depreciation Studies	11	9	9
Economic Statistical Reports	75	43	82
Environmental			
Actions not requiring NEPA review	185	150	150
Environmental Assessments	31	30	35
Environmental Impact Statements	6	10	10
Ethics Reviews	150	160	160
Fee Waiver Decisions	4	0	15
Advisory Committee Meetings (incl. Federal Advisory Committee Act Committees)	11	9	8
Filings	1,360	2,300	2,400
FOIA Requests	74	85	85
Investigations (pursuant to 49 U.S.C. § 11701)	0	1	1
Investigations (pursuant to 49 U.S.C. § 24308(f))	1	1	1
Judicial Review	25	20	25
Outreach & Communication			
Conferences	56	40	40
Environmental Meetings	24	20	20
Ex Parte Meetings	0	20	20
Stakeholder Meetings	164	225	225

Workload Category	FY 2025 (actual as of 9/30/2025)	FY 2026 Estimate	FY 2027 Estimate
Public Forum			
Hearings	0	2	2
Listening Sessions	5	1	1
Oral Arguments	0	4	4
Other	47	0	0
Rail Service Data Reports	354	364	364
Recordations	927	1,400	1,500
Section 5 Collaborative Discussions	13	15	20
Technical Conferences	1	2	2
Waybill Requests	169	125	125
Paperwork Reduction Act Requests and Submissions to OMB	11	16	19

FY 2025 Administrative Accomplishments

Risk Management, Cybersecurity, and Information Technology

In FY 2025, the Board continued to strengthen its cybersecurity posture by partnering with other federal agencies and investing in additional technologies, capabilities, and processes to meet the requirements of Federal Information Security Modernization Act (FISMA), and the Office of Management and Budget (OMB). These partnerships include continued collaboration with the Department of Justice for a Security Operations Center as a Service (SOCaaS) capability that delivers 24x7x365 threat monitoring, detection and incident response, and intelligence within the STB. The Board also continued to expand usage of Cybersecurity and Infrastructure Security Agency's (CISA) shared services to include implementation of biometric authentication and phishing resistant Multi-Factor Authentication. Efforts to continue establishing a foundation for the Zero Trust pillars including additional network monitoring and compliance services.

During FY 2025, the STB continued to implement a cost-effective, risk-based cybersecurity program that is aligned with the National Institute of Standards and Technology security standards and guidelines. The Board's FISMA security maturity rating for FY 2025 is Level 3, "Consistently Implemented," while the Board continues to make improvements to specific areas of the cybersecurity program. The Board is working to resolve all open recommendations. One FY 2021 and four FY 2024 recommendations were closed during the FY 2025 assessment.

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

Data Management, AI Capabilities and Customer Experience

The Board uses its data as a strategic asset and makes evidence-based decisions to achieve its mission, serve the public, and steward resources while protecting security, privacy, and confidentiality. The STB has furthered its data and analytics maturity and continues to move forward with a multi-year data strategy that will enable the Board to meet its mission more efficiently and effectively. During FY 2025, the Board improved data transformation pipelines to continue loading legacy spreadsheets into a centralized data warehouse and updated its data submission requirements to improve data quality and process efficiency. The Board also enhanced its CKAN data catalog with additional metadata for better contextual awareness and records management integration. Additionally, the Board procured an Open Data Portal to share consolidated data with the public and provide a searchable data catalog, visualizations, dashboards and analytics.

The implementation of AI Capabilities was initiated at the Board in FY 2025. These capabilities, once fully implemented, will be focused on productivity solutions, streamlining case management processes, and the cleanup and preprocessing of documents.

Efforts on website redesign to improve the user experience using the United States Web Design System continued in FY 2025 as did efforts to continue improving search capabilities and functionality in the Board's Dynamic Case Management System. The Board has also invested in an eDiscovery solution as well as additional cybersecurity tools while continuing efforts to mature IT services and governance and address technical debt.

Human Resources

The Section of Human Resources played a key role in the STB's reorganization and restructuring in response to Executive Order 14210, *Implementing The President's "Department of Government Efficiency" Workforce Optimization Initiative* (EO 14210). Having reduced the appropriated FTE count of the STB from 152 to 114, and restructured its offices from seven offices to five, the STB's reforms achieve this alignment while maximizing efficiency and productivity. As part of this restructuring, implementation of the ARRP, and through the SES allocation process, the agency converted 4 career reserved SES positions to general SES positions and will eliminate one SES position through the annual SES allocation process.

This effective management of the Board's workforce is crucial to its ability to serve the public interest. Overall, the Board seeks to create and maintain a performance-based organization performance management system emphasizes accountability, encourages staff development, and recognizes high performers.

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

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

Facilities Management

In FY 2025, the Section of Facilities Management supported the agency's mission by maintaining safe, secure, and functional workspaces for employees. Facilities played a key role in supporting the agency's Return to Work initiative, ensuring workspaces were operational, properly configured, and capable of accommodating both new and returning staff. Facilities also collected and maintained occupancy-related data to support the agency's response to the USE IT Act, in accordance with OMB Memorandum M-25-25, which aims to improve space utilization, transparency, and the efficient use of federally owned and leased facilities.

Facilities supported employee onboarding by managing access entitlements within the agency's physical access control system, ensuring timely and secure building access for new hires and staff with changing roles. The section also coordinated routine and emergency facility repairs, office moves, mail and package delivery, and space adjustments to support evolving operational needs. Facilities maintained responsibility for property control at the STB and conducted its annual wall-to-wall physical inventory, supporting accountability and compliance with federal property management requirements.

Facilities continued to play a central role in building safety, emergency preparedness, and continuity.

Financial Services

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

Pursuant to Executive Order 14222 Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative, Financial Services developed and implemented two centralized technology systems. One that records every payment issued by the agency and a second that records every approval for federally funded, non-essential travel, which includes justifications for every payment and for non-essential travel.

Financial Services collaborated with all STB offices to ensure large and small procurements were processed and met agency needs. . Additionally, Financial Services continued to support information technology by ensuring necessary IT contracts were awarded. The SFS leveraged the procurement system to track and efficiently expend allocated agency FY 2024 funds to benefit its mission.

Financial Services developed, justified, and presented the FY 2026 budget request estimates for approval by the Board and submission to Congress, and the submission of the FY 2027 budget request estimates to OMB and Congress, and also prepared the required external financial statements for Congress, OMB, Treasury, and external stakeholders.

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

Financial Information

Financial Performance Overview

The STB's financial condition as of September 30, 2025, is sound. Internal controls are in place to ensure that funds are utilized efficiently and effectively, and that the Board's budget authority is not exceeded.

Source of Funds

The STB has single-source funding, called Salaries and Expenses, funded by an annual appropriation available for commitments and obligations incurred during the year in which the authority was granted. Congress approved an FY 2025 appropriation for the STB in the amount of \$47,452,000 through P.L. 119-4. There was not a change in funding levels from FY 2024.

