



AMTRAK | Office of
Inspector General
www.amtrakoig.gov

SEMIANNUAL REPORT to the United States Congress

April 1, 2015–September 30, 2015
Report # 52





Table of Contents

From the Inspector General	ii
OIG Profile	1
Significant Activities: Audits and Investigations	4
OIG Organization	21
Appendix 1 Fiscal Year 2015 Performance Measures	24
Appendix 2 Questioned Costs	25
Appendix 3 Funds Put To Better Use	26
Appendix 4 Audit Products	27
Appendix 5 Recommendations for Which Corrective Action Not Complete	29
Appendix 6 Review of Legislation, Regulations, and Major Policies	33
Appendix 7 Peer Review Results	34
Appendix 8 Glossary of Terms, Acronyms, and Abbreviations	35
Appendix 9 Reporting Requirements Index	37
OIG Mission and Contact Information	38

From the Inspector General



National Railroad Passenger Corporation Office of Inspector General

I am pleased to submit our latest *Semiannual Report to the United States Congress*. This report highlights the activities of our office for the six months ending September 30, 2015, pursuant to the Inspector General Act of 1978, as amended.

Throughout this reporting period, our work continued to address issues relating to Amtrak's diverse programs and operations, including the safety of train operations. Tragically, on May 12, 2015, Amtrak Train 188 derailed in Philadelphia, resulting in loss of life, injuries, and economic disruption from Washington to Boston. While our thoughts remain with those affected, our office continues to participate in the resulting investigations and also reported on train safety issues. This included our June 19, 2015, report on Amtrak's progress implementing "Positive Train Control," a congressionally-mandated safety system intended to automatically control train speed and avoid collisions.

In addition, we also reported on our views of the "Top Management and Performance Challenges" facing Amtrak for fiscal year 2016 and beyond. These challenges include addressing long standing issues such as improving train operations, governance, and financial performance. Further, our investigative efforts addressed allegations of theft, fraudulent practices, and employee misconduct. Examples range from investigations revealing fraudulent use of Amtrak-issued fuel cards to a Federal indictment of two individuals who allegedly caused a train wreck as part of an insurance fraud scheme.

I remain proud of our work and we are committed to continuing our independent focus on consequential issues concerning Amtrak--including matters of interest to Congress and American taxpayers. We trust that you will find this report informative.

Tom Howard
Inspector General

OIG Profile

Authority, Mission, Vision, and Focus Areas

Authority

The Inspector General Act of 1978 (Public Law 95-452, 5 U.S.C. Appendix 3), as amended in 1988 (P.L. 100-504), established the Office of Inspector General (OIG) for Amtrak to consolidate investigative and audit resources into an independent organization headed by the Inspector General to promote economy, efficiency, and effectiveness; and to detect and prevent fraud, waste, and abuse. Subsequently, the Inspector General Reform Act of 2008 (P.L. 110-409) amended and strengthened the authority of the inspectors general.

Mission

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.

Vision

Amtrak OIG will operate as a model OIG, generating objective and sophisticated products that add value. Utilizing modern infrastructure and effective support systems, and following efficient, disciplined processes that meet the standards of the accountability community, our diverse and talented team will work professionally with,

but independently from, Amtrak management (See *OIG Strategic Plan Fiscal Years 2013-2017*).¹

Focus Areas

We concentrate our audit and investigative work on seven focus areas. Depending on the work completed during a semiannual period, we may report on issues in one or more of the focus areas listed below.²

Safety and Security. These programs and activities relate to the safety and security of assets, employees, and the train-riding public.

Acquisition and Procurement. These activities include acquisition and procurement policies, procedures, and practices involving planning, project selection, contract award, implementation, and closeout.

Governance. This includes a system of management controls—including policies, processes, and people—which serves the needs of shareholders and other stakeholders by directing and controlling management activities with good business savvy, objectivity, accountability, and integrity.

Information Technology. Management of information encompasses processes, policies, and procedures to acquire and use information tools to improve labor and asset productivity and deliver safe and reliable customer service.

Human Capital Management. This encompasses the development and implementation of human capital policies, procedures, and practices across the corporation.

Asset Management. These activities relate to the use and maintenance of assets, including trainsets, support equipment, inventory, and real property.

Train Operations and Business Management. These activities are associated with operating passenger service, including delivering safe and cost-effective service.

¹ OIG-SP-2013-2017, *Strategic Plan Fiscal Years 2013-2017*,
http://www.amtrakoig.gov/sites/default/files/reports/strategic_plan2.pdf

² For complete definitions of these focus areas, see *Annual Audit, Inspection, and Evaluation Plan Fiscal Year 2014*.
http://www.amtrakoig.gov/sites/default/files/reports/fy2014_final_audit_and_evaluation_plan.pdf.



Significant Activities: Audits and Investigations

Amtrak: Top Management and Performance Challenges – Fiscal Year 2016 and Beyond

(Audit Report No. OIG-SP-2015-015, September 30, 2015)

This report identifies the top management and performance challenges we see facing Amtrak (the company). Many other inspectors general are legislatively required to produce similar reports focusing on high-risk/impact activities and performance issues that affect programs, operations, and achievement of strategic goals. Those reports have shown that periodically identifying and reporting the challenges to management, other decision-makers, and Congress can help improve organizational performance.

Although we are not legislatively required to report on management challenges, as we did in fiscal year (FY) 2014, we prepared this report with the intent of providing similar benefits.

In deciding whether to identify an issue as a top challenge, we considered its significance in relation to the company's mission; its susceptibility to fraud, waste, and abuse; whether the underlying causes are systemic in nature; and the company's progress in addressing the challenge. We discussed the challenges with company executives and senior management officials to obtain their views, and we considered congressional views based on hearings, discussions with congressional staff, and other information sources.

