



OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

ANNUAL AUDIT PLAN FOR 2020

OIG-AP-2020 | January 22, 2020

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INSPECTOR GENERAL'S MESSAGE

I am pleased to present our audit plan for calendar year 2020. This plan provides a road map for accomplishing our mission to conduct independent, objective audits to improve Amtrak's (the company) economy, efficiency, and effectiveness, while preventing and detecting fraud, waste, and abuse.

Throughout 2020, we will continue to focus on high-risk and high-impact issues relating to the company's programs and operations. These include assessments of once-in-a-generation programs such as the Gateway program to double rail capacity between New York and New Jersey, the IT systems on the company's new Acela trainsets (part of the largest single investment in the company's 49-year history), and the replacement of the company's Amfleet equipment. It also includes safety-related audits involving the company's positive train control system (an automated safety system to prevent collisions and derailments) and the Safety Management System—the company's new safety program.

In developing this plan, we used a disciplined, risk-based process to select and prioritize our work. This included our assessment of the company's top management and performance challenges,¹ congressional interests, the results of our prior work, and risks identified by company officials. We then used this information to inform discussions with company executives about audits that could help the company achieve its mission and advance our statutory responsibilities.

Table 1 lists our planned 2020 audits in priority order. As the year unfolds, we may adjust this plan to ensure that we continually direct resources to the areas with the highest risks and impacts. We welcome input on our planned work. Please direct any questions or comments to me or Jim Morrison, Assistant Inspector General for Audits, at 202-906-4600.

Sincerely,

A handwritten signature in black ink that reads "K. H. Winters". The signature is fluid and cursive, with a long, sweeping underline.

Kevin H. Winters
Inspector General

¹Amtrak: Top Management and Performance Challenges—Fiscal Years 2019-2020 (OIG-SP-2018-011), September 28, 2018.

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Table 1. Audits Planned for 2020

Audit Title	Focus Area
1. Assessing Implementation of the Safety Management System	Safety and Security
2. Reviewing Capacity to Concurrently Manage and Oversee Multiple Master Developers for Major Station Redevelopment	Governance
3. Assessing Acela Information Technology	Information Technology
4. Monitoring the Gateway Program—Hudson Tunnel	Governance
5. Reviewing Procurement of Amfleet Replacement Rolling Stock	Acquisition and Procurement
6. Assessing Customer Service Skills of Frontline Employees	Governance
7. Assessing Management of Rolling Stock Service Contracts	Financial Performance
8. Reviewing Implementation of Positive Train Control	Safety and Security
9. Reviewing Engineering's Efforts to Optimize its Workforce	Human Resources
10. Monitoring Management of the Family and Medical Leave Act Program	Human Resources
11. Reviewing Management of the Americans with Disabilities Program	Governance
12. Assessing the Process for Allocating State-Supported Costs	Governance
13. Assessing Management of Spare Parts Inventory for Decommissioned Rolling Stock	Financial Performance
14. Assessing Data Management and Oversight	Information Technology
15. Monitoring the fiscal year 2019 Single Audit*	Governance
16. Monitoring the fiscal year 2020 Consolidated Financial Statement Audit*	Governance

*The Inspector General Act of 1978, as amended, requires this monitoring project.

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SAFETY AND SECURITY

The company has made improving its safety culture and performance a top priority and has taken steps to achieve this goal, notably implementing a new safety management system and materially completing installation of Positive Train Control on its own tracks. The company, however, continues to face challenges in ensuring employee safety and, as recently as December 2017, experienced a fatal passenger train accident. It also faces challenges funding and managing efforts to mitigate physical security vulnerabilities to protect passengers, employees, and infrastructure from terrorism and crime. We plan to initiate two audits in this area:

- **Assessing Implementation of the Safety Management System.** Over the past year, the company has been implementing a new safety management system—a proactive risk-management process intended to predict and prevent accidents before they occur. Our objective would be to assess the company’s implementation of the safety management system and its effect on the company’s safety culture.
- **Reviewing Implementation of Positive Train Control (PTC).** The company has identified PTC as its key safety system for preventing train collisions and is under an FRA-approved deadline of December 31, 2020 for full PTC system implementation. The company has faced challenges, however, achieving interoperability on tracks owned by host railroads, and with tenants on its tracks, because completion is dependent on actions by other railroads. Our objective would be to assess the company’s progress implementing PTC, including ensuring interoperability with host and tenant railroads.