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

Full-Time Equivalent History

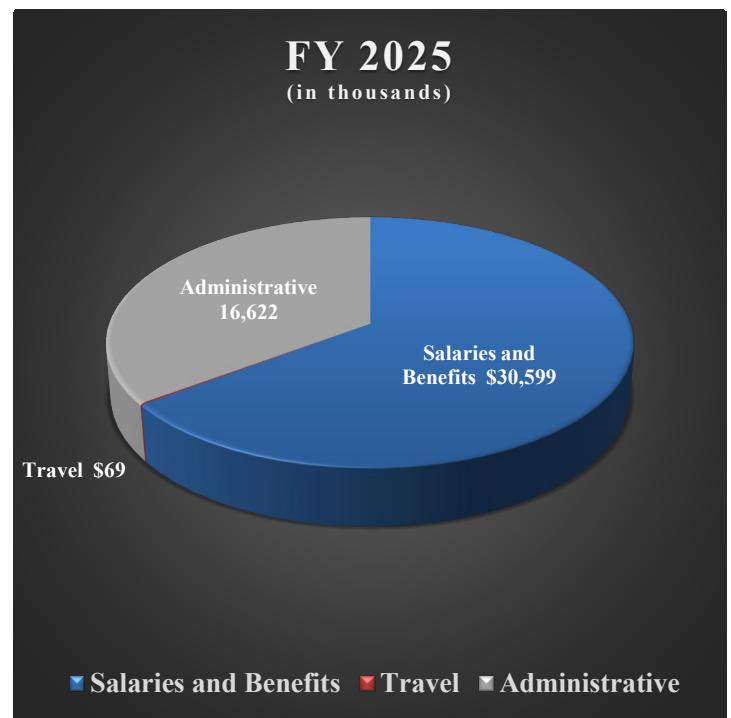
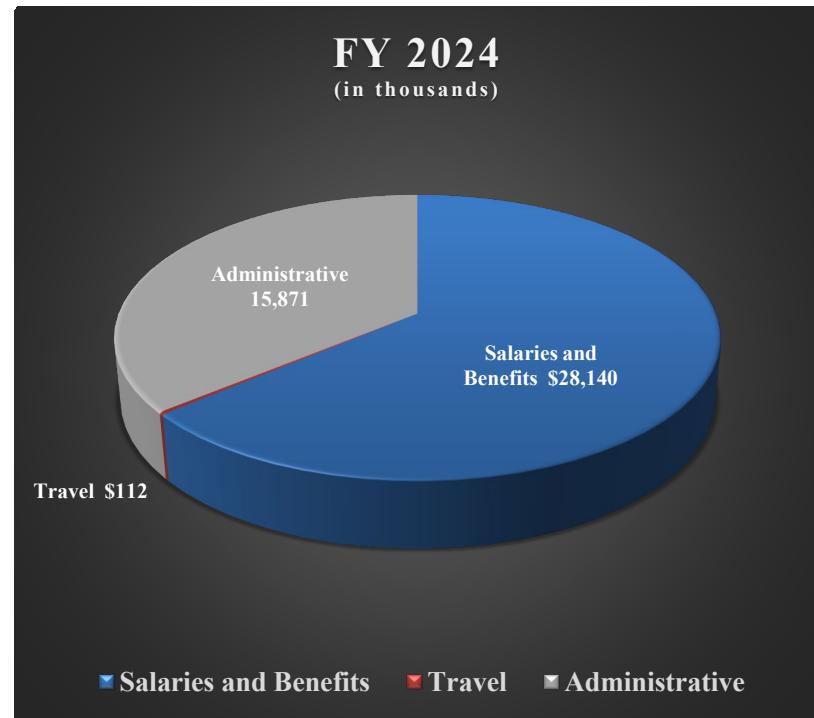
The STB adjusted its Full-Time Equivalent (FTE) level from an authorized level of 152 to 114 in its FY 2026 Budget Request as a result of its EO 14210 Plan. At the conclusion of FY 2025, the STB's staffing level was 120.

Full-time Equivalent History	Fiscal Year
116	2020
118	2021
118	2022
126	2023
123	2024
120	2025

Uses of Funds by Expense Category

During FY 2025, obligations against the STB's appropriation totaled \$47,290 (in thousands), representing 99.7% of the available funding level. The funds were allocated as follows: 64.7% for salaries and benefits, 35.1% for administrative expenses (e.g., rent; government and commercial contracts; communications and subscriptions; equipment; and IT and non-IT

services), and 0.2% for official travel expenses.



Overview of Financial Results

The STB's financial statements were audited by Allmond & Company LLC, under contract to the DOT OIG. The STB received an unmodified opinion on its FY 2025 financial statements.

Principal Financial Statements

The principal financial statements presented include:

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

Limitations of the Financial Statements

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

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

Summary of the Balance Sheets, Statement of Changes in Net Position, Statement of Net Cost, and Statement of Budgetary Resources

Assets (in thousands): Total assets were \$22,327. Fund Balances with Treasury comprised 87.5% of total assets at \$19,536. Advances and prepayments to others was 9.7% at \$2,172 during the period. The preponderance of total assets (97.2%) was intergovernmental.

Liabilities (in thousands): Total liabilities were \$6,150. Other liabilities comprised 22.2% of total liabilities at \$1,366. The primary contributor to other liabilities was Other Liabilities without

Related Budgetary Obligations (74.7%). Additionally, total liabilities were primarily other than intragovernmental (94.5%) at \$5,809.00 during the period.

Net Position (in thousands): The Board's net position on the Balance Sheet and the Statement of Changes in Net Position was \$16,177. The changes in Net Position were primarily related to a net decrease to the cumulative results of operations by \$823 or 24.2%

Summary of the Statement of Net Cost (in thousands)

The STB's net cost of operations during fiscal year 2025 was \$47,176. During fiscal year 2025, the agency collected 97.2% (\$1,219) of the \$1,250 authorized.

Statement of Budgetary Resources (in thousands)

The Statement of Budgetary Resources provides information on budgetary resources made available to the Board and the status of these resources at the end of the fiscal year. For fiscal year 2025, total budgetary resources were \$54,505. The composite of total budgetary resources was 87.2% new obligations and upward adjustments, and 12.8% unobligated balances.

Unexpired, unobligated balances was \$162 or 2.3% of the total unobligated balance during the period.



Report QC2026009
January 14, 2026

Quality Control Review of the Independent Auditor's Report on the Surface Transportation Board's Audited Financial Statements for Fiscal Year 2025



Highlights

Quality Control Review of the Independent Auditor's Report on 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 audit of STB's financial statements as of and for the fiscal year ended September 30, 2025. We reviewed Allmond's report, dated January 7, 2026, and related documentation.

About This Report

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

What We Found

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

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

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



18

We agree with Allmond's 18 recommendations to help strengthen STB's internal controls.



January 14, 2026

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

Dear Chairman Fuchs:

I respectfully submit the results of our quality control review (QCR) of the independent auditor's report on the Surface Transportation Board's (STB) audited financial statements for fiscal year 2025 as mandated by the Accountability of Tax Dollars Act of 2002.¹

We contracted with the independent public accounting firm Allmond & Company, LLC (Allmond), to audit STB's financial statements as of and for the fiscal year ended September 30, 2025; provide an opinion on those financial statements; report on internal control over financial reporting; and report on compliance with laws and other matters. The contract required the audit to be performed in accordance with U.S. generally accepted Government auditing standards; Office of Management and Budget (OMB) audit guidance; and the Government Accountability Office's (GAO) and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.²

Independent Auditor's Report

In its audit report dated, January 7, 2026, Allmond states that:

- STB's financial statements³ (see attachment 3) were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;

¹The 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.

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

³The financial statements are included in STB's Performance and Accountability Report. For STB's full Performance and Accountability Report, which includes these statements, related notes, and required supplementary information, go to <https://www.stb.gov/about-stb/agency-materials/strategic-plan-and-pars/>.

- it found one material weakness⁴ and four significant deficiencies⁵ in internal control over financial reporting; and
- there were no instances of reportable noncompliance with provisions of laws tested, or reportable other matters.

Allmond made 18 recommendations (see attachment 1).

Material Weakness

Internal controls over preparing, reviewing, and approving journal entries recorded in the general ledger need improvement. During prior year audits, Allmond identified instances in which STB incorrectly recorded journal entries. In fiscal year 2024, STB recorded two journal entries to reverse prior year accruals that used incorrect general ledger accounts, resulting in material impact to the financial statements. Additionally, in fiscal year 2021, STB posted a journal entry incorrectly, resulting in an understatement of account balances. Allmond reissued the finding as no corrective action plan was implemented in fiscal year 2025.

Significant Deficiencies

Control activities performed to prepare and review the interim financial statements and footnotes were not adequately designed and implemented. Allmond identified errors in the financial statements' footnotes. Specifically, one footnote included information from external sources that was not verified or changed. This is a recurring finding for fiscal years 2021 through 2024.

Employee benefit election forms were not maintained per Office of Personnel Management (OPM) requirements. In prior audits, Allmond identified instances in which STB did not maintain employee benefit election forms in the employees' personnel records. This year, Allmond determined that STB has not fully implemented control procedures to ensure that employees'

⁴ A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

⁵ 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

benefit election forms are thoroughly and accurately documented in the electronic Official Personnel Folder, in accordance with OPM requirements. Allmond reissued the finding as STB has not fully implemented a corrective action plan in fiscal year 2025.

Internal controls over the monitoring and review of open obligations need improvement. In fiscal year 2023, Allmond identified instances in which the full balance of undelivered orders was no longer valid and should have been de-obligated. Allmond found that STB's review process relating to open obligations is insufficient, resulting in the failure to complete closeout procedures timely, including the de-obligation of funds for completed contracts. Allmond reissued the finding as no corrective action plan was implemented in fiscal year 2025.

Internal controls for estimating and recording accrued liabilities in the general ledger need improvement. Allmond identified instances in which the agency received goods and services during fiscal year 2025 that were not recorded as liabilities, resulting in misstated account balances. Specifically, STB did not record certain non-payroll disbursements, comprising of four invoices and three vendor contracts, as accrued liabilities. In addition, STB did not record accrued liabilities for services received with pending invoices.