The company has made progress implementing its FY 2014 – 2018 strategic plan and has accomplished positive results in many of its programs and operations. For example, in recent years, key areas of progress include reducing the company's adjusted net operating loss from \$361 million in FY 2013 to \$238 million in FY 2014 and lowering its debt to \$1.3 billion. These accomplishments provide a solid foundation for pursuing the various improvement initiatives identified in the company's strategic plan.

The top management challenge issues we have identified are unchanged from last year. This is not due to a lack of effort or progress in addressing the challenges, but rather to their long-standing and complex nature. Fully mitigating these challenges will take continuous attention over a period of years. In our view, the most significant challenges focus on seven issues:

- sustaining commitment to improving governance
- enhancing financial performance in a public/private environment
- improving train operations
- improving asset management
- improving human capital management
- improving acquisitions and procurement processes
- using information technology to improve business operations

Safety and Security

Safety and Security: Progress Made Implementing Positive Train Control, but Significant Challenges Remain

(Audit Report No. OIG-A-2015-013, June 19, 2015)

The Rail Safety Improvement Act of 2008 requires the company and each railroad hosting intercity or commuter rail passenger service to install and operate an approved Positive Train Control (PTC) safety system by December 31, 2015. The Federal Railroad Administration has issued performance-based safety standards and requirements for developing and implementing PTC systems, including a process for obtaining regulatory approval of the system. In response to Railroad Administration requirements, the company developed a PTC implementation plan that detailed how it would meet the federal requirements. In 2010, the Railroad Administration approved the company's plan.

Significant Activities

The company has an ongoing program to implement its plan by installing new equipment on its property and locomotives. In December 2012, we reported on the progress made and the significant challenges the company faced in implementing its plan (OIG report no. OIG-E-2013-003). In October 2014, we started a follow-up review of our 2012 report.

The tragic derailment of Amtrak Train 188 in Philadelphia on May 12, 2015, continues to raise many questions, ranging from causation to safety systems that could have mitigated the excessive speed. In view of the current interest in the company's progress implementing PTC, we issued this interim report on the results of our work to date. We are continuing our work and plan to issue a final report at a later date.

Since we last reported on the plan for implementing PTC in December 2012, the company has made progress implementing the plan and addressing the challenges we identified at that time. Nonetheless, the company faces significant challenges in fully implementing its plan on the North East Corridor by the deadline.

The company plans to have the major components of its PTC system—an upgraded Advanced Civil Speed Enforcement System (ACSES)—installed on its property and locomotives on the corridor by the December 2015 deadline. However, the company's installation and testing schedule allows for little or no delays. The company faces other challenges to fully implementing the plan on the corridor, including testing the radio frequency spectrum that it acquired for the south end of the corridor and mitigating any interference identified. The company is also working with its state partners to implement ACSES on two corridor feeder routes. These projects are currently estimated to take two to three years beyond the deadline to complete.

Interoperability with freight and commuter railroads remains a key challenge. For example, the company does not have a firm plan for deploying an alternative PTC system on the corridor's southern end for one freight and one commuter railroad that run on that section of track but do not plan to use ACSES.

It is also important to note that the company's plan only includes installing ACSES on the company's corridor property. This does not include the heavily travelled 56 miles of

track owned by Metro-North Railroad in New York. Moreover, ACSES will not be installed on some company property including areas where multiple railroads cross the company's property or where the track structure is complex, including areas around or in stations in Washington D.C., Philadelphia, New York, and Boston's South Station.

The company is continuing its efforts to ensure PTC interoperability on its trains that operate on freight railroad tracks throughout the rest of the country. Although the company plans to install PTC components on its locomotives, PTC will not be in place for the majority of these routes by the December 31, 2015 deadline because the freight railroads that own these tracks will not have completed installing PTC equipment on their properties.

For the company-owned track outside the North East Corridor, the company is taking steps to ensure PTC interoperability. However, PTC systems will not be fully installed on their Michigan routes or in their Chicago and New Orleans stations by the December 2015 deadline.

We also identified several opportunities to improve program management processes and practices and recommended that actions are taken in the following areas: clarifying decision-making authority for completing tasks, enhancing program management plans, assessing staff capabilities and capacities, and developing comprehensive program cost estimates

Addressing these areas will help ensure that the company can fully implement its plan for PTC. The company provided oral comments on a draft of this report and stated that it generally agreed with our recommendations. The actions they cited meet the intent of our recommendations.

Escalator Safety Issue

July 2015 (Investigations)

In March 2015, we were notified that an escalator at a company station was improperly repaired by a contractor, resulting in failure of the escalator and a potential safety issue. We interviewed several witnesses and found no actionable evidence of waste, fraud, or abuse, such as counterfeit parts or product substitution; however, we did find reason to

Significant Activities

question the quality of the repairs made to the escalator and apparent weaknesses in the service agreement between the company and the contractor. In May 2015, we provided the relevant information from our investigation to company management to assist them in determining a safe and fiscally responsible solution. Management recently informed us that it had completed a full review –with the assistance of an outside entity specializing in the inspection and analysis of escalator systems –and reached an agreement with the contractor for a safe and cost effective method to repair the escalator. Additionally, the company stated management will work to improve future service agreements with contractors.

Ongoing Work—Safety and Security

Audit of Efforts to Implement Positive Train Control. The objective of this audit is to assess the company’s progress addressing the challenges we noted in our interim report (*Safety and Security: Progress Made Implementing Positive Train Control, but Significant Challenges Remain*, Audit Report Number OIG-A-2015-013, June 19, 2015).

Video Surveillance Systems. The objective of this audit is to assess the company’s efforts to implement and utilize video surveillance systems.

