



AMTRAK | Office of
Inspector General
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AUDIT PLAN FOR FISCAL YEAR 2016

October 14, 2015



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INSPECTOR GENERAL'S MESSAGE

I am pleased to present our audit plan for fiscal year (FY) 2016. This plan provides a road map for accomplishing our mission to conduct independent and objective audits to improve the economy, efficiency, and effectiveness of the programs and operations of Amtrak (the company), while also preventing and detecting fraud, waste, and abuse.

Throughout FY 2016, we plan to start 22 audits that will focus on high-risk and high-impact issues related to the company's strategic goals of safety and security, customer focus, and financial excellence. The scope of the audits will also address risks related to fraud, waste, and abuse. These audits are organized around seven focus areas:

- Safety and Security
- Information Technology
- Governance
- Acquisition and Procurement
- Human Capital Management
- Train Operations
- Asset Management

As the year unfolds, we may adjust this plan to ensure that we direct available resources to the areas with the highest risk and impact. We welcome suggestions and comments about our planned future work. Please direct any suggestions or questions to me or Kevin Winters, Deputy Inspector General/Counsel, at 202-906-4600.

A handwritten signature in blue ink that reads "Tom Howard".

Tom Howard
Inspector General

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SUMMARY OF PLANNED AUDITS FOR FY 2016

We plan to start 22 audits this fiscal year. We selected these audits through discussions with the company's Board of Directors and senior management, and by considering congressional legislation and reports, the results of our ongoing and prior audit work, and our assessment of the company's major challenges. We prioritized our planned work based on two overarching high-risk and impact factors:

- mitigating the risks and impacts to achieving the company's strategic goals of safety and security, customer service, and financial excellence
- mitigating the risks and impacts of ineffectiveness and inefficiency in company operations, while preventing and detecting fraud, waste, and abuse

Table 1 lists the planned audits from highest to lowest priority, based on our risk and impact assessment.

Table 1. Planned Audits for FY 2016

Audit Title	Focus Area
1. Reviewing Issues Related to the Train 188 Accident	Safety & Security
2. Reviewing the Adequacy of the Company-Wide Safety Strategy	Safety & Security
3. Reviewing the Adequacy of Company-Wide Cyber Security Controls	Information Technology
4. Reviewing the Financial Impact of Changes to Retirement Benefits	Human Capital
5. Reviewing Issues Related to the Acquisition of New High-Speed Rail Trainsets	Acquisition & Procurement
6. Reviewing the Effectiveness and Efficiency of Management Processes for Overseeing a Major Contract	Acquisition & Procurement
7. Reviewing the Use of Best Practices in Operational and Capital Budgets	Governance
8. Reviewing the Implementation of Initiatives in Enterprise Resource Management and Management Control Framework	Governance
9. Reviewing the Efficiency and Effectiveness of Diesel Fuel Management	Train Operations
10. Reviewing the Adequacy of the Overhead Rates of Maintenance Shops	Asset Management
11. Reviewing Facility Physical Security	Safety & Security

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Audit Title	Focus Area
12. Reviewing the Effectiveness and Efficiency of the Zero Defect Program at New York's Pennsylvania Station	Asset Management
13. Reviewing the Efficiency and Effectiveness of State-Supported Service Contracts	Governance
14. Reviewing the Use of Best Practices in Passenger Boarding Procedures	Train Operations
15. Reviewing Management Controls by Using Data Analytics	Governance
16. Assessing Progress Made to Address 2016 Top Management and Performance Challenges	Governance
17. Reviewing the Implementation of Human Capital Initiatives	Human Capital
18. Reviewing the Adequacy of Website Security	Information Technology
19. Surveying Marketing and Sales Department Activities	Train Operations
20. Reviewing the Adequacy of the I-9 Process	Human Capital
21. Monitoring FY 2015 and FY 2016 Consolidated Financial Statement, Single Audits (A-133), and Benefit Plans	Governance
22. Reviewing the Effectiveness and Efficiency of Management Processes over Procurement Actions (Payment Requests) Accomplished Outside of Standard Procurement Processes	Governance

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SAFETY AND SECURITY

We plan to start three audits that will focus on issues related to the Train 188 accident, the company's overall safety strategy, and the physical security of the company's facilities.