Recommendations

Allmond made the following 18 recommendations to help strengthen STB's internal controls. STB management should:

1. Amend its existing policy regarding the review and approval of journal vouchers to include a review of all non-reversing entries recorded during the fiscal year and to review all year-end journal vouchers before they are recorded in the agency's general ledger.
2. Perform and document a review of all manual journal entries that includes a before and after analysis which illustrates the effect of the entry on the principal financial statements using the current year Treasury United States Standard General Ledger (USSGL) Section V Crosswalks to the financial statements. If accounts are presumed to offset, then they must offset within the same line of the same financial statement within the same fiscal year reporting period (i.e., before closing entries are recorded following the end of the fiscal year).
3. At least quarterly, initiate and document a review of all entries and account balances for which a manual correcting entry may be needed to address potential misstatements due to system posting logic, such as

offsetting upward and downward adjustments of prior year obligations, and record the appropriate entries to prevent misstatement of financial statement accounts and line items.

4. During the review of manual journal vouchers, verify and document that the authoritative guidance and internal tools used to support the entry are valid and current.
5. Have the STB Finance Team complete training relating to adjusting entries, including the selection of USSGL accounts, to improve the quality and precision of the review and approval process.
6. Independently review the most current version of OMB Circular A-136 and the USSGL Treasury Crosswalks to identify changes in data elements, classification, and presentation and ensure that these changes are incorporated into financial statement and footnote templates for current year reporting. A search for new versions of the USSGL Crosswalks and OMB Circular A-136 should be performed each time the financial statements are prepared.
7. Review the current version of OMB Circular A-136 to independently verify that all required footnotes are included and bring any omissions to the service provider's attention so that errors or omissions can be corrected.
8. Review the service provider's Financial Statement and Notes Review Checklist to verify that the checklist is up to date and includes all required elements per OMB and Treasury guidance and then complete the checklist independently. Alternatively, STB management should develop and complete its own review checklist based on current Treasury and OMB reporting requirements.
9. Request its financial management service provider to:
 - reevaluate the inclusion of account balances that were excluded in the Other Liabilities footnote, or
 - disaggregate (i.e., separately report) intragovernmental Other Liabilities balances reported as a single line item on the balance sheet that are not included in the footnote so that the total amounts reported for Other Liabilities on the balance sheet and in the footnote agree.
10. Ensure that its review process includes procedures to disaggregate material balances reported in the financial statements and footnotes, agree balances to source documents, agree the footnotes to the principal financial statements, and verify the mathematical accuracy of all statements and schedules included in the financial statement package.

11. Document the review and certification of the financial statements and footnotes clearly and indicate what was reviewed, when the review was performed, and who performed the review for each reporting period.
12. Complete training relating to the preparation and/or review of financial statements and footnotes to improve management's understanding of Federal reporting requirements and to ensure that the financial statements and footnotes are complete, accurate, and appropriately presented.
13. Perform a review of 100 percent of employee benefit elections and Official Personnel Folders (OPFs) to ensure they are complete and accurate.
14. Develop policies and procedures that include the performance of periodic reviews of employees' OPFs to ensure that they are complete and accurate.
15. Obtain replacement documentation for employee forms and other documentation that have been determined to be incomplete or irretrievable from databases and other electronic sources following management's initial and periodic routine reviews.
16. Implement and enforce its existing policies and procedures requiring the periodic review of all open obligations to ensure that closeout of completed contracts, including the de-obligation of funds and return of the balances for any advanced payments, is performed regularly and timely.
17. Develop and implement a written procedure that provides detailed guidance and instructions for the calculation of the organization's year-end accounts payable and other accruals.
18. Develop and implement a look-back analysis or other control procedure to review disbursements made early in the subsequent reporting period (i.e., at the beginning of the next fiscal year) to identify subsequent transactions and undelivered orders balances related to goods and services received in the current and prior fiscal years that should have been included in the year-end accounts payable balance. Any prior accrual should be amended, when needed, prior to the external release or publication of the financial statements.

STB officials concurred with these recommendations and committed to implementing corrective actions.

Quality Control Review

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

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

Agency Comments

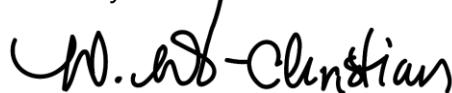
Allmond provided STB with its draft report on January 7, 2026, and received STB's response dated January 7, 2026 (see attachment 2).

Actions Required

We consider all 18 of Allmond's recommendations open and resolved pending completion of the corrective action plans.

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

Sincerely,



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

cc: STB Acting Chief Financial Officer

Attachment 1. Independent Auditor's Report

SURFACE TRANSPORTATION BOARD

AUDIT REPORT
SEPTEMBER 30, 2025



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



ALLMOND & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

7501 FORBES BOULEVARD, SUITE 200
LANHAM, MARYLAND 20706

(301) 918-8200

FACSIMILE (301) 918-8201

Independent Auditor's Report

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

Report on the Financial Statements

Opinion

In accordance with the Accountability of Tax Dollars Act of 2002, we have audited the Surface Transportation Board (STB) financial statements. STB financial statements comprise the balance sheet as of September 30, 2025; the related statements of net cost, changes in net position, budgetary resources, and custodial activities for the fiscal year then ended; and the related notes to the financial statements.

In our opinion, STB's financial statements present fairly, in all material respects, STB'S financial position as of September 30, 2025, and its net cost of operations, changes in net position, budgetary resources, and custodial activities for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Required Supplementary Information (RSI)

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is

required under standards issued by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

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

Other Information

STB's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in STB's Performance and Accountability Report. The other information comprises the *Message from the Chairman*, *Summary of Significant Performance Results*, *Strategic Performance Goals and Measures*, *Agency Oversight and Mission Challenges*, *Program Performance Information*, *FY 2025 Administrative Accomplishments*, and *Required Other Information* sections. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Internal Control over Financial Reporting

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

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies¹ or to express an opinion on the effectiveness of STB's internal control over financial reporting. Given these

¹ A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

limitations, during our 2025 audit, we identified a deficiency in STB's internal control over financial reporting that we consider to be a material weakness. This deficiency is described in the accompanying *Exhibit I, Findings and Recommendations*, to this report.

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

We considered the material weakness and significant deficiencies in determining the nature, timing, and extent of our audit procedures on STB's fiscal year 2025 financial statements. Although the material weakness and significant deficiencies in internal control did not affect our opinion on STB's fiscal year 2025 financial statements, misstatements may occur in unaudited financial information reported internally and externally by STB because of the internal control deficiencies described in this report.

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

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

Responsibilities of Management for Internal Control over Financial Reporting

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

Auditor's Responsibilities for the Consideration of Internal Control over Financial Reporting

In planning and performing our audit of STB's financial statements as of and for the fiscal year ended September 30, 2025, in accordance with U.S. generally accepted government auditing standards, we considered STB's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of STB's internal control over financial reporting. Accordingly, we do not express an opinion on STB's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and

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

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

Intended Purpose of Report on Internal Control over Financial Reporting

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

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

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2025 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to STB. Accordingly, we do not express such an opinion.

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

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

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

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

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

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

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

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

STB's Response to Findings

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

Agency Comments

We provided STB with a draft of our report on January 7, 2026, and received STB's response on January 7, 2026. STB's response to our report was not subjected to the auditing procedures that we applied to our audit of the financial statements and, therefore, we express no opinion on the response.

Allmond & Company, LLC

Lanham, MD
January 7, 2026

Improvements Needed in the Preparation, Review, and Approval of Journal Vouchers (2025-01)

CONDITION

Internal control relating to the preparation, review, and approval of manual journal vouchers is not appropriately designed and implemented to prevent or detect and correct material errors and omissions in the agency's general ledger. We identified this issue in previous years and to date, a corrective action plan has not been implemented.

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

CRITERIA

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

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

GAO Standards for Internal Controls in the Federal Government, Principle 10 – Design of Appropriate

Types of Control Activities, 10.03, Accurate and Timely Recording of Transactions, states, “Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

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

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

- Preparers and reviewers did not consider the current year (pre-closing) impact of entries on the financial statements or assumed that different general ledger accounts offset for current year reporting.
- The Delphi Financial Management System is programmed to reverse downward adjustments with upward adjustments. These entries require manual adjustment to prevent misstatement for current year reporting.
- A prior year entry that was prepared for another agency was used as the template during the preparation of one of STB’s entries. The authoritative guidance and Delphi posting logic used to record this entry was superseded.
- An appropriate corrective action plan relating to the review and approval of journal entries, including the creation of updated Standard Policies and Procedures, was not fully implemented during fiscal years 2021 through 2025.

