



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

SEMIANNUAL REPORT to the United States Congress

October 1, 2016–March 31, 2017
Report # 55





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From the Inspector General



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION



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 March 31, 2017, pursuant to the Inspector General Act of 1978, as amended.

Over the last six months, our office produced high-quality work that provided independent and objective oversight of Amtrak. We published a report summarizing our views of the top management and performance challenges—such as improving safety and security, governance, and financial performance—facing Amtrak for fiscal years 2017 and 2018. The report recognizes that while Amtrak has made notable advancements in these areas, additional and continued management focus is needed to sustain their progress, as most of these issues are long-standing and systemic.

During this period we also reported on opportunities for the company to improve its effectiveness and efficiency in a number of areas, including fully implementing Positive Train Control outside of the Northeast Corridor, enhancing the process used to develop capital and operating budgets, adjusting the system for calculating delays related to on-time performance, and improving the management and oversight of procurement activities.

Further, our investigative efforts identified fraudulent activities, theft of property, conflicts of interest, and employee misconduct. Examples include investigations revealing a scheme in which a contractor conspired with others to defraud Amtrak; a supervisor who directed subordinates to falsify safety-related job briefing forms; and multiple cases of overtime fraud, which resulted in significant losses in productivity and financial resources.

Our staff of talented and dedicated professionals remain committed to continuing our independent focus on consequential issues concerning Amtrak—including matters of interest to Congress and American taxpayers. I am very proud of their work and trust that you will find this report informative.

A handwritten signature in blue ink that reads "Tom Howard". The signature is written in a cursive, flowing style.

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.

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.

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

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

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.

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

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.

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

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



Significant Activities: Audits and Investigations

Management Challenges

Amtrak: Top Management and Performance Challenges—Fiscal Years 2017 and 2018
(Report No. OIG-SP-2017-009, March 29, 2017)

This report identifies our views of the top management and performance challenges facing Amtrak (the company). Many other inspectors general are legislatively required to produce similar reports focusing on high-risk or high-impact activities and performance issues that affect programs, operations, and the achievement of strategic goals. Those reports have shown that periodically identifying and reporting these challenges to management and other decision-makers can help improve organizational performance. Although we are not legislatively required to report on top management and performance challenges, we do so with the intent of providing similar benefits. This is our third such report, with prior reports issued in fiscal year (FY) 2014 and FY 2015.

In deciding whether to identify an issue as a top challenge, we considered its significance in relation to the company's mission and strategic goals; 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 identified the following eight challenges, which generally align with those identified in our two prior management and performance challenges reports. Although we found that the company has made progress in each of the challenge areas, continued management focus is needed to ensure sustained progress.

1. **Governance:** *Sustaining Commitment to Improving Management Processes and Effectiveness.* Effective governance is a particular challenge given the complexities of the company's operating environment, which includes a nationwide scope of

operations; a diverse portfolio of equipment, stations, and related infrastructure; and priorities that are sometimes at odds with one another given the company's hybrid public-private status. Adding to the complexity is an organizational structure that has evolved several times since the company's creation—at different times aligning along geographical, operational, or business service lines. In this dynamic environment, good governance processes are critically important to ensuring that the company is making informed business decisions and managing its programs and operations effectively. However, work this year and in prior years has consistently identified weaknesses in the company's governance processes, particularly management controls, as the root cause of operational and programmatic deficiencies. In recent years, the company has taken a number of steps to improve its capability to govern, including its most recent organizational restructuring. Some of these steps align with our recommendations, as well as leading practices used by successful organizations.

- 2. Financial Performance:** *Securing the Company's Financial Future.* The company has significantly improved its financial and operating performance over the last five years. However, additional progress will require management's sustained attention and long-term commitment to increase revenues and reduce costs. Moreover, our work has identified numerous areas in which weak management controls and inadequate program and project management have led to waste and financial inefficiencies and has raised questions regarding the company's stewardship of federal funds. Being good stewards of federal funds is an important element of the company's financial excellence strategic goal and is key to gaining the trust of public and private investors.
- 3. Asset Management:** *Sustaining Equipment and Infrastructure.* The company owns and leases substantial assets that include track, stations, tunnels, trains, land, and other equipment and real property assets. Modernizing and maintaining these assets should help optimize passenger rail service by reducing maintenance costs, improving service reliability, and increasing customer satisfaction. However, the company continues to face challenges in this area including: addressing infrastructure needs in the Northeast Corridor; leveraging the

Significant Activities

revenue potential of real property assets; improving the age and use of rolling stock; and improving oversight of vulnerable corporate assets.