1. **Reviewing Issues Related to the Train 188 Accident.** We will identify audits related to the accident after the National Transportation Safety Board reports its findings. Potential audit objectives will include reviewing the status of post-accident claims, emergency response plans, the accuracy of passenger manifests, and the effectiveness of systems to monitor compliance with train speed requirements.
2. **Reviewing the Adequacy of the Company-Wide Safety Strategy.** The objective of this audit will be to determine the extent to which the company is employing best practices in meeting its strategic goal of ensuring that every passenger and employee goes home injury-free every day. The scope of this audit will include employee and passenger safety issues, including following up on employee drug and alcohol use, rules violations, employee injury rates, and environmental compliance issues.
3. **Reviewing Facility Physical Security.** The objective of this audit will be to determine the extent to which the company's facilities are secure and best practices in physical security are employed. The scope of the audit will include a system-wide review of facilities with a focus on those facilities having the greatest impact on the safety of train operations and control over high-value assets. We will also identify facilities security best practices.

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INFORMATION TECHNOLOGY

The company relies increasingly on state-of-the-art information technology (IT) to improve labor and asset productivity, and to deliver safe and reliable customer service. Our work will focus on the company's overall IT security controls and the security of web site. We plan to start two audits in this area:

1. **Reviewing the Adequacy of Company-Wide Cyber Security Controls.** The company increasingly relies on information technology to support its business operations. The objective of this audit will be to review the effectiveness and efficiency of management processes for maintaining cyber security controls. The scope of this audit will include the Internet booking system, the Centralized Electrification and Traffic Control system, Positive Train Control, and other systems not managed by the company's IT department.
2. **Reviewing the Adequacy of Website Security.** The objective of this audit will be to assess security controls on the company's external website. We will perform this audit in coordination with other Inspectors General Offices from the Council of the Inspectors General on Integrity and Efficiency.

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GOVERNANCE

We plan to start seven audits in this area. Our work will focus on the use of best practices in budgeting, implementation of key management initiatives, management of the company's state-supported contracts, data analytics, top management and performance challenges, management of the company's financial audits, controls over payments, the company's incentive award program, and other areas.

1. **Reviewing the Use of Best Practices in Operational and Capital Budgets.** The objective of this audit will be to determine the extent to which the company is employing best practices in formulating its annual budgets. The scope of the audit will include the company's operations and capital budgets.
2. **Reviewing the Implementation of Initiatives in Enterprise Resource Management and Management Control Framework.** The objective of this audit will be to follow up on and to review the progress being made in implementing these initiatives.
3. **Reviewing the Efficiency and Effectiveness of State-Supported Service Contracts.** The objective of this audit will be to review the costs and benefits of the company's contracts to provide services to State commuter operations. The scope of this audit will include reviewing the effectiveness and efficiency of the processes used for billing and collecting reimbursable expenses.
4. **Reviewing Management Controls by Using Data Analytics.** The objectives of these audits will be to review and identify opportunities to reduce management control risks and improve efficiency and effectiveness of business operations; and to prevent, detect, and deter fraud, waste, and abuse. We will continue our work identifying fraud and abuse indicators in medical claims, payroll anomalies, use of employee travel passes, and other high-risk and impact areas.
5. **Assessing Progress Made to Address 2016 Top Management and Performance Challenges.** The objective of this work will be to provide our assessment of the top management and performance challenges facing the company and the efforts being made to address them.
6. **Monitoring FY 2015 and FY 2016 Consolidated Financial Statement, Single Audits (A-133), and Benefit Plans.** The company engages an independent public accounting firm to conduct annual audits of its consolidated financial statements and federal grant agreements. The objective of this review will be to ensure that these audits are performed in accordance with professional auditing standards.

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7. **Reviewing the Effectiveness and Efficiency of Management Processes over Procurement Actions (Payment Requests) Accomplished Outside of Standard Procurement Processes.** Since FY 2010, the company's use of "payment requests" for acquiring goods and services has doubled. Payment requests are transactions in which the user department seeks repayment for charges it has already incurred. The objective of this audit will be to review the effectiveness and efficiency of the management processes used to oversee payment request transactions.