EFFECT

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

RECOMMENDATION

We recommend that STB:

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

MANAGEMENT RESPONSE

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

AUDITOR RESPONSE

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

Financial Statements and Footnotes are Not in Accordance with Generally Accepted Accounting Principles and Office of Management and Budget (OMB) Circular A-136 Reporting Requirements (2025-02)

CONDITION

Internal control relating to the preparation and review of the financial statements and footnotes was not properly designed and implemented to prevent, detect, or correct errors and omissions. During our review of STB's financial statements and footnotes for the interim reporting period ended June 30, 2025, we identified the following condition:

- Material Misstatement of Note 11 – Statement of Budgetary Resources vs. Budget of the United States Government:
 - The total of New Obligations and Upward Adjustments reported per the Budget of the U.S. Government (\$48 million) in the footnote did not agree with the Technical Supplement to the 2026 Budget Appendix (\$45 million).
 - The difference of \$3 million for New Obligations and Upward Adjustments that was reported between STB's FY 2024 Statement of Budgetary Resources and the Budget of the United States Government did not exist and was misattributed to Expired Funds.

CRITERIA

Statement of Federal Financial Accounting Standards (SFFAS) 7: Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, Section 79 states, “The following information about the status of budgetary resources should be disclosed:

(g) explanations of any material differences between the information required by paragraph 77 and the amounts described as “actual” in the Budget of the United States Government.”

Office of Management and Budget (OMB) Circular A-136 (July 2025) Section II.3.8.25. Note 25: Statement of Budgetary Resources, subsection G, states, “Agencies should explain, pursuant to SFFAS 7, paragraph 79(g), material differences that exist between the SBR and the Budget of the U.S. Government, including:

1. The budgetary resources, new obligations, upward adjustments (total), and net outlay amounts from the prior year (i.e., FY 2024) SBR and the actual amounts from “Detailed Budget Estimates by Agency” found in the Appendix of the Budget (i.e., the FY 2024 amounts in the FY 2026 Budget).

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.”

CAUSE

- STB's control activities performed to review and approve the financial statements and footnotes did not prevent or detect and correct errors in the financial statement footnotes.
- Information from external sources that was reported in the footnote was not verified or was changed.

EFFECT

- Noncompliance with OMB financial reporting requirements.
- Material misstatements and creation of invalid reconciling item in Note 11.
- Increased risk of material misstatement, errors, and omissions in the financial statements and other required footnote disclosures.

RECOMMENDATION

We recommend that:

- STB management should independently review the most current version of OMB Circular A-136 and the USSGL Treasury Crosswalks to identify changes in data elements, classification, and presentation and ensure that these changes are incorporated into financial statement and footnote templates for current year reporting. A search for new versions of the USSGL Crosswalks and OMB Circular A-136 should be performed each time the financial statements are prepared.
- STB management should review the current version of OMB Circular A-136 to independently verify that all required footnotes are included and bring any omissions to the service provider's attention so that errors or omissions can be corrected.
- STB management should review the service provider's Financial Statement and Notes Review Checklist to verify that the checklist is up to date and includes all required elements per OMB and Treasury guidance and then complete the checklist independently. Alternatively, STB management should develop and complete its own review checklist based on current Treasury and OMB reporting requirements.
- STB management should request its financial management service provider to:
 - Reevaluate the inclusion of account balances that were excluded in the Other Liabilities footnote, or

- Disaggregate (i.e., separately report) intragovernmental other liabilities balances reported as a single line item on the balance sheet that are not included in the footnote so that the total amounts reported for Other Liabilities on the Balance Sheet and in the footnote agree.
- STB management should ensure that its review process includes procedures to disaggregate material balances reported in the financial statements and footnotes, agree balances to source documents, agree the footnotes to the principal financial statements, and verify the mathematical accuracy of all statements and schedules included in the financial statement package.
- Management's review and certification of the financial statements and footnotes should be clearly documented and indicate what was reviewed, when the review was performed, and who performed the review for each reporting period.
- STB financial management should complete training relating to the preparation and/or review of financial statements and footnotes to improve management's understanding of federal reporting requirements and to ensure that the financial statements and footnotes are complete, accurate, and appropriately presented.

MANAGEMENT RESPONSE

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

AUDITOR RESPONSE

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

Employee Benefits Election Forms Are Not Maintained in Employees' Official Personnel Folders (OPFs) per Office of Personnel Management (OPM) Requirements (2025-03)

CONDITION

Corrective action relating to the maintenance of employees' personnel records was not fully implemented to prevent, detect, or correct errors in employees' payroll records as of September 30, 2025. During our review of 120 payroll transactions selected from the population of all employees paid during the period of October 1, 2024 through September 30, 2025, we noted no exceptions; however, as STB is still in the process of reviewing employee records, the risk that errors and omissions still remain in employees' payroll records has not yet been fully addressed.

CRITERIA

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

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

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

GAO Standards for Internal Control in the Federal Government, Section 17.06, Evaluate Issues and Remediate Deficiencies, states, "Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis. These corrective actions include resolution of audit findings. Depending on the nature of the deficiency, either the oversight body or management oversees the prompt remediation of deficiencies by communicating the corrective actions to the appropriate level of the organizational structure and delegating authority for completing corrective actions to appropriate personnel. The audit resolution process begins when audit or other review results are reported to management, and is completed only after action has been taken that (1) corrects identified deficiencies."

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

- “(a) The head of each agency shall ensure that persons having access to or involved in the creation, development, processing, use, or maintenance of personnel records are informed of pertinent

recordkeeping regulations and requirements of the Office of Personnel Management and the agency.

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

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

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

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

CAUSE

- STB has not fully implemented control procedures in place to ensure that employees' benefit election forms are thoroughly and accurately documented in the electronic Official Personnel Folder (e-OPF) in accordance with OPM requirements.
- STB has not fully implemented control procedures in place to ensure that employees' benefit election forms are updated in the electronic Official Personnel Folder (e-OPF) when employees change their benefit elections.

EFFECT

- STB's document availability and retention policies and procedures do not comply with OPM requirements.
- The failure to verify and maintain employees' official personnel records increases the risk for misstatements in payroll expense and related liabilities.

- The potential effects of these conditions include:
 - Potential non-compliance with 5 U.S. Code (USC) Chapter 84, Subchapter III – Thrift Savings Plan and Federal Employees Health Benefits Act of 1959 (P.L. 86-382).
 - Potential misstatements of the financial statements and footnotes relating to payroll expenses and liabilities.
- Incorrect health and retirement benefits information in the eOPF can negatively affect employees in the event of a loss or claim and cause incorrect amounts to be withheld from their pay.

RECOMMENDATION

We recommend that:

- STB should perform a review of 100% of employee benefit elections and Official Personnel Folders (OPFs) to ensure they are complete and accurate.
- STB should develop policies and procedures that include the performance of periodic reviews of employees' Official Personnel Folders to ensure that they are complete and accurate.
- STB should obtain replacement documentation for employee forms and other documentation that have been determined to be incomplete or irretrievable from databases and other electronic sources following management's initial and periodic routine reviews.

MANAGEMENT RESPONSE

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

AUDITOR RESPONSE

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

Improvement Needed in the Internal Controls Over the Monitoring and Review of Open Obligations (2025-04)

CONDITION

Improvements are needed in the controls over the monitoring and review of open obligations. During the fiscal year (FY) 2023 audit, we identified five of twenty-six samples tested in which the full balance of the undelivered order was no longer valid and should have been de-obligated.

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

CRITERIA

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

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

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

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

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

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

GAO Standards for Internal Control in the Federal Government, Principle 17.06: Corrective Actions, states, “Management completes and documents corrective actions to remediate internal control deficiencies on a

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

CAUSE

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

EFFECT

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

RECOMMENDATION

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

MANAGEMENT RESPONSE

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

AUDITOR RESPONSE

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

Accounts Payable and Operating Expense Balances Did Not Include All Expenses Incurred During the Fiscal Year (2025-05)

CONDITION

STB's internal controls over the estimation and recording of accrued liabilities were not operating effectively to prevent, detect, or correct material misstatements of its ending balances of accounts payable, operating expense/program costs, unexpended and expended appropriations used, and related budgetary accounts as follows:

- During our year-end review of non-payroll disbursements that were recorded during the months of October and November 2025, we determined that for 13 of 34 samples selected, comprising four invoices and three vendor contracts, an accrued liability should have been recorded for goods and services received by the agency during fiscal year (FY) 2025. The amount of these unrecorded liabilities was \$303,325.04.
- During our year-end review of undelivered orders as of September 30, 2025, we identified that for 2 of 31 statistical samples, STB advised that services had been received and invoices were pending for undelivered orders balances. As such, an accrued liability should have been recorded. The known understatement was \$73,337.21; the total known and extrapolated understatement for this error was \$256,565.31.