Acquisition and Procurement

Acquisition and Procurement: New Jersey High-Speed Rail Improvement Program Has Cost and Schedule Risks

(*Audit Report No. OIG-A-2015-012, June 17, 2015*)

The company initiated the New Jersey High-Speed Rail Improvement Program to upgrade its rail infrastructure to support higher maximum train speeds, increase capacity, and improve service reliability over a 23-mile section of track between Trenton and New Brunswick, New Jersey. In August 2011, the Federal Railroad Administration awarded the company a \$449.95 million grant to fund the program.

Some progress has been made in completing the program; however, significant unmitigated risks jeopardize the company’s ability to complete the program by June 2017 when the grant funding expires and at a cost within the grant amount.

Based on data as of February 28, 2015, we estimate that the cost to complete the program will exceed the amount of the grant by \$83.14 million. The amount of the cost overrun is likely to increase as work progresses because there are no contingency funds to absorb project cost increases, and about 60 percent of the grant funds remain to be spent over the next 27 months.

For the same reasons, the program's schedule estimates for completing the projects are highly optimistic and may not be achievable by June 2017. If any of the projects are not completed by that date, the company will have to identify other funding sources to complete the program regardless of whether all the grant funds have been expended.

The program's cost and schedule problems are directly attributable to weaknesses in program management and oversight. We have previously reported on gross mismanagement of funds and resources by the former Deputy Chief Engineer, Section Improvements. Further cost and schedule estimates for the program were not sufficiently detailed, and accountability and oversight responsibilities were fragmented. The company is aware of these weaknesses and recently took action to strengthen the program management team, but additional action is needed to identify opportunities to reduce costs and achieve schedule estimates.

The Chief Operations Officer agreed with our recommendations to finalize a risk mitigation plan and to provide senior management information on program management variances from cost and schedule estimates. While the actions cited are improvements in project planning and reporting, additional actions are needed to meet the intent of our recommendations. Specifically, the mitigation plan should identify additional funding sources for work that will not be completed by the June 2017 deadline, and that senior management needs information on cost and schedule progress more frequently than monthly to help ensure the effective and efficient use of the grant funds prior to expiration.

Significant Activities

Ongoing Work—Acquisition and Procurement



Assessing the Efficiency and Effectiveness of Management Processes for Overseeing the Siemens Locomotive Technical Support Contract. The objective of this audit is to review the adequacy of contract oversight and administration, focusing on cost, schedule, and performance issues.

Assessing the Efficiency and Effectiveness of Management Processes for Utilizing Master Service Agreements. The objective of this audit is to determine the efficiency and effectiveness of the use and management of master service agreements to procure services, such as information technology support and management consulting services.

Assessing the Efficiency and Effectiveness of Management Processes for Overseeing the General Electric Diesel Locomotive Service Contract. The objective of this audit is to review the adequacy of contract oversight and administration, focusing on cost, schedule, and performance issues.

Governance

Governance: Profile of Timesheet Data of Agreement Employees for Calendar Year 2014

(Audit Report No. OIG-MAR-2015-011, January 13, 2015)

One of the company's major expenses is labor. In Calendar Year (CY) 2014, the company paid more than \$1.2 billion in total wages to employees covered by collective bargaining agreements (union agreements)—about 29 percent of total annual expenses. Regular wages paid totaled \$829 million, and overtime wages totaled \$199 million.

During CY 2014, the company employed personnel belonging to 14 unions. The company and these unions have entered into 23 bargaining agreements, representing crafts such as locomotive engineers, onboard service crew members, maintenance of way crews, coach cleaners, and police department employees. Each agreement includes specific rules for calculating an employee's time charges and associated pay. The company uses six timekeeping systems to process timesheets and calculate wage payments.

Analysis of CY 2014 timesheet data revealed trends and patterns that indicate potential fraud, waste, and abuse in the reporting of overtime and regular time. Some of these trends and patterns may be justified because of the complexity of union agreement rules, the nature of jobs, and the functions employees perform. However, our prior investigative work has shown instances in which employees have fraudulently reported hours not worked. We believe that these trends and patterns merit further analysis and, if appropriate, action by management. We identified a number of trends and patterns, including:

- Employees reported working 2,381 weeks with at least 40 overtime hours in addition to their 40 regular hours. Five employees reported 22 or more weeks in which they worked at least 40 overtime hours in addition to 40 regular hours. Some employees reported working 74 or more overtime hours in a week in addition to 40 regular hours.

Significant Activities

- Employees reported working 957 weeks with overtime hours but no regular hours. In nine instances, employees reported more than 100 hours of overtime. Some employees repeatedly reported working overtime but no regular hours, including five employees who reported at least five weeks with overtime but no regular hours.
- Employees reported 1,357 days in which they worked more than 24 regular and overtime hours. Ten employees reported working at least 40 hours in a day.
- Employees reported 280 instances in which they worked 31 or more consecutive days. Eight employees reported working 100 or more consecutive days.

Moreover, although 57 percent of agreement-covered employees earned \$40,000 to \$80,000, 46 employees earned more than \$160,000 in 2014 compared to 32 employees in 2013. This includes 18 employees who earned more than \$160,000 in both 2013 and 2014.

The company agreed to further analyze this data and alert us to any cases that appear to involve fraud.

Purposely Staged Amtrak Train Collision

April 2015 (Investigations)

We conducted an investigation jointly with several law enforcement agencies that led to the indictment and arrest of two individuals for conspiracy to commit mail and wire fraud, causing a train wreck, and unlawful interference with a train operator. The indictment alleges that the two men parked a car in the path of an oncoming company train, got out of the car prior to the collision, and then returned to the car after the collision, feigning injury, all for the purpose of submitting bogus claims for personal injuries and other losses. One of the defendants has subsequently pled guilty and is awaiting sentencing, while the other defendant is in judicial process.