4. **Acquisition and Procurement:** *Effectively Managing the Company's Processes.* Effectively managing and overseeing its acquisition and procurement processes remains a challenge for the company. These processes are important to helping advance its strategic goal of financial excellence. For several years, we have identified significant opportunities to improve the company's acquisition and procurement of goods and services, including its oversight and enforcement of contracts, the quality of business cases used for major capital initiatives, and its purchasing and payment practices. Over the past two years, the company made progress strengthening its acquisition and procurement activities, including augmenting the procurement expertise of staff, updating procurement policies and procedures, and reducing its inventories. However, the company continues to face a number of challenges in its acquisition and procurement practices, including facilitating access to contract information; effectively managing, overseeing, and enforcing contracts; developing and refining sound business cases for capital projects; and effectively managing "shadow procurement" conducted by departments without the involvement of the Procurement department.
5. **Safety and Security:** *Ensuring the Safety and Security of Passengers, Employees, and Infrastructure.* One of the company's three strategic goals is to provide superior safety and security; however, in the past two years, two major accidents have resulted in fatalities, and employee injuries remain far above industry norms. In addition, the persistent threats of terrorism, cyber-attack, and other man-made disasters in the United States and abroad highlight the need for continued vigilance. The company operates a national network of trains serving more than 500 stations in 46 states, and providing a safe and secure travel environment is the foundation of the company's viability. Although the company continues to pursue safety and security improvement programs and has made progress in passenger and employee safety, as well as physical security, company executives continue to question the company's overall commitment to safety and security.

Major challenges include instilling a culture of safety; ensuring timely completion of Positive Train Control (PTC); reducing drug and alcohol use in the workforce; and countering terrorism, cyber-attack, and other man-made threats.

6. **Information Technology (IT): *Improving the Integrity, Security, and Utility of Technology Systems.*** Failing to maintain effective controls over the development and management of IT systems can leave the company vulnerable to security breaches and increased costs, and can limit company efforts to enhance customer experience. The company recently took steps to improve IT controls and assess its vulnerability to cyber-attacks. However, the company faces persistent and formidable challenges in this area, including outdated and inefficient IT systems. Moreover, weak project management has resulted in cost overruns, schedule delays, and incomplete deliverables. Until the company addresses these weaknesses, it will continue to face major challenges, including centralizing control over the development of major IT systems; protecting company operating systems and data from cyber-attacks; using technology to improve customer experience; and improving the integrity of data systems.
7. **Customer Service: *Putting Passengers First.*** Although customer service scores improved, executives attribute some of this improvement to factors outside the company's control, such as fewer freight trains competing for track access, leading to better on-time performance. However, many aspects of the customer experience are within the company's control: ticketing, boarding, onboard services, and web and mobile communications all contribute to customers' perception of the Amtrak brand. Nonetheless, providing reliable, high-level service in these and other customer-facing operations has proved a persistent challenge. Without a consistent, company-wide commitment to improving the customer experience, shortcomings in service could interfere with the company's ability to retain existing passengers, attract new riders, and improve revenues. Major customer service challenges include making facilities and equipment accessible to passengers with disabilities; attracting new riders, particularly a new generation of passengers; sustaining and further improving customer satisfaction; and improving accountability for customer service initiatives.

Significant Activities

8. **Human Resources:** *Refocusing Priorities to Build a Quality Workforce.* With a diverse workforce of about 3,100 management and 16,800 union agreement employees, the company faces some of the same human capital challenges as similarly sized private-sector firms and federal agencies. In January 2017, the company announced a reorganization of its human resource function. As part of this reorganization, the company established a new Human Resources department to replace its former Human Capital organization and appointed a new Vice President for Human Resources. The department is aligned under the recently established Administration group, which reports directly to the President and Chief Executive Officer. This reorganization provides an opportunity to address long-standing human capital challenges and realign the department's mission and priorities to ensure that it is adequately supporting corporate goals and strategies. Nonetheless, the department will face key challenges, including refocusing the human resources department on key priorities; building business acumen in the company's leaders and managers; managing human capital costs; and addressing cultural resistance to change.