CRITERIA

Statement of Federal Financial Accounting Standards (SFFAS) 5, Accounting for Liabilities of the Federal Government, provides the definition and general principles for the recognition of a liability: A liability for federal accounting purposes is a probable future outflow or other sacrifice of resources as a result of past transactions or events. General purpose federal financial reports should recognize probable and measurable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date.”

SFFAS 39, Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards, states,

- “11. Events or transactions that affect the basic information or RSI sometimes occur subsequent to the end of the reporting period but before the financial report is issued. Some of those transactions and events (referred to as recognized events) require adjustments while others (referred to as non-recognized events) may require disclosure in the basic information or RSI.
12. Recognized events consist of those events that provide additional evidence with respect to conditions that existed at the end of the reporting period and affect the estimates inherent in the process of preparing basic information and RSI. In evaluating the conditions on which the estimates were based, all information that becomes available prior to the issuance of the financial report

should be used. The basic information or RSI as applicable should be adjusted for any changes in estimates resulting from the use of such evidence.

13. Identifying recognized events calls for the exercise of professional judgment and knowledge of the facts and circumstances. The receipt of information regarding the impairment of an asset or the incurrence of a liability subsequent to the end of the reporting period may be indicative of conditions existing at the end of the reporting period, thereby calling for adjustment of the basic information or RSI before the issuance of the financial report.”

STB Key Business Process Memorandum – Budget Execution and Financial Reporting (4/2021), Accruals, states, “Responsibilities: The STB’s Chief Financial Officer (CFO) or designee will coordinate with the Enterprise Service Center (ESC), reviewing estimates, and ensuring that ESC is recording the value of goods and services for open obligations. The Section of Financial Services (SFS) will review quarterly purchase order status reports and determine if any open obligations require a reduction due to goods or services having been received...Procedures: The STB, working with its Contracting Officer Representative (COR) or Project Manager (PM), as the case may be, and ESC, will estimate the value of goods and services provided by vendors on a quarterly basis.”

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.”

Government Accountability Office (GAO), Standards for Internal Controls in the Federal Government, (issued September 2014), Principle 10.03, Accurate and Timely Recording of Transactions, states, “Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation 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

- STB’s control procedures to estimate accounts payable accruals in accordance with generally accepted accounting principles were not operating effectively to identify errors and omissions.
- During the lapse of federal appropriations period, Contracting Officers (COs) and Contracting Officer’s Representatives (CORs) were furloughed and were therefore not available during this time to contact vendors or provide input regarding goods and services received as of September 30, 2025 that would need to be included in the accrual.
- When regular operations resumed, STB did not revise its initial accrual estimate during the nearly four-week period before the financial statements were provided to the auditors. During this time, the accrual

should have been amended to include input from the CORs and invoices received during the beginning of the subsequent fiscal year for FY 2025 expenses to ensure that the accrual was complete and accurate. This information was available at the time the financial statements were delivered to external third parties.

- The undelivered orders balances were not reviewed or adjusted (i.e., accrued) for known amounts that were expected to be billed by vendors for goods and services already received by STB.

EFFECT

- The agency's financial statements and footnotes are not complete and are not prepared in accordance with generally accepted accounting principles.
- Current year impact to account balances reported on the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position:
 - Non-intragovernmental Accounts Payable, Operating Expenses/Program Costs, Delivered Orders-Unpaid, Expended Appropriations, and Unexpended Appropriations-Used were understated by at least \$559,890.35 as of 09/30/2025;
 - Undelivered Orders-Unpaid was overstated by an estimated \$559,890.35 as of 09/30/2025.
- Increased likelihood of material understatement of the subsequent year's operating expenses, expended appropriations, and related budgetary accounts.

RECOMMENDATION

We recommend that STB management:

- Develop and implement a written procedure that provides detailed guidance and instructions for the calculation of the organization's year-end accounts payable and other accruals.
- Develop and implement a look-back analysis or other control procedure to review disbursements made early in the subsequent reporting period (i.e., at the beginning of the next fiscal year) to identify subsequent transactions and undelivered orders balances related to goods and services received in the current and prior fiscal years that should have been included in the year-end accounts payable balance. Any prior accrual should be amended, when needed, prior to the external release or publication of the financial statements.

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.

Independent Auditor's Report

Exhibit III
Status of Prior Year Findings and Recommendations

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

FY 2024 Finding	Finding Year	FY 2024 Recommendation	FY 2025 Status
Improvements Needed in the Preparation, Review, and Approval of Journal Vouchers (2024-01)	2021	<p>Recommendations:</p> <p>Improve controls relating to the accuracy, validity, and review and approval of journal vouchers recorded in the general ledger.</p> <p>Specifically, we recommended that management should:</p> <ol style="list-style-type: none"> 1. Amend its existing policy regarding the review and approval of journal vouchers to include a review of all non-reversing entries recorded during the fiscal year and to review all year-end journal vouchers before they are recorded in the agency's general ledger. 2. Perform and document a review of all manual journal entries that includes a before and after analysis which illustrates the effect of the entry on the principal financial statements using the current year Treasury USSGL Section V crosswalks to the financial statements. If accounts are presumed to offset, then they must offset within the same line of the same financial statement within the same fiscal year reporting period (i.e., before closing entries are recorded following the end of the fiscal year). 3. At least quarterly, initiate and document a review of all entries and account balances for which a manual correcting entry may be needed to address potential misstatements due to system posting logic, such as offsetting upward and downward adjustments of prior year obligations, and record the appropriate entries to prevent misstatement of financial statement accounts and line items. 4. During the review of manual journal vouchers, verify and document that the authoritative guidance and internal tools used to support the entry are valid and current. 	Open Open Open Open

Independent Auditor's Report

Exhibit III
Status of Prior Year Findings and Recommendations

Improvements Needed in the Preparation, Review, and Approval of Journal Vouchers - Continued (2024-01)		<p>5. Finance Team complete training relating to adjusting entries, including the selection of USSGL accounts, to improve the quality and precision of the review and approval process.</p>	Open
Interim Financial Statement Footnotes Were Not Prepared in Accordance with U.S. Generally Accepted Accounting Principles (GAAP) and OMB Circular A-136 Requirements (2024-02)	2021	<p>Improve controls relating to the preparation and review of the financial statements and footnotes.</p> <p>Specifically, we recommended that management should:</p> <ol style="list-style-type: none"> 1. Independently review the most current version of OMB Circular A-136 and the USSGL Treasury Crosswalks to identify changes in data elements, classification, and presentation and ensure that these changes are incorporated into financial statement and footnote templates for current year reporting. A search for new versions of the USSGL Crosswalks and OMB Circular A-136 should be performed each time the financial statements are prepared. 2. Review the current version of OMB Circular A-136 to independently verify that all required footnotes are included and bring any omissions to the service provider's attention so that errors or omissions can be corrected. 3. Review the service provider's Financial Statement and Notes Review Checklist to verify that the checklist is up to date and includes all required elements per OMB and Treasury guidance and then complete the checklist independently. Alternatively, STB management should develop and complete its own review checklist based on current Treasury and OMB reporting requirements. 	<p>Open</p> <p>Open</p> <p>Open</p>

Independent Auditor's Report

Exhibit III
Status of Prior Year Findings and Recommendations

<p>Interim Financial Statement Footnotes Were Not Prepared in Accordance with U.S. Generally Accepted Accounting Principles (GAAP) and OMB Circular A-136 Requirements - Continued (2024-02)</p>		<p>4. Request its financial management service provider to:</p> <ul style="list-style-type: none"> ○ Reevaluate the inclusion of account balances that were excluded in the Other Liabilities footnote, or ○ Disaggregate (i.e., separately report) intragovernmental other liabilities balances reported as a single line item on the balance sheet that are not included in the footnote so that the total amounts reported for Other Liabilities on the Balance Sheet and in the footnote agree. <p>5. Ensure that the review process includes procedures to disaggregate material balances reported in the financial statements and footnotes, agree balances to source documents, agree the footnotes to the principal financial statements, and verify the mathematical accuracy of all statements and schedules included in the financial statement package.</p> <p>6. Review and certification of the financial statements and footnotes should be clearly documented and indicate what was reviewed, when the review was performed, and who performed the review for each reporting period.</p> <p>7. Complete training relating to the preparation and/or review of financial statements and footnotes to improve management's understanding of federal reporting requirements and to ensure that the financial statements and footnotes are complete, accurate, and appropriately presented.</p>	<p>Open Open Open Open</p>
--	--	---	--