Failure to Disclose Interest in Outside Entity

June 2015 (Investigations)

We conducted an investigation of a company executive based on an allegation that he did not disclose his ownership interest in an outside entity, while recommending for

hire a contractor associated with the company. This initial allegation led to additional inquiry regarding the executive using company resources to conduct personal business on company time. Our investigation determined that the company executive did not properly notify procurement officials of his ownership in the outside entity during the selection process of the contractor. Additionally, despite initial denial by the company executive, we confirmed that the executive repeatedly worked on personal business with company resources during the hours he was being paid to work for the company. More specifically, we determined through investigation that the executive used his company assigned smart phone and laptop extensively to support his ownership interest in the outside entity (while on company time). In sum, we found that the company executive was not completely forthcoming with our agents during the investigation, and clearly violated the standards of ethical conduct pertaining to his employment with the company. Consequently, company management terminated the individual's employment.

Fuel Card Misuse

June 2015 (Investigations)

A series of our investigations identified a number of fraudulent purchases with fuel cards, which for the most part went undetected by the company, indicating there were systemic weaknesses in the internal controls over fuel cards. These investigations have resulted in criminal charges pursued against five (including one non-company individual), three employee resignations, one employee dismissal and \$92,615.38 ordered in restitution to the company. In February 2015, we recommended to company management that it review the adequacy of its policy for the use, control and accountability of fuel cards to prevent further misuse. Management informed us in June 2015 that it agrees with our recommendations; and they will conduct a preliminary assessment to review policy and procedures to better manage and control the use of the fuel cards.

Unqualified Contractor Employee

June 2015 (Investigations)

We previously reported on the result of our investigation in which the United States Attorney for the District of Connecticut and the Attorney General for the State of

Significant Activities

Connecticut announced that Garg Consulting Services, Inc., entered into a civil settlement agreeing to pay \$390,000. The payment was to resolve allegations that Garg Consulting Services, Inc. failed to authenticate an employee's purported educational credentials and professional certification before hiring and assigning him to work on various U.S Department of Transportation-funded and state-funded highway projects, and on a bridge reconstruction project funded by Amtrak. The Garg employee, identified as Barry Kenneth Purnell, Jr. was hired as an engineer by Garg Consulting Services, Inc. after he applied for employment representing that he was a 2002 graduate of the University of Vermont with a Bachelor of Science Degree in Civil Engineering Management and that he had obtained an Engineer-in-Training certification. Garg did not make inquiries to authenticate his educational credentials or training certification. Had they done so, Garg Consulting Services, Inc. would have learned that Purnell had not graduated from the University of Vermont or obtained the training certification. As an update to this case, Purnell pleaded guilty to one count of Larceny-1st degree on February 26, 2015 and was sentenced in Hartford Superior Court on August 28, 2015 to an 8-year suspended sentence, with 9 months incarceration to be served. In addition, a term of 5 years of probation was imposed. We investigated this case with the U.S. Department of Transportation OIG.

Governance: Non-Career Officials Were Not Involved in Responding to Freedom of Information Act Requests

(Audit Report No. OIG-A-2015-014, August 21, 2015)

This report responds to a letter from the Chairman of the Senate Committee on Homeland Security and Governmental Affairs asking that we analyze whether non-career officials were involved in the process of responding to Freedom of Information Act (FOIA) requests at the company from January 1, 2007, to June 30, 2015. Specifically, he asked whether there was any undue delay of a response to any FOIA request or whether any document or portion of any document was withheld that would have otherwise been released but for the involvement of non-career officials in the process. He also requested that we seek from the Chief FOIA Officer one of the following certifications: (1) No non-career officials were involved in the company's response to any FOIA request. Or (2) If such involvement occurred, the involvement of non-career officials has never resulted in any undue delay of a response to a FOIA request or the

provision of less information than would have been provided but for the involvement of the non-career officials.

The only non-career officials at the company are members of the Board of Directors. The members are appointed by the President and confirmed by the Senate. The Chief Executive Officer is also a Board member but he is an employee appointed by the Board and therefore is not a non-career official.

Our work shows that non-career officials were not involved in responding to FOIA requests made to the company. We reviewed all closed FOIA requests for Board of Directors' information from January 1, 2007, through June 30, 2015, and found that non-career officials were not involved in responding to those requests. We also reviewed selected responses to FOIA requests related to the company's operations during the same time and found that non-career officials were not involved. Also, the company's Chief FOIA Officer certified that no non-career officials were involved in the company's response to any FOIA request. The company's Chief Legal Officer, General Counsel and Corporate Secretary agreed with a draft of this report.

Theft of Copper Cable

September 2015 (Investigations)

We were informed that two company electricians had stolen 50 feet of copper electrical cable worth \$2,000 from a limited access railroad track area under the Chicago Union Station without authorization. Our ongoing investigation identified that the actual amount of stolen cable is over 4 tons and valued at more than \$10,000. The investigation resulted in the termination of both electricians' employment from the company.

Additionally, both employees were indicted on one count of felony theft and one count of felony forgery by the Cook County State's Attorney's Office. The defendants were arraigned on October 13, 2015 and are scheduled to appear in court in November 2015. We investigated this matter with the Amtrak Police Department.

Significant Activities

Chiropractor Indicted

September 2015 (Investigations)

We conducted an investigation based on allegations that Chiropractor, Doctor Yoav Stein, 17555 Ventura Blvd., Suite 200, Encino, CA, submitted false claims to company Group Healthcare Plans with United Healthcare for services not received. On September 25, 2015 a federal grand jury named Stein in a 15-count indictment that accuses him of defrauding health care programs by submitting more than \$300,000 in fraudulent bills for office visits that never took place. Stein is currently a fugitive believed to be in Israel.