Although the company has made progress in each of the challenge areas, additional and continued management focus is needed to ensure sustained progress. In this regard, our work over the years has repeatedly identified three long-standing and systemic issues that have impeded the company's progress in addressing these challenges: (1) an inconsistent use of the company's strategic goals to drive spending priorities and business decisions; (2) an ineffective governance framework that does not hold managers accountable for delivering program and project results; and, (3) a workforce culture that is not consistently focused on achieving the corporate goals of safety, customer service, and financial excellence.

Governance

Addressing Remaining Shortcomings Would Lead to a Budget Development Process More Fully Aligned with Leading Practices

(Report No. OIG-A-2017-004, January 17, 2017)

Since its creation in 1970, the company has had to rely on federal assistance—\$46 billion to date—because passenger revenue and other funding sources do not cover the company’s costs. Given this, it is particularly important to optimize the value of the company’s capital and operating expenditures through a sound budget development process; however, we identified shortcomings in the company’s budget development process as compared to leading practices for budgeting. Overall, the company has improved its budget development process, especially with recent reform efforts, and the process now incorporates a number of leading practices. Nevertheless, the company still faces several challenges in developing its annual budget, and shortcomings in that process undermine efforts to make optimum decisions about how best to use available resources in line with leading practices.

We found that the company is not consistently using strategic goals, long-term plans, and priorities to drive budget decisions. These shortcomings hinder efforts to use the budget to help the company achieve its strategic goals. In addition, executive leadership sets spending priorities for only a small portion of capital funding targeted for new strategic initiatives—not for most of the company’s capital budget. Two conflicts about who makes budget decisions have also impeded the budget process—especially across-the-board budget cuts. One conflict is between the Finance department and other departments about the role Finance plays in making budget decisions, and the other is about the role of business lines in budget decisions. Furthermore, limitations in three information systems that feed budget development impede the company’s ability to provide accurate and reliable budgets.

Successfully addressing these shortcomings will help the company improve its budget development process and optimize the value of its capital and operating expenditures. Therefore, we recommended that the company take actions to incorporate additional leading practices in its budget development process by ensuring that it (1) is based on

Significant Activities

achieving strategic goals, long-term plans, and priorities; (2) clearly delineates roles and accountability for results; and (3) is supported by information systems that provide reliable estimates. In commenting on a draft of this report, the company's Executive Vice President/Chief Financial Officer agreed with one of our recommendations, partially agreed with the other four, and provided information on the proposed actions the company plans to take to implement these recommendations. The actions are positive steps that will help improve the budget development process. However, we continue to question whether the changes we seek in the process can be achieved without more executive leadership involvement and active Chief Executive Officer direction and oversight. Accordingly, we requested that as the company implements the recently announced new organizational structure, it consider alternatives to more fully address our recommendations.

Health Care Fraud

March 2017 (Investigations)

We participated in an investigation with the Greater Palm Beach Health Care Fraud Task Force involving a series of “sober homes” — purportedly in the business of providing safe and drug-free residences for individuals suffering from drug and alcohol addiction — in Palm Beach and Broward County, Florida. It was alleged that the individuals who established these sober homes conspired with others to obtain patients, including dependent children of Amtrak employees, who would receive ineffective and medically unnecessary substance abuse treatment and testing that could be billed to the patients' insurance.

The investigation disclosed that kickbacks and bribes — disguised as “case management fees,” “consulting fees,” “marketing fees,” and “commissions” — were paid to sober home owners for referring their residents. The co-defendants met weekly to collect the payments, which were based on the number of insured patients that received treatment each week. To obtain residents for the sober homes, the conspirators provided free or reduced rent and other benefits to individuals with insurance who agreed to reside at the sober homes, attend drug treatment, and submit to regular drug testing that could be billed to the residents' insurance plans. The scheme resulted in multi-million dollar losses to health care benefit programs. To date, seven of eight defendants, including two

physicians, have pleaded guilty to health care fraud and money laundering charges. On March 15, 2017, two sober homes owners pleaded guilty in U.S. District Court for the Southern District of Florida in connection with the health care fraud and money laundering scheme.