Independent Auditor's Report

Exhibit III
Status of Prior Year Findings and Recommendations

<p>Employee Benefits Election Forms Were Not Maintained in Electronic Official Personnel Folders (eOPFs) per Office of Personnel Management (OPM) Requirements (2024-03)</p>	<p>2021</p>	<p>Improve controls relating to the availability and retention of documentation to support employee benefit elections.</p> <p>Specifically, we recommended that management should:</p> <ol style="list-style-type: none"> 1. Perform a review of 100% of employee benefit elections and Official Personnel Folders to ensure they are complete and accurate. 2. Develop policies and procedures that include the performance of periodic reviews of employees' Official Personnel Folders to ensure they are complete and accurate. 3. Address missing or unavailable supporting documentation with its shared service provider to ensure that document retrieval tools are available and are working properly to allow retrieval of all stored documents. 4. Obtain replacement documentation for employee forms and other documentation that has been determined to be incomplete or irretrievable from databases and other electronic sources following management's initial and periodic routine reviews. 	<p>Open Open Closed Open</p>
<p>Improvement Needed in the Internal Controls Over the Monitoring and Review of Open Obligations (2024-04)</p>	<p>2023</p>	<p>Improve controls relating to the monitoring and review of open obligations.</p> <p>Specifically, we recommended that management should:</p> <ol style="list-style-type: none"> 1. Implement and enforce its existing policies and procedures requiring the periodic review of all open obligations to ensure that closeout of completed contracts, including the deobligation of funds and return of the balances for any advanced payments, is performed regularly and timely. 	<p>Open</p>

Attachment 2. Agency Response



SURFACE TRANSPORTATION BOARD
Washington, DC 20423

January 7, 2026

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

Re: Fiscal Year 2025 Financial Statement Audit Report

Dear Mr. Allmond:

Thank you again for the opportunity to provide comments to the Fiscal Year 2025 Financial Statement Audit Report, "Surface Transportation Board Audit Report September 30, 2025."

The Surface Transportation Board (STB or Board) has reviewed the Fiscal Year 2025 Financial Statement Audit Report, and we concur with the audit opinion and reports on internal controls and compliance with applicable provisions of laws and regulations. Although a material weakness previously discovered in the Board's Fiscal Year 2024 financial reporting remains unresolved, the error had been corrected, and the Board is in the process of updating its procedures. The STB will continue to evaluate and update its internal controls to address deficiencies.

The STB would like to thank the Allmond & Company, LLC, Department of Transportation Office of the Inspector General, and the Board's shared service providers for their hard work and dedication throughout the year.

Sincerely,

A handwritten signature in black ink, appearing to read "BRYAN T-M BANKS".

Bryan T-M Banks
Acting Chief Financial Officer

Attachment 3. STB's Financial Statements and Notes

Attachment 3: STB's Financial Statements and Notes

Principal Financial Statements

Surface Transportation Board

Balance Sheet

As of September 30, 2025 (in thousands)

	2025
Assets:	
Intragovernmental assets:	
Fund Balance with Treasury (Note 2)	\$ 19,536
Advances to others and prepayments (Note 4)	2,172
Total intragovernmental assets	21,708
Other than intragovernmental assets:	
Accounts Receivable, Net (Note 3)	7
Property, Plant and Equipment, Net (Note 5)	612
Total other than intragovernmental assets:	619
Total Assets	\$ 22,327
Liabilities:	
Intragovernmental liabilities:	
Accounts Payable	\$ 1
Other liabilities (without reciprocals) (Note 6):	
Other unfunded employment related liability	41
Employer Contributions and Payroll Taxes Payable	115
Other liabilities (Note 7):	
Employer Contributions and Payroll Taxes Payable	131
Unfunded FECA Liability	53
Total intragovernmental liabilities	341

	2025
Other than intragovernmental liabilities:	
Accounts Payable	1,019
Federal Employee Salary, Leave, and Benefits Payable:	
Accrued funded payroll and leave	1,659
Employer contributions and payroll taxable	26
Unfunded leave	1,796
Post-Employment Benefits Payable (Note 6)	
Actuarial FECA Liability	283
Other liabilities (Note 7)	
Liability for Non-Fiduciary Deposit Funds and Undeposited Collection	5
Other liabilities Without Related Budgetary Obligations	1,021
Total Other Than Intragovernmental Liabilities	5,809
Total Liabilities	\$ 6,150
Net Position:	
Unexpended appropriations – funds from other than Dedicated Collections	\$ 18,753
Cumulative results of operations – Funds other than Dedicated Collections	(2,576)
Total Net Position	16,177
Total Liabilities and Net Position	\$ 22,327

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

Statement of Net Cost
For the fiscal year ended in 2025 (in thousands)

	2025
Program Costs:	
Program A:	
Gross Costs	\$ 48,395
Less: Earned Revenue	1,219
Net Program Costs	47,176
Net program expenses including Assumption changes	47,176
Net Cost of Operations (Notes 13 and 14)	\$ 47,176

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

Statements of Changes in Net Position

For the Fiscal year Ended September 30, 2025 (in thousands)

	2025
Unexpended Appropriations:	
Beginning Balances	\$ 18,900
Adjustments: (+/-)	-
Beginning Balances, As Adjusted	18,900
Appropriations Received	46,233
Other Adjustments (+/-)	(1,008)
Appropriations used	(45,372)
Net Change in Unexpended Appropriations	(147)
Total Unexpected Appropriations – Ending	18,753
Cumulative Results from Operations:	
Beginning Balances	(3,399)
Adjustments: (+/-)	-
Beginning Balances, as adjusted	(3,399)
Appropriations Used	45,372
Imputed Financing (Note 9)	2,627
Other (+/-)	(0)
Net Cost of Operations (+/-)	47,176
Net Change in Cumulative Results of Operations	823
Total Cumulative Results of Operations Ending	(2,576)
Net Position	\$ 16,177

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

Statement of Budgetary Resources
For the Fiscal year Ended September 30, 2025 (in thousands)

	2025
Budgetary Resources	
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 15)	\$ 7,053
Appropriations (discretionary and mandatory)	46,233
Spending authority from offsetting collections (discretionary and mandatory)	1,219
Total budgetary resources	54,505
Status of Budgetary Resources	
New obligations and upward adjustments (total) (Note 10)	47,582
Unobligated balance, end of year:	
Apportioned, unexpired accounts	162
Unexpired unobligated balance, end of year	162
Expired unobligated balance, end of year	6,761
Unobligated balance, end of year (total)	6,923
Total budgetary resources	54,505
Outlays, Net, and Disbursements, Net	
Outlays, net (total) (discretionary and mandatory)	44,963
Distributed offsetting receipts	(2)
Agency outlays, net (discretionary and mandatory)	\$ 44,961

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

Statement of Custodial Activity
For the Fiscal year Ended September 30, 2025 (in thousands)

	2025
Total Custodial Revenue:	
Sources of Cash Collections:	
Miscellaneous Receipts	\$ 2
Total Cash Collections	2
Total Custodial Revenue	2
Disposition of Collections:	
Transferred to Others (by Recipient)	
Department of the Treasury	2
Total Disposition of Collections	2
Net Custodial Activity	\$ -

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

Notes to Financial Statements

As of September 30, 2025 (in thousands)

Note 1. Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

The STB transactions are recorded in accordance with an accrual basis of accounting and a

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

D. Fund Balance with Treasury

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

E. Accounts Receivable

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

F. Property, Equipment, and Software

The STB's portfolio of assets as of September 30, 2025, includes furniture, equipment, and leasehold improvements. The STB leases its office space via an Occupancy Agreement (OA) with General Services Administration (GSA), which became effective on February 23, 2019, and ends on February 22, 2034. The work completed for the OA resulted in the Board recognizing leasehold improvements. In accordance with the Board's policy regarding property, equipment, and software, capital assets are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives.

The STB capitalizes assets when an individual acquisition costs \$50,000 or more. Capitalized assets are depreciated once they are placed in service.

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

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

G. Advances

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

H. Liabilities

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

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

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

I. Employee Leave

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

J. Retirement Plans

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

K. Estimates

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

L. Contingencies

The STB recognizes contingent liabilities in its balance sheet and statement of net cost when the liabilities are both probable and can be reasonably estimated. In FY 2025, STB management was not aware of any unasserted claims and assessments that, if asserted, would have at least a reasonable probability of an unfavorable outcome.