Ongoing Work—Governance

Review of Medical Health Care Claims. The objective of this audit is to identify whether potential duplicate payments are being made to health care providers for services provided to agreement employees, retirees, and dependents.

Best Practices for Establishing and Operating a Project Management Office. The objective of this audit is to review the extent to which best practices are being adopted into the project management office's structure, as well as operation policies and practices.

Accounting for Business Lines of Operation. The objective of this audit is to review the effectiveness and efficiency of the company's financial systems and data supporting the accumulation and allocation of costs for the company's business lines of operation.

Monitoring the Work of Amtrak's Independent Public Accountant (IPA) Conducting the FY 2014 Financial Statement Audit. The objective of this audit is to determine whether the IPA performed the audit of Amtrak's Consolidated Financial Statements in accordance with generally accepted government auditing standards.

Monitoring the Work of Amtrak's IPA Conducting the FY 2014 Single Audit. The objective of this audit is to determine whether the IPA performed the single audit in accordance with generally accepted government auditing standards and the Office of Management and Budget Circular A-133.

Accuracy of Host Railroad Performance Reporting Data. The objective of this audit is to review the reliability and accuracy of the company's reporting of host railroad on-time performance information.

Eligibility and Coordination of Benefits for Agreement-Covered Employees. Our objective is to determine whether the company's third-party health care administrators are paying only (1) medical and prescription claims for eligible agreement-covered employees, dependents, and retirees and (2) claims that are properly coordinated with Medicare or other coverage.

Information Technology (IT)

Information Technology: Reservation System Infrastructure Updated, but Future System Sustainability Remains an Issue

(Audit Report No. OIG-A-2015-010, May 19, 2015)

The company's attempt to modernize its reservation system through the Reservation – Next Generation program had mixed results, and the program will be terminated in FY 2015 without fully achieving its modernization objective.

The program completed projects to update the reservation system's mainframe hardware, operating system, and network protocols, but did not complete 38 percent of its planned projects. The completed projects ensured the reservation system will continue to handle the current volume. However, the uncompleted projects did not deliver certain significant system improvements needed by the Operations, Marketing, and Finance departments, such as removing non-reservation functionalities. Weak program management such as inadequate tracking of costs and poor communication between the Information Technology department and other departments within the company adversely affected completion of the program's projects.

More importantly, the company does not have a strategy to replace or significantly upgrade the reservation system to ensure its future sustainability and growth. For example, there is no plan to systemically improve the reservation system, and integrate it with technology improvement efforts being managed by other departments. This

Significant Activities

uncoordinated approach creates risks for the system's future viability and could result in inefficient expenditures and lost revenue.

The Chief Information Officer agreed with our recommendation to develop a comprehensive reservation system strategy to ensure performance sustainability and efficient integration with other company-wide information technology modernization efforts.

Ongoing Work—IT

Operations Foundation Program. The objective of this audit is to review the adequacy of the program cost estimate, implementation plan, progress, and oversight processes.

Human Capital Management

Outside Employment Violation

September 2015 (Investigations) In September 2014, we were informed that a company Auto Train Attendant improperly engaged in outside employment while on a medical leave of absence. Our investigation confirmed that the company employee was working at his vending machine business while on medical leave (without prior approval) and drawing Railroad Retirement Board (RRB) benefits. Even though the employee engaged in outside employment while on medical leave, we determined that the employee did not falsify any RRB income reporting documents or violate any provisions regarding their benefits because the Auto Train Attendant did not receive any pay or income from the vending business. However, our investigation concluded that the company employee may have violated the Amtrak Standards of Excellence Policy regarding Trust and Honesty. The company's formal investigation/charging process was closed when the employee resigned from employment.

Asset Management

Ongoing Work—Asset Management

Vehicle Fleet Management. The objective of this audit is to assess the adequacy of the company's management and oversight of its vehicles.

Train Operations and Business Management

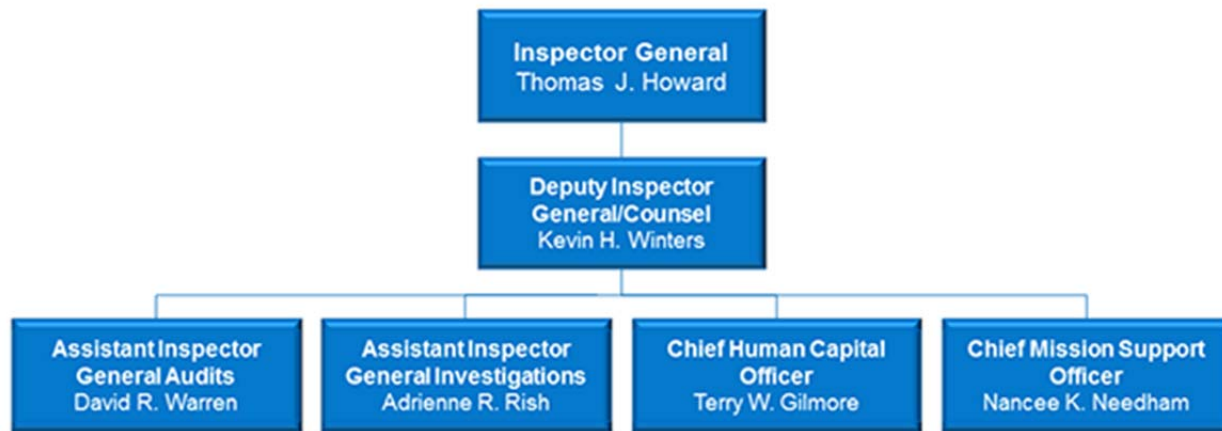
Ongoing Work—Train Operations and Business Management

Review of Long-Distance Car Manufacturing Contractual Performance. The objective of this audit is to assess the adequacy of the company's project oversight and administration of contractual requirements for the long-distance rail car purchase, focusing on the areas of cost, schedule, and performance issues.