ACQUISITION AND PROCUREMENT

The company typically spends more than \$2 billion a year procuring various goods and services and is in the midst of some of the largest procurements in its history. It is also in the process of rolling out a new automated procurement system to more efficiently store and track procurement data. The company, however, continues to face challenges in contract development, management, and oversight, leaving it vulnerable to increased costs, schedule delays, and poor contract performance. We plan to initiate an audit in this area:

- **Reviewing Procurement of Amfleet Replacement Rolling Stock.** The company is planning to replace over 450 single-level passenger cars at a cost of about \$10 billion. Effectively managing this acquisition will be critical, given the challenges the

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company has had in the past in managing such acquisitions. Our objective would be to assess the company's management and oversight of its Amfleet replacement procurement to identify risks, if any, to completing the program on time, within budget, and in accordance with performance requirements.

FINANCIAL PERFORMANCE

The company has taken significant steps to improve its financial performance in recent years and reduce its dependence on federal subsidies for its operations. To achieve its plan to eliminate its operating losses by 2021, it must continue to identify and capitalize on opportunities to reduce costs. We plan to initiate two audits in this area:

- **Assessing Management of Rolling Stock Service Contracts.** The company is undertaking major fleet acquisitions because a significant portion of its fleet is nearing the end of its useful service life. Our prior work identified that the company incurred excess costs on some spare parts and maintenance contracts for new rolling stock—commonly called Technical Services and Spares Supply Agreements (TSSSA)—due to oversight weaknesses. Our objective would be to assess the company's management and oversight of its TSSSAs to ensure it is getting adequate value.
- **Assessing Management of Spare Parts Inventory for Decommissioned Rolling Stock.** The company is undertaking a series of major fleet acquisitions because a significant portion of its fleet is nearing the end of its useful service life. Our objective would be to assess the company's process for reducing its spare parts inventory for legacy equipment and to identify opportunities, if any, to reduce costs when decommissioning its legacy rolling stock.

GOVERNANCE

The company has taken several steps to address longstanding challenges in establishing and maintaining company-wide governance processes, especially its policies, processes, and practices for managing its major programs and projects. Our recent work shows, however, that the company still has work to do to effectively and efficiently manage these programs and projects, ensure that strategic goals drive funding priorities, and manage risk at all levels of the company. We plan to initiate seven audits in this area:

- **Reviewing Capacity to Concurrently Manage and Oversee Multiple Master Developers for Major Station Redevelopment.** The company is undertaking five

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major station redevelopment projects using private partners—commonly called master developers—who will design and implement these projects. Our prior work identified concerns about the company’s capacity to manage individual redevelopment projects. Our objective would be to assess the company’s capacity to concurrently manage and oversee all five projects.

- **Monitoring the Gateway Program—Hudson Tunnel.** The Hudson Tunnel Project—a key component of the Gateway Program to double rail capacity between New York and New Jersey—is in the preliminary design phase. The company contracts with third-party engineering firms to perform this critical project work. Our objective would be to assess the company’s management and oversight of third-party firms to identify any risks to completing project design work on time, within budget, and in accordance with performance requirements.
- **Assessing Customer Service Skills of Frontline Employees.** The company has instituted a series of initiatives to improve its customers’ experience, such as refreshing passenger car interiors, providing cleaner bathrooms, and training staff to better interact with customers. However, company data indicates potential challenges with the customer skills of some frontline employees. Our objective would be to assess the extent to which the company trains and manages its frontline employees to ensure they are delivering a consistent, high-quality customer experience.
- **Reviewing Management of the Americans with Disabilities (ADA) Program.** Our prior work identified that weak program management led to cost overruns and delays in achieving statutorily required goals of making Amtrak facilities accessible to passengers with disabilities. Our objective would be to assess the company’s management and oversight of its ADA Stations Program to ensure program annual \$50 million expenditures and procurements meet the company’s statutory requirements.
- **Assessing the Process for Allocating State-Supported Costs.** In 2008, the Passenger Rail Investment and Improvement Act shifted some of the cost of funding short-distance routes to the states. Since then, Congress and the states are increasingly interested in Amtrak’s process for calculating states’ share of the cost to run these routes. Our objective would be to assess the process and data the company uses to allocate costs for select state-supported routes.