M. Imputed Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the STB are recognized as imputed costs in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

N. Classified Activities

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

O. Changes in Prior Year Reporting

The Office of Management and Budget (OMB) revised circular A-136 in July 2025. Pursuant to section I.1, agencies are required to report single versus comparative financial statements, notes, and required supplementary information for FY 2025. Comparative financial statements, notes, and required supplementary information is required for items within the purview of SFFAS 31 Accounting for Fiduciary Activities, or SFFAS 17 Accounting for Social Insurance. These standards are not relevant to the operations and activities of the STB. As a result, prior year financial statements, notes, and required supplemental information have been excluded from FY 2025 reporting, except where necessary to provide greater disclosure.

Note 2. Fund Balance with Treasury

STB's Fund Balance with Treasury account balances as of September 30, 2025 (in thousands) is as follows:

Fund Balance with Treasury	2025
Status of Fund Balance with Treasury:	
Unobligated Balance	\$ 6,923
Obligated balance not yet disbursed	12,608
Non-Budgetary Fund Balance with Treasury	5
Total	\$ 19,536

Note 3. Accounts Receivable

The STB's Accounts Receivable is primarily made up of debts due to the Board from current and former STB staff for payroll or other related items. The STB updated its procedures and closed all its credit accounts. Historical experience indicates that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2025.

STB's accounts receivable balance as of September 30, 2025 (in thousands) is as follows:

Intragovernmental Accounts Receivable	Gross Amounts Due	Allowance for Uncollectible Accounts	Net Amount Due
Accounts Receivable	\$ -	\$ -	\$ -
Receivable from Custodian – Other than the General Fund of the US Govt.	-	\$ -	\$ -
Transfers Receivable	-	-	-
Subtotal Intragovernmental Accounts Receivable	-	-	-
Other than intragovernmental:			
Accounts Receivable	8	1	7
Accrued Interest	2	2	-
Subtotal Other than Intragovernmental Accounts Receivable	10	3	7
Total Accounts Receivable	\$ 10	\$ 3	7

Note 4. Advances, Prepayments, and Other Assets

STB's Advances, Prepayments, and Other Assets as of September 30, 2025 (in thousands) is as follows:

Other Assets	2025
Intragovernmental	
Advances and Prepayments	\$ 2,172
Total Intragovernmental Other Assets	2,172
Total Other Assets	\$ 2,172

Note 5. General Property, Plant, and Equipment

General Property, Plant, and Equipment (PP&E) is reported at acquisition cost. The capitalization threshold is established at \$50,000 or more and a useful life of two or more years. For non-capitalized purchases, items are tracked when the individual useful lives are at least two years and have an individual value of \$1,000 or more. Acquisitions of PP&E that do not meet the

capitalization criteria are recorded as operating expenses. General PP&E consists of items that are used by the STB to support its mission. Depreciation or amortization on these assets is calculated using the straight-line method with no salvage value. Depreciation or amortization begins the day the asset is placed in service. Maintenance, repairs, and minor renovations are expensed as incurred. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized.

The estimated useful life of assets such as office furniture, office equipment, telecommunications equipment, and audio/visual equipment is five years, and the estimated useful life of information technology equipment is three years. The STB does not have restrictions on the use or convertibility of general PP&E. In FY 2019, the STB recognized leasehold improvements and furniture purchases after its new agreement with GSA went into effect and overall construction was completed. The STB in FY 2021 recognized catch up depreciation for additional capitalized amounts related to its leasehold improvement. In FY 2024, the STB purchased laptops with docking stations, and an American Power Conversion Uninterruptible Power Supply System (APC-UPS). The STB recognized laptops, power stations, and the APC-UPS placed in service as capitalized assets; laptops and power stations not yet placed in service are recognized as construction in progress.

The general components of capitalized PP&E, net of accumulated depreciation, or amortization, consisted of the following as of September 30, 2025 (in thousands):

Property, Plant, and Equipment as of September 30, 2025

Class of Property	Depreciation/ Amortization Method	Capitalization Threshold for Individual Purchases (\$)	Service Life (Years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value
Furniture and Fixtures	S/L	\$ 50,000	5	\$ 1,402	\$ 1,402	\$ -
Equipment	S/L	\$ 50,000	3	\$ 956	\$ 507	\$ 449
Leasehold Improvement	S/L	\$ 50,000	5	\$ 685	\$ 685	\$ -
Construction In Progress				\$ 163	\$ 0	\$ 163
Total				\$ 3,206	\$ 2,594	\$ 612

Note 6. Liabilities Not Covered by Budgetary Resources

STB's Liabilities as of September 30, 2025 (in thousands) is as follows:

Liabilities not covered by Budgetary Resources	2025
Intragovernmental:	
Covered by budgetary resources:	
Accounts payable	\$ 1
Accrued pay and benefits	246
Total intragovernmental covered by budgetary resources	247
Not covered by budgetary resources:	
Unfunded FECA liability	53
Other Unfunded Employment Related Liability	41
Total intragovernmental not covered by budgetary resources	94
Not requiring budgetary resources:	
Custodial liabilities	-
Total intragovernmental not requiring budgetary	-
Total Intragovernmental	341
Other Than Intragovernmental	
Covered by budgetary resources:	
Accounts Payable	1,019
Employer contributions and payroll taxable	26
Accrued pay and benefits	1,659
Total other than intragovernmental covered by budgetary resources	2,704
Not covered by budgetary resources:	
Unfunded leave	1,796
Actuarial FECA Liability	283
Liability for Non-Fiduciary Deposit Funds and Undeposited Collections	5
Other Liabilities Without Related Budgetary Obligations	1,021

Total other than intragovernmental not covered by budgetary resources	3,105
Total other than intragovernmental	5,809
Total liabilities not covered by budgetary resources	3,199
Total liabilities covered by budgetary resources	2,951
Total liabilities not requiring budgetary resources	-
Total Liabilities	\$ 6,150

Note 7. Other Liabilities

STB's Other Liabilities as of September 30, 2025 is as follows:

Other Liabilities	2025
Intragovernmental:	
Accrued Pay and Benefits	\$ 246
Current other Post-Employment Benefits Due and Payable	30
Non-current other Post-Employment Benefits Due and Payable	23
Unfunded employment related liability	41
Custodial Liability	-
Total Intragovernmental	340
Other than intra-governmental:	
Liability for Non-Fiduciary Deposit Funds and Undeposited Collections	5
Current Other Liabilities Without Related Budgetary Obligations	121
Non-current Other Liabilities Without Related Budgetary Obligations	900
Total other than intra-governmental	1,026
Total other liabilities	\$ 1,366

Note 8. Leases

The STB has a cancellable operating lease for its building via an operating agreement (OA) with GSA that became effective on February 23, 2019, and ends on February 22, 2034. The OA includes incentives from the Lessor that will be treated as deferred rent and amortized over the life of the lease (not included in the chart below). In addition, the OA includes allowances granted by the Lessor that are amortized and included in the STB's future rent costs. The STB's actual cash outlay for rental payments for its building was approximately \$3.0 million during FY 2025.

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

Fiscal Year	(\\$)
2026	3,014
2027	3,014
2028	3,014
2029	3,014
Thereafter (2030 – 2034)	13,563
Total Future Minimum Lease Payments	25,619

Note 9. Inter-Entity Costs

Goods and services are received from other Federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by STB are recognized as imputed costs in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to employee benefits. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements. The STB's inter-entity cost was approximately \$2.6 million for FY 2025.

Note 10. Budgetary Resources

STB Budgetary Resources as of September 30, 2025 (Dollars in Thousands) are:

Budgetary Resources	Direct	Reimbursable	2025
Category A	\$0	- \$ 0	0
Category B	47,582	- \$ 47,582	47,582
Total	\$47,582	- \$ 47,582	47,582

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

The reconciliation for the period ended September 30, 2025, is presented in the following table. The Budget with the actual amounts for the current year (i.e., FY 2025) will be available at a later date. The STB's Budget Appendix can be found on the OMB Website (<https://www.whitehouse.gov/omb/budget/>) and is expected to be available in February 2026. (Dollars in Millions).

Surface Transportation Board	Budgetary Resources	New Obligations& Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 51	\$ 45	\$ -	\$ 40
Difference #1—Expired Funds	(3)	-	-	-
Difference #2—Rounding	-	-	-	-
Budget of the U.S. Government	\$ 48	\$ 45	\$ -	\$ 40

Note 12. Undelivered Orders at End of Period

STB's Undelivered Orders at the end of September 30, 2025 (in thousands) is:

Undelivered Orders	2025 (\$)
Intragovernmental Undelivered Orders, Unpaid at the end of the period	\$ 945
Other than Intragovernmental Undelivered Orders, Unpaid at the end of the period	8,713
Intragovernmental Undelivered Orders, Paid at the end of the period	\$ 2,172

Note 13. Budget and Accrual Reconciliation

The Board notes that budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the Federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities.