Theft and Misuse of Company Resources

October 2016 (Investigations)

On October 3, 2016, a company track inspector retired pending administrative charges for theft and misuse of company resources. These charges resulted from our investigation, which concluded this employee was involved in scrap metal theft, misuse of company resources, falsifying a safety-related job briefing form, covering up an operating rules violation, and making false statements to our agents. We initiated this investigation in response to allegations of numerous policy violations by the track inspector's former manager, a company supervisor who is no longer employed by the company. These allegations included the concealment of a serious operating rules violation committed by the track inspector.

Failure to Disclose Stock Ownership

October 2016 (Investigations)

We found that a manager failed to disclose on Amtrak's annual Certificate of Compliance forms or to his supervisor that he owned shares of stock in a company with whom Amtrak was doing business. The manager also failed to notify the Procurement department of his stock ownership while he was participating in the contracting process and never sought the advice of Amtrak's Corporate Ethics Officer. Additionally, we found that following his eventual acknowledgment of stock ownership, the manager continued his involvement with the contract while retaining his stock shares in the vendor company. In response to our Report of Investigation, management agreed that the manager violated company policy by failing to disclose stock ownership at the time of hire. The company issued a formal counseling letter to the employee, which included a final warning regarding additional misconduct. In addition, the manager informed his supervisor that he sold his stock interest.

Significant Activities

Receipt of Gratuities

November 2016 (Investigations)

We found that five company employees working in the Mechanical and Systems Safety departments violated Amtrak's Ethics Policy by improperly accepting gifts from a vendor doing business with the company, including all-expenses-paid trips to attend the vendor's annual trade show and convention. During this time, the employees were directly involved in procuring products from this vendor.

Our investigation revealed that, for two years, the vendor paid the employees' airfare, hotel, and meal expenses to attend the trade show and convention. The vendor also paid the employees' hotel and meal expenses for a third year. Further, all five of the company employees failed to disclose these gifts on their respective Certificates of Compliance. As a result, three of the employees were suspended for 30 days, one opted to retire in lieu of termination, and one was issued a letter of reprimand.

In addition, local management failed to recognize that the vendor's offer directly implicated the company's ethics policy. The company responded that of the four managers identified in our investigation, two have since retired, one only had indirect knowledge of the trips; and the other had just joined the company. Nevertheless, the company counseled the remaining managers regarding the relevant ethics policy requirements.

We referred this case to the Department of Justice on April 1, 2016, and it was subsequently declined for prosecution on April 7, 2016.

Violation of Amtrak Standards of Excellence

November 2016 (Investigations)

On November 22, 2016, a company baggage handler was terminated from the company for stealing freight shipment. Our investigation found that the employee helped someone, who was not a company employee, gain access to a freight claim area and take a box awaiting pickup. The former employee acknowledged the box contained three to four kilograms of cocaine, which he and his associate sold. The former employee is under Federal indictment on charges related to possession with intent to

distribute a controlled substance and for stealing and unlawfully taking the package. Further judicial proceedings are pending.

Misuse of Position

December 2016 (Investigations)

We previously reported that a supervisor in Michigan misused his position to the extent he violated numerous company policies. We found that in October 2015, contrary to company policy, the supervisor concealed a serious operating rules violation committed by two track inspectors. In addition, we found that the supervisor committed numerous other policy violations, including unauthorized possession of a firearm on company property and used company resources for his personal benefit. As a result of the investigation, the company dismissed the person from employment on September 12, 2016.

Since that time, our investigation also found that two Amtrak foremen improperly performed work at the residence of the supervisor during company time while using company equipment, and that they provided false, incomplete, or misleading information to OIG Special Agents. On December 13, 2016, the company terminated their employment.

In addition, our investigation found that eight other employees engaged similar prohibited activities such as performing work at the supervisor's residence, helping another company employee move to a new residence on company time, and misusing company equipment and resources. As a result of our investigation, the company suspended one employee for 20 days and the other seven employees for 10 days.