OIG Organization

The OIG headquarters is based in Washington, D.C., with field offices in Boston, Chicago, Los Angeles, and Philadelphia.

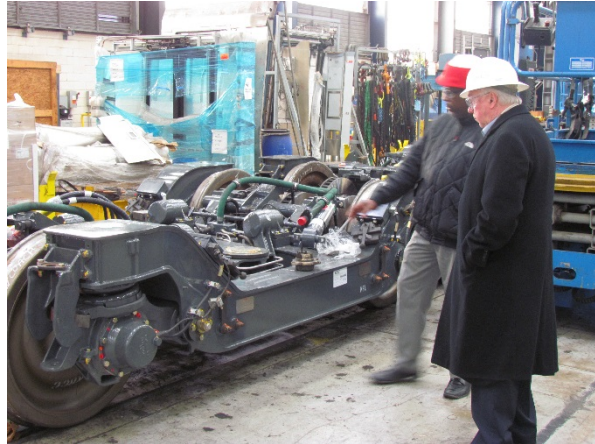


The Inspector General provides policy direction and leadership for Amtrak OIG and serves as an independent voice to Congress and the Board of Directors by identifying opportunities and promoting solutions for improving the company’s programs and operations, while preventing and detecting fraud, waste, and abuse.

The Deputy Inspector General/Counsel serves in the stead of the Inspector General, as required, and also leads the Office of Counsel, which provides legal assistance and advice to OIG senior management and supports audits, investigations, and special reviews. The Office of Counsel also coordinates OIG legal matters with external entities, such as the Department of Justice, Federal and State law enforcement, and may appear in court on behalf of the OIG and its employees.

OIG Organization

Audits. This office conducts independent and objective performance and financial audits across the spectrum of support and operational activities. It produces reports on those activities aimed at improving the company’s economy, efficiency, and effectiveness, while seeking to detect and prevent fraud, waste, and abuse.



Investigations. This office pursues allegations of fraud, waste, abuse, and misconduct that could affect the company’s programs, operations, assets, and other resources. It refers investigative findings to the Department of Justice for criminal prosecution or civil litigation, or to management for administrative action. It also develops recommendations to reduce vulnerability to criminal activity.

Mission Support. This office provides expertise in financial management, procurement, administration, information technology, communications/edit, and quality assurance to support OIG operations.

Human Capital. This office ensures that the best qualified people are hired, developed, retained, and rewarded appropriately in accordance with the OIG’s mission and values and applicable laws, rules, and regulations. It also ensures that an effective and efficient performance management system is implemented to provide employees with timely and meaningful feedback on performance.



Appendix 1

Appendix 1 Fiscal Year 2015 Performance Measures (4/1/2015 – 9/30/2015)

Audit Results

Products Issued	6
Funds to Be Put to Better Use	\$83,140,000

Advisory Functions

FOIA ^a Requests Received	16
FOIA Requests Processed	10
Referred to Amtrak	5
Response Pending	2
FOIA Appeals Received	1
FOIA Appeals Processed	—
Legislation Reviewed	3
Regulations Reviewed	5

Investigative Results

Financial Impact	
Recoveries/Restitution	\$391,993
Cases Opened	
Major Misconduct and General Crimes	14
Claims Fraud	1
Health Care Fraud	4
Contract and Procurement Fraud	6
Judicial and Administrative Actions	
Arrests	4
Indictments	6
Convictions	2
Criminal Referrals	30
Criminal Referrals Declined	9
Administrative Actions	9
Investigative Workload	
Investigations Opened	25
Investigations Closed	22
Hotline Contacts/Referrals	
Sent to Amtrak Management	164
Investigation Opened	5
Preliminary Investigation Opened	5
Customer Complaints	65
No Action Warranted	5

^a Freedom of Information Act.

Appendix 2 Questioned Costs (4/1/2015 – 9/30/2015)

Audit Reports Issued with Questioned Costs			
Category	Number	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	—	\$—	\$—
B. Reports issued during the reporting period	—	—	—
Subtotals (A+B)	—	—	—
Less			
C. For which a management decision was made during the reporting period			
(i) dollar value of recommendations agreed to by management	—	—	—
(ii) dollar value of recommendations not agreed to by management	—	—	—
D. For which no management decision has been made by the end of the reporting period	—	—	—

Appendix 3

Appendix 3 Funds Put To Better Use (4/1/2015 – 9/30/2015)

Audit Reports Issued with Funds to be Put to Better Use		
Category	Number	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period	—	\$—
B. Reports issued during the reporting period	1	83,140,000
Subtotals (A+B)	1	83,140,000
Less		
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management	1	83,140,000
(ii) dollar value of recommendations that were not agreed to by management	—	—
D. For which no management decision has been made by the end of the reporting period	—	—

Appendix 4 Audit Products

(4/1/2015 – 9/30/2015)