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The STB's Budget and Accrual Reconciliation as of September 30, 2025 (in thousands) is:

	Intragovernmental (\$)	Other than Intragovernmental (\$)	2025 (\$)
Net Operating Cost (SNC)	\$16,620	\$30,556	\$47,176
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation expense	-	(196)	(196)
Increase/(Decrease) in Assets:			
Accounts receivable, net	-	6	6
Advances and Prepayments	428	-	428

(Increase)/Decrease in Liabilities:			
Accounts payable	15	(629)	(614)
Accrued funded payroll and leave	-	(406)	(406)
Employer contributions and payroll taxable	-	34	34
Unfunded Leave	-	258	258
Actuarial FECA Liability		-	-
Other Liabilities	169	121	290
Financing Sources:			
Imputed Cost	(2,627)	-	(2,627)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(2,015)	(812)	(2,827)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	-	614	614
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost:	-	614	614
Misc Items			
Custodial/Non-exchange Revenue	2	(2)	-
Total Other Reconciling Items	2	(2)	-
Total Net Outlays			44,963
Outlays, net	-	-	44,963
Distributed offsetting receipts	(2)	-	(2)
Budgetary Agency Outlays, net			
Budgetary Agency Outlays, net	-	-	44,961
Difference of Calculated vs. Actual Total Net Outlays	-	-	-

Note 14. Intragovernmental Costs and Exchange Revenues:

STB's Intragovernmental Costs and Exchange Revenues as of September 30, 2025 (in thousands) is:

As of September 30, 2025

	Intragovernmental	Other than Intragovernmental	Total
Surface Transportation:			
Gross Costs	\$ 16,620	\$ 31,775	\$ 48,395
Less Earned Revenue	\$ -	\$ 1,219	\$ 1,219
Net Program Costs	\$ 16,620	\$ 30,556	\$ 47,176
Net Cost of Operations	\$ 16,620	\$ 30,556	\$ 47,176

Note 15. Status of Budgetary Resources - Net Adjustments to Unobligated Balance, Brought Forward, October 1

During the year ended September 30, 2025, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2024. These adjustments include, among other things, recoveries and downward adjustments to undelivered and delivered orders that were obligated in a prior fiscal year. The adjustments during the year ended September 30, 2025 is presented below (in thousands).

	September 30, 2025
Beginning Unobligated Balance, 10/1	\$ 5,722
Adjustments to Unobligated Balance brought forward, October 1	(83)
Recoveries	2,422
Other Adjustments to Unobligated Balance brought forward, October 1	(1,008)
Unobligated Balance from prior year budget authority, net	\$ 7,053

Required Other Information

Summary of Financial Statement Audit and Management Assurances

Table 1: Summary of Financial Statement Audit

Audit Opinion: Unmodified

Restatement: No

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

Table 2: Summary of Management Assurances

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

Statement of Assurance: Unmodified

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

Payment Integrity

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

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

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

Program Review

The STB has only one program for budget purposes. The FY 2025 appropriated funding for the program is \$47.452 million. All the agency's transactions are either employee payroll and benefits, intra-governmental, or non-Federal transactions.

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

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

Based on OMB Circular A-123, the STB's program was reviewed to identify those activities that were susceptible to significant improper payments. For FY 2025, the STB Federal and non-Federal payment was \$17.2 million, and payroll was \$28.8 million for a combined total of \$46 million. The Payment Integrity Information Act defines "significant" as either (1) improper payments that exceed both \$10 million and 1.5% of program disbursements; or (2) improper payments in excess of \$100 million. Significant improper payments in the STB's program needed to exceed both \$0.6 million (1.5% improper payment rate) and \$10 million of all non-Federal

payments and payments to Federal employees. No material improper payments were identified by the STB in FY 2025 for significant improper payment reporting.

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

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

In FY 2025, zero (-) improper payments were discovered. The STB will continue evaluating its programs based on identified risk factors to prevent improper payments from occurring, but the overall risk is low/not significant.

Improper Payments Strategy

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

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

Due to the STB's size, such support services are provided under contract with ESC. Coordinating with ESC has greatly enhanced the STB's capabilities for identification of improper payments using detailed internal controls at both the STB and ESC. The STB obtains contracting support from DOT, which follows established pre-enrollment, pre-award, and pre-payment processes for all acquisition awards. Pre-enrollment procedures include cross referencing applicants against the GSA System for Award Management (SAM) exclusion records. ESC reviews Federal and commercial databases to verify past performance, Federal government debt, integrity, and business ethics.

For prepayment processes, ESC verifies an entity against both SAM and the Internal Revenue Service's Taxpayer Identification Number Match Program before establishing the entity as a vendor in its core financial accounting system.

Recapture of Improper Payments Reporting

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

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

The table below shows the result of improper payments (in millions of dollars) identified during FY 2025.

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

The following table shows cumulative overpayments (in millions of dollars) through FY 2025.

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

Biennial Review of User Fees

Agencies are required by the Chief Financial Officers Act of 1990 to conduct biennial reviews of fees and other charges that they impose, and to revise, as necessary, to recover program and administrative costs incurred. The STB is required to update its user fees at least annually. The STB published notice of its final rule on September 5, 2025, and the new user fee rates took effect on October 5, 2025.

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—2025 Adjustment*, Docket No. EP 716 (Sub-No. 10), issued a final rule to adjust its existing civil monetary penalties for inflation for 2025. The inflation adjustment required by the statute results in the adjustments to the civil monetary penalties within the jurisdiction of the Board shown in the following table. The publication of the decision in the Federal Register may be viewed at: <https://www.federalregister.gov/documents/2025/01/14/2025-00570/civil-monetary-penalties-2025-adjustment>

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level (\$ Amount or Range)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(a)	Unless otherwise specified, maximum penalty for each knowing violation under this part, and for each day.	1995	2025	\$9,970
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	2025	\$998
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(b)	For each day violation continues.	1995	2025	\$51
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	2025	\$9,970

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level (\$ Amount or Range)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(d)	For each violation under §§ 11123 or 11124(a)(1).	1995	2025	\$198-\$998
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 11901(d)	For each day violation continues.	1995	2025	\$100
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	2025	\$998
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	2025	\$198
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	2025	\$198
Motor and Water Carrier Civil Penalties					
Interstate Commerce Act, as amended by the ICC	49 U.S.C. 14901(a)	Minimum penalty for each violation and for each day.	1995	2025	\$1,365

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level (\$ Amount or Range)
Termination Act of 1995					
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14901(a)	For each violation under §§ 13901 or 13902(c).	1995	2025	\$13,647
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	2025	\$34,116
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	2025	\$27,293-\$54,586
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	2025	\$1,992
Interstate Commerce Act, as amended by the ICC Termination	49 U.S.C. 14901(d)(2)	Minimum penalty for each instance of transportation of household goods if broker provides estimate without	1995	2025	\$19,941

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level (\$ Amount or Range)
Act of 1995		carrier agreement.			
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14901(d)(3)	Minimum penalty for each instance of transportation of household goods without being registered.	1995	2025	\$49,848
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	2025	\$3,988
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	2025	\$9,970
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	2025	\$199,408

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level (\$ Amount or Range)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14904(a)	For first violation, rebates at less than the rate in effect.	1995	2025	\$398
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14904(a)	For all subsequent violations.	1995	2025	\$500
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	2025	\$998
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	2025	\$3,988
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	2025	\$998

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level (\$ Amount or Range)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14904(b)(2)	Maximum penalty for subsequent violations.	1995	2025	\$3,988
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	2025	\$19,941
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	2025	\$2,730
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	2025	\$6,823
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14907	Maximum penalty for recordkeeping/reporting violations.	1995	2025	\$9,970

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level (\$ Amount or Range)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14908(a)(2)	Maximum penalty for violation of § 14908(a)(1).	1995	2025	\$3,988
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	2025	\$998
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	2025	\$15,846
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 14916(c)(1)	Maximum penalty for each violation under § 14916(a) by knowingly authorizing, consenting to, or permitting unlawful brokerage activities.	2012	2025	\$13,647
Pipeline Carrier Civil Penalties					

Statutory Authority	U.S. Code Citation	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (Via Statute or Regulation)	Current Penalty Level (\$ Amount or Range)
Interstate Commerce Act, as amended by the ICC Termination Act of 1995	49 U.S.C. 16101(a)	Maximum penalty for violation of this part, for each day.	1995	2025	\$9,970
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	2025	\$998
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	2025	\$198
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	2025	\$198
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	2025	\$1,992



395 E Street, SW, Washington D.C. 20423