Unauthorized Leave Absence/Forgery

December 2016 (Investigations)

On December 7, 2016, a company assistant yardmaster was terminated as a result of an unauthorized leave of absence. Our investigation confirmed that the employee forged the signature of a physician on multiple medical leave of absence forms. On October 22,

Significant Activities

2015, the employee pleaded guilty to felony forgery and wire fraud charges, and was sentenced to 24 months' incarceration with the Illinois Department of Corrections.

Contract Fraud

December 2016 (Investigations)

We previously reported that on July 12, 2016, a part owner and employee of Bayway Lumber (Bayway), a Linden, New Jersey, company that sold commercial and industrial products to numerous public and private entities, was sentenced to 48 months in prison for his role in a scheme to defraud customers out of \$708,386. From 2007 to November 2015, this Bayway employee conspired with others to defraud certain customers by engaging in fraudulent business practices, including overbilling, charging for more expensive items or larger quantities of items, and providing free items to employees of customers, then recouping the cost of the items by overbilling and fraudulent billing. Employees of some of Bayway's customers, including Amtrak, were given a variety of items, including electronics, tickets to sporting events, merchandise and gift cards. Bayway then overbilled and fraudulently billed those customers to recoup the cost of the gifts, plus additional profits. The Bayway employee kept a running tally of how much Bayway overbilled and fraudulently billed those customers, which he referred to as the "Bank," to ensure that Bayway recovered the full cost of the free items. In addition to the prison term, the Bayway employee was ordered to serve three years of supervised release and pay restitution of \$708,386 and a \$2,000 fine.

On December 20, 2017, a former Amtrak supervisor pleaded guilty for his role in the scheme. On March 15, 2017, he was sentenced in the U.S. District Court for the District of New Jersey to 36 months' probation, a fine of \$3,000, and forfeiture of \$7,036. We are working this joint investigation with the U.S. Department of Housing and Urban Development OIG and the Federal Bureau of Investigation.

Quality Control Review of Amtrak's Single Audit for Fiscal Year 2015

(Report No. OIG-A-2017-003, January 10, 2017)

The company contracted with the independent certified public accounting firm of Ernst & Young to audit its consolidated financial statements as of September 30, 2015, and for

the year then ended, and to provide a report on internal control over financial reporting and compliance with laws and regulations and other matters. The contract also required Ernst & Young to perform a Single Audit of the company's federal grants for the year ended September 30, 2015, in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the company receives federal funding, it must obtain an audit performed in accordance with generally accepted government auditing standards. The objective of the Single Audit was to test internal control over compliance with major federal program requirements and determine whether the company complied with the laws, regulations, and provisions of contracts or grant agreements that may have a direct and material effect on its major federal programs.

As authorized by the Inspector General Act of 1978, we monitored the audit activities of Ernst & Young to help ensure audit quality and compliance with auditing standards. Our review disclosed no instances in which Ernst & Young did not comply, in all material respects, with generally accepted government auditing standards and Office of Management and Budget Circular A-133 requirements.

Overtime Fraud

January 2017 (Investigations)

We investigated allegations that members of an Amtrak Communications and Signals work gang, stationed at various locations near Newark, New Jersey, violated Amtrak policy by committing payroll fraud by claiming and receiving pay for unworked regular and overtime hours. Our investigation determined that the supervisor and nine other employees from the work gang claimed regular and/or overtime hours and were paid for time they did not work. Between October 2014 and October 2015, the supervisor fraudulently billed Amtrak for 27.75 regular hours and 192.25 overtime hours, when he was not actually present at Amtrak work sites, resulting in a loss to Amtrak of more than \$20,000. On January 13, 2017, the supervisor pleaded guilty in the U.S. District Court in Newark, New Jersey, to theft charges and agreed to pay full restitution to Amtrak in the amount of \$20,346. To date, the supervisor and two employees have resigned.

Significant Activities

Violation of the Sex Offender Registration Act

January 2017 (Investigations)

On January 13, 2017, a company employee pleaded guilty in the Circuit Court of Cook County, Illinois, to violating the Sex Offender Registration Act. A joint investigation by our office, the Amtrak Police Department, the Chicago Police Department, and the U.S. Marshals Service revealed the employee was a convicted sex offender in the state of Wisconsin and failed to register as a sex offender when he moved to Illinois for work. He was sentenced to two years' probation and ordered to pay court fines of \$849. The sentence credited the employee for two days in custody and seven days of electronic home monitoring as time served.