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- **Monitoring the fiscal year (FY) 2019 Single Audit.** We will monitor the work of the independent public accounting firm (IPA) performing Amtrak's FY 2019 Single Audit. Our objective is to determine whether the IPA performed the audit in accordance with generally accepted government auditing standards.
- **Monitoring the FY 2020 Consolidated Financial Statement Audit.** We will monitor the work of the IPA performing the audit of Amtrak's FY 2020 Consolidated Financial Statements. Our objective is to determine whether the IPA performed the audit in accordance with generally accepted government auditing standards.

HUMAN RESOURCES

The company has taken several steps to streamline its human resource costs, most notably by significantly reducing the number of management employees. The company, however, continues to face challenges in ensuring it employs consistent, efficient human capital processes. We plan to initiate two audits in this area:

- **Reviewing Engineering's Efforts to Optimize its Workforce.** Our prior work has identified potential schedule risks to infrastructure projects because the Engineering department faced challenges in effectively managing its workforce. Our objective would be to assess how the Engineering department configures its agreement workforce to identify opportunities to reduce costs and increase efficiency.
- **Monitoring Management of the Family Medical Leave Act Program.** The company provides eligible full-time employees up to 12 weeks of unpaid leave per year in accordance with the Family Medical Leave Act (FMLA). Our prior audit and investigative work, however, identified significant abuses of the company's FMLA program. Our objective would be to assess the company's management of its FMLA program and the effectiveness of its controls to mitigate fraud and abuse, as well as impacts on company operations.

INFORMATION TECHNOLOGY

The company has centralized its information technology (IT) services as part of an effort to address longstanding weaknesses in its IT practices. Our prior work has identified additional opportunities to protect the company's IT systems and data from cyber-attacks and to enhance the reliability and quality of its data. We plan to initiate two audits in this area:

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- **Assessing Acela Information Technology.** To manage the data from the new Acela 21 trainsets the company must develop and integrate multiple, complex IT systems, some of which are new and untested. Our objective would be to assess the company's management of these IT projects to identify risks, if any, to delivering them in time for the planned 2021 revenue service launch of the new Acela 21 trainsets.
- **Assessing Data Management and Oversight.** Our prior work shows that the company has faced challenges managing the quality and reliability of its enterprise data—a core tool for making management decisions and identifying and responding to organizational challenges. Our objectives would be to assess the company's progress compared to other successful public- and private-sector organizations, and to identify any related challenges in improving data governance and oversight.

ADDITIONAL AREAS TO CONSIDER

Below are four additional, potential audits that we will consider as the year progresses, and as resources become available, to ensure we are directing resources to the highest-risk, highest-impact areas.

- **Assessing Physical Security at Chicago Union Station**—Assess the physical security at Chicago Union Station—our third in a series on physical security at major U.S. rail stations.
- **Reviewing the Effectiveness of Hiring Practices**—Assess the extent to which the company follows its policies and processes to avoid conflicts of interest in the hiring process, such as the preferential hiring of family members, friends, or business associates.
- **Reviewing Company-wide Efforts to Adapt to Changing Technology**—Assess the company's efforts to develop and implement innovative technologies to sustain a competitive advantage and enhance its operations.
- **Assessing Controls for Ensuring Accurate Employee Timekeeping**—Assess the extent to which the company has reliable controls to prevent timekeeping fraud, waste, and abuse.

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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www.amtrakoig.gov/hotline

or

800-468-5469

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