Listing of Issued Audit Reports						
Date Issued	Report Number	Report Title	Focus Area	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
5/19/15	OIG-A-2015-010	Information Technology: Reservation System Infrastructure Updated, but Future System Sustainability Remains an Issue	Information Technology	\$—	\$—	\$—
6/17/15	OIG-A-2015-012	Acquisition and Procurement: New Jersey High-Speed Rail Improvement Program Has Cost and Schedule Risks	Acquisition and Procurement	—	—	83,140,000
6/18/15	OIG-MAR-2015-011	Governance: Profile of Timesheet Data of Agreement Employees for Calendar Year 2014	Governance	—	—	—
6/19/15	OIG-A-2015-013	Safety and Security: Progress Made Implementing Positive Train Control, but Significant Challenges Remain	Safety and Security	—	—	—
8/21/15	OIG-A-2015-014	Governance: Non-Career Officials Were Not Involved in Responding to Freedom of Information Act Requests	Governance	—	—	—
9/30/15	OIG-SP-2015-015	Amtrak: Top Management and Performance Challenges—Fiscal Year 2016 and Beyond	—	—	—	—
Total				\$—	\$—	\$83,140,000

Appendix 4

Ongoing Audit Projects	
Project Status	Number of Projects
Audit Projects In-process, as of 4/1/2015	15
Projects Postponed or Canceled	0
Audit Projects Started Since 4/1/2015	6
Audit Products Issued Since 4/1/2015	6
Audit Projects In-process, as of 9/30/2015	15

Appendix 5 Recommendations for Which Corrective Action Not Complete

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps	E-11-03 June 23, 2011	\$—	\$—	\$—
Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant	109-2010 September 29, 2011	—	—	—
Wireless Network Security: Internal Controls Can Be Improved	OIG-A-2012-003 December 7, 2011	—	—	—
Strategic Asset Management Program: Opportunities to Improve Implementation and Lessons Learned	OIG-E-2012-012 May 31, 2012	—	—	—
Claims Program: Use of Best Practices Would Strengthen Management Controls	OIG-A-2012-016 August 14, 2012	—	—	—
American Recovery and Reinvestment Act: Some Questioned Invoice Charges and Minimal Benefit from Duplicative Invoice-Review Process	OIG-A-2012-021 September 21, 2012	—	—	—
Annual Financial Statement Audits: Observations for Improving Oversight of the Independent Public Accountant	OIG-A-2012-017 September 27, 2012	—	—	—

Appendix 5

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Amtrak Invoice Review: Undetected Inaccuracies Resulted in Overpayments (BNSF)	OIG-A-2013-006 February 15, 2013	2,115,440	—	—
Management of Overtime: Best Practice Control Can Help in Developing Needed Policies and Procedures	OIG-A-2013-009 March 26, 2013	—	—	—
Information Technology: Opportunities Exist to Improve Services, Economies, and Contract Performance	OIG-A-2013-013 April 16, 2013	—	—	31,400,000
Real Property Management: Applying Best Practices Can Improve Real Property Inventory Management Information	OIG-A-2013-015 June 12, 2013	—	—	—
American Recovery and Reinvestment Act: Opportunities Exist to Recover Funds and Reduce Future Costs by Improving Procurement Policies	OIG-A-2013-016 July 29, 2013	596,345	—	—
Asset Management: Amtrak is Preparing to Operate and Maintain New Locomotives, but Several Risks to Fully Achieving Intended Benefits Exist	OIG-E-2013-021 September 27, 2013	—	—	—
Food and Beverage Service: Potential Opportunities to Reduce Losses	OIG-A-2014-001 October 31, 2013	—	—	175,200,000 ^a
Passenger Rail Investment and Improvement Act of 2008: Accomplishments and Requirements that Deserve Consideration for Future Authorizing Legislation	OIG-A-2014-003 January 9, 2014	—	—	—

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Governance: Opportunities Exist to Improve the Travel Card Program and Reduce Risks	OIG-A-2014-005 April 18, 2014	—	—	—
Acquisition and Procurement: Closer Alignment with Best Practices Can Improve Effectiveness	OIG-A-2014-006 May 7, 2014	—	—	—
Asset Management: Amtrak Followed Sound Practices in Developing a Preliminary Business Case for Procuring Next-Generation High-Speed Trainsets and Could Enhance its Final Case with Further Analysis	OIG-E-2014-007 May 29, 2014	—	—	—
Governance: Improved Policies, Practices, and Training Can Enhance Capital Project Management	OIG-A-2014-009 July 15, 2014	—	—	—
Train Operations and Business Management: Addressing Management Weaknesses Is Key to Enhancing the Americans with Disabilities Program	OIG-A-2014-010 August 4, 2014	—	—	—
Asset Management: Opportunities Exist to Enhance Decision-Making Process for Utilization of Long-Distance Equipment	OIG-E-2015-001 October 23, 2014	—	—	—
Governance: Opportunities Exist to Improve the Efficiency of Procurement Practices for Goods and Services	OIG-A-2015-005 February 11, 2015	—	—	28,200,000 ^b

Appendix 5

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Safety and Security: Opportunities to Improve Controls Over Police Department Workforce Planning	OIG-A-2015-006 February 12, 2015	—	—	—
Safety and Security: Opportunities Exist to Improve the Safe-2-Safer Program	OIG-A-2015-007 February 19, 2015	—	—	—
Acquisition and Procurement: Improved Management Will Lead to Acela Parts Contract Cost Savings	OIG-A-2015-008 March 10, 2015	85,000	—	37,000,000
Human Capital: Incentive Awards Were Appropriate, But Payment Controls Can Be Improved	OIG-A-2015-009 March 13, 2015	—	—	—
TOTAL		\$2,796,785	\$—	\$271,800,000

^a \$58.4 million annually, projected over three years.

^b \$9.4 million annually, projected over three years.

Appendix 6 Review of Legislation, Regulations, and Major Policies

Section 4(a)(2) of the Inspector General Act of 1978, as amended, provides that the Inspector General shall review existing and proposed legislation and regulations relating to programs and operations of such establishment. Also, the Inspector General shall make recommendations in the semiannual reports concerning the impact of such legislation or regulations on the economy and efficiency in the administration of such programs and operations administered or financed by such establishment—or the prevention and detection of fraud and abuse in such programs and operations.