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ACQUISITION AND PROCUREMENT

We plan to start two audits that will focus on the company's acquisition of new high-speed rail trainsets and its management of another major contract:

1. **Reviewing Issues Related to the Acquisition of New High-Speed Rail Trainsets.** The company estimates that it may spend up to \$3 billion on new high-speed rail equipment to replace its Acela Express fleet. The potential audit objectives include reviewing the final business case and the planned contract oversight practices and procedures for the procurement.
2. **Reviewing the Effectiveness and Efficiency of Management Processes for Overseeing a Major Contract.** The objective of this audit will be to review the cost, schedule, and performance of a major contract. We are reviewing a list of major ongoing contracts based on their cost and impact on the company's operations.

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HUMAN CAPITAL MANAGEMENT

The company has stated that the foundation of its strategic plan is an engaged workforce equipped with the skills and tools needed to carry out its mission. Our work will focus on the changes to the company's retirement benefits package, progress on other human capital initiatives, and the effectiveness of its employment eligibility verification program. We plan to start three audits in this area:

1. **Reviewing the Financial Impact of Changes to Retirement Benefits.** The objective of this audit will be to review the projected financial savings from implementing the new retirement benefits program. The scope of this audit will include verifying the short- and long-range savings forecasts for the new retirement benefits package.
2. **Reviewing the Implementation of Human Capital Initiatives.** The objective of this audit will be to review the progress the company has made in implementing its recently developed Human Capital improvement plan. The scope of our work will focus on issues identified in our 2009 and 2011 report on Human Capital issues and other Human Capital issues the plan addresses.
3. **Reviewing the Adequacy of the I-9 Process.** The objective of this audit will be to review the adequacy of the company's controls and processes for employment candidates completing the U.S. I-9 Form. This is the form used to verify a candidate's employment eligibility.

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TRAIN OPERATIONS

We plan to start three audits focusing on controls over the use of diesel fuel, passenger boarding procedure practices, and the company's marketing and sales activities:

1. **Reviewing the Efficiency and Effectiveness of Diesel Fuel Management.** The objective of this audit will be to review the extent to which the company is using best practices in buying and controlling its diesel fuel inventory. The scope of the audit will include reviewing the company's process and procedures for procuring, storing, and dispensing diesel fuel and comparing these processes to best practices.
2. **Reviewing the Use of Best Practices in Passenger Boarding Procedures.** A potential area for improving customer service is the passenger boarding process. The objective of this audit will be to review the effectiveness and efficiency of management practices and processes for boarding passengers. The scope of the work will include identifying best practices in boarding passengers in the passenger transportation industry with a focus on rail transportation.
3. **Surveying Marketing and Sales Department Activities.** The objective of this audit will be to survey the marketing and sales activities conducted by the department and how the effectiveness of these activities is determined. We will survey company advertising, customer service programs, ticket pricing, demand forecasting, and other activities. Based on our survey work we will identify potential issues to audit.

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ASSET MANAGEMENT

The company's fleets of rolling stock, rail infrastructure, real property, and other assets are valued at about \$11.3 billion. Our work in this area will focus on the efficiency of the company's maintenance shops and a new program for improving the reliability of track across the Northeast Corridor. We plan to start two audits in this area:

1. **Reviewing the Adequacy of the Overhead Rates of Maintenance Shops.** The objective of this audit will be to review management practices and procedures ensuring that overhead rates are maintained at levels consistent with workloads. The scope of this audit will include determining the utilization rates of these shops and overhead rate control practices and procedures.
2. **Reviewing the Effectiveness and Efficiency of the Zero Defect Program at New York's Pennsylvania Station.** The objective of this audit will be to review the effectiveness and efficiency of a pilot program for improving track reliability through increased inspection and targeted maintenance practices. The scope of the audit will include reviewing management controls and program results.

OIG MISSION AND CONTACT INFORMATION

Mission

The Amtrak OIG's mission is to provide independent, objective oversight of Amtrak's programs and operations through audits and investigations focused on recommending improvements to Amtrak's economy, efficiency, and effectiveness; preventing and detecting fraud, waste, and abuse; and providing Congress, Amtrak management, and Amtrak's Board of Directors with timely information about problems and deficiencies relating to Amtrak's programs and operations.

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Web: www.amtrakoig.gov/hotline
Phone: 800-468-5469

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