Overtime Fraud

February 2017 (Investigations)

In May 2015, we began a proactive data analytics review of company employee payroll and overtime submissions, which identified suspected fraudulent hours submitted by a company Communications and Signals supervisor. Our investigation determined the supervisor fraudulently billed Amtrak for 41 regular hours and 685.75 overtime hours, during an eight-month period, when he was not actually present at Amtrak work sites. His conduct resulted in a loss to Amtrak of more than \$70,000. On February 15, 2017, the employee pleaded guilty in the U.S. District Court in Newark, New Jersey to theft charges and agreed to pay full restitution to Amtrak in the amount of \$71,946.

Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2016

(Report No. OIG-A-2017-008, March 27, 2017)

The company contracted with the independent certified public accounting firm of Ernst & Young to audit its consolidated financial statements as of September 30, 2016, and for the year then ended, and to provide a report on internal control over financial reporting and on compliance and other matters. Because the company receives federal funding, it must obtain an audit performed in accordance with generally accepted government auditing standards.

As authorized by the Inspector General Act of 1978, we monitored the audit activities of Ernst & Young to help ensure audit quality and compliance with auditing standards. Our review disclosed no instances in which Ernst & Young did not comply, in all material respects, with generally accepted government auditing standards.

Conflict of Interest

March 2017 (Investigations)

Our investigation revealed that, from 2012 through 2016, a company manager had an undisclosed personal relationship with a contractor and engaged in a pattern of behavior to ensure that work was awarded to the contractor without the company's full knowledge of their relationship. Our investigation found that the manager approved \$445,000 in purchase requisitions for the contractor and improperly obligated approximately \$80,000 of company funds to the contractor without authority or proper approval.

We also determined that the manager misrepresented her professional credentials on her employment application, misused several company-issued electronic devices for excessive personal use, and routinely violated the company's telework policy. On February 1, 2017, Amtrak ended the manager's employment with the company. This matter was not referred to the Department of Justice.

Theft of Services - Employee Rail Pass Program

March 2017 (Investigations)

On January 23, 2017, an Amtrak ticket agent was arrested on state charges related to defrauding Amtrak of goods and services obtained through Amtrak's Employee Rail Pass Program. Our investigation found that the employee used her Amtrak Employee Rail Pass to reserve tickets in her dependents' names and supply them to individuals who were not eligible for travel benefits. We also found that the employee applied for rail pass benefits reserved for employee spouses and children and claimed more than \$26,000 in travel benefits in the name of an individual she claimed to be her husband, although we found no supporting evidence to substantiate her claim. On March 10,

Significant Activities

2017, the employee was found to have violated company policy and was terminated. Further criminal proceedings are pending.

Conflict of Interest

March 2017 (Investigations)

Our investigation confirmed that an employee, who was responsible for selecting vendors that service and maintain Amtrak Police Department vehicles, violated company policy by accepting a \$1,000 donation from one of the company's vendors to help with personal medical expenses.

While his acceptance of the donation from a company vendor is in violation of Amtrak policy, mitigating this violation is the fact that the employee never directly solicited the vendor for a donation; rather, the donation came through a separate collection established by another employee. Further, there was no promise of future business with the vendor in exchange for the donation, and our review of the vendor's service and payment history showed no significant variation in services rendered before or after the date of the vendor's donation. In March 2017, the employee received a letter of counseling concerning the matter.

Ongoing Work—Governance

Monitoring the Work of Amtrak's Independent Public Accountant Conducting the FY 2016 A-133 Audit. The objective is to determine whether the Independent Public Accountant performed the single audit in accordance with generally accepted government auditing standards and the Office of Management and Budget Circular A-133.

Assessing Management Controls Over the Utility Accounts for Sold or Transferred Real Estate Assets. The objective is to evaluate the company's management controls over utility payments when real estate assets are sold or transferred.

Audit of Amtrak's Ethics Program. The objective is to assess the extent to which the company has an effective ethics program, consistent with leading practices, to prevent and detect criminal and other unethical behavior.

Audit of the Short Term Incentive and Long Term Incentive Payments. The objectives are to assess the accuracy of (1) the company's Financial and Customer Service