During this reporting period, the OIG reviewed and commented on multiple Amtrak policies and pieces of legislation. In addition, we continued our efforts to ensure the American taxpayers' dollars entrusted to Amtrak are protected by working with congressional staffs on a legislative initiative to make the "core" anti-fraud statutes under Title 18 of the United States Code applicable to Amtrak. These statutes are 18 U.S.C. 1001 (false or fraudulent statements); 287 (criminal false claims); 286 (conspiracy to obtain the payment or allowance of any false, fictitious or fraudulent claims); 641 (embezzlement of public money); 371 (conspiracy to defraud the United States) and 1002 (possession of false papers to defraud the United States).

Applicability of these statutes to Amtrak would assist investigators conducting criminal and civil investigations in a variety of areas. Foremost are those involving mechanical and train service operations that are important to passenger safety -- such as allegations involving improper product substitution and counterfeit parts. Further, these statutes are a critical tool for enforcing possible wrongful false certifications on engineering and train hardware, rail infrastructure construction, employment applications for critical safety positions, and injury and healthcare provider claims.

While this matter remains in the legislative process, we believe this legislative initiative would further safeguard Amtrak's federal funding from fraud, waste, and abuse.

Appendix 7 Peer Review Results

The *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P. L. 111–203, July 21, 2010) requires that OIG include in its semiannual report to Congress the results of any peer review conducted by another OIG during the reporting period, or—if no peer review was conducted—a statement identifying the date of the last peer review. Also required is a list of all peer reviews conducted by the OIG of another OIG, and the status of any recommendations made to or by the OIG.

During FY 2013, our Office of Audits was the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review by the Tennessee Valley Authority (TVA) OIG. TVA OIG determined that the system of quality control for our audit function has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Accordingly, TVA OIG provided a “pass” rating and made no recommendations. The report was released on February 14, 2013.

Our Office of Investigations was also the subject of a peer review during FY 2013 by the Nuclear Regulatory Commission (NRC) OIG. NRC OIG concluded that the system of internal safeguards and management procedures for the investigative function of the Amtrak OIG in effect for the year ending February 28, 2013, was in compliance with the quality standards established by CIGIE and the Attorney General’s Guidelines. These safeguards and our procedures provide reasonable assurance of conforming to professional standards in the conduct of investigations.

Appendix 8 Glossary of Terms, Acronyms, and Abbreviations³

Management Decision. The evaluation by management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions that management concludes are necessary.

Questioned Cost. A cost that is questioned by the OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Recommendation that Funds Be Put to Better Use. A recommendation by the OIG that funds could be more efficiently used if management took actions to implement and complete the recommendation, including (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee; (5) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or (6) any other savings that are specifically identified. (*Note:* Dollar amounts identified in this category may not always allow for direct budgetary actions but generally allow the agency to use the amounts more effectively in the accomplishment of program objectives.)

Unsupported Cost. An unsupported cost is a cost that is questioned by the OIG because the OIG found that, at the time of the audit, the cost was not supported by adequate documentation.

³ All definitions are from the Inspector General Act of 1978, as amended.

Appendix 8

Acronyms and Abbreviations

Amtrak	the company
ACSE	Advanced Civil Speed Enforcement System
CIGIE	Council of Inspectors General on Integrity and Efficiency
CY	Calendar Year
FOIA	Freedom of Information Act
FY	Fiscal Year
IPA	Independent Public Accountant
IT	Information Technology
NRC	Nuclear Regulatory Commission
OIG	Office of Inspector General
PTC	Positive Train Control
RRB	Railroad Retirement Board
TVA	Tennessee Valley Authority

Appendix 9 Reporting Requirements Index

Topic/Section	Reporting Requirement	Page
4(a)(2)	Review of Legislation and Regulations	33
5(a)(1)	Significant Problems, Abuses, and Deficiencies	4-19
5(a)(2)	Recommendations for Corrective Action to Significant Problems	4-19
5(a)(3)	Previous Reports' Recommendations for Which Corrective Action Has Not Been Completed	29-32
5(a)(4)	Matters Referred to Prosecutive Authorities	24
5(a)(5)	Information Assistance Refused or Not Provided	N/A
5(a)(6)	Audit Reports Issued in This Reporting Period	27
5(a)(7)	Summary of Significant Reports	4-19
5(a)(8)	Audit Reports with Questioned Costs	25
5(a)(9)	Audit Reports with Recommendations That Funds Be Put to Better Use	26
5(a)(10)	Previous Audit Reports Issued with No Management Decision Made by End of This Reporting Period	25-26
5(a)(11)	Significant Revised Management Decisions	N/A
5(a)(12)	Significant Management Decisions with Which the OIG is in Disagreement	N/A
5(a)(13)	Federal Financial Management Improvement Act-related Reporting	N/A
5(a)(14–16)	Peer Review Results	34

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.

Obtaining Copies of Reports and Testimony

Available at our website: www.amtrakoig.gov.

Reporting Fraud, Waste, and Abuse

Report suspicious or illegal activities to the OIG Hotline (you can remain anonymous):

Web: www.amtrakoig.gov/hotline

Phone: 800-468-5469

Contact Information

Tom Howard
Inspector General

Mail: Amtrak OIG
10 G Street, NE, 3W-300
Washington D.C. 20002

Phone: 202-906-4600

Email: Tom.Howard@amtrakoig.gov

This page intentionally left blank.



www.amtrakoig.gov



National Railroad Passenger Corporation
Office of Inspector General
10 G Street, NE, Suite 3W-300, Washington D.C. 20002-4285
www.amtrakoig.gov

Amtrak is a registered service mark of the National Railroad Passenger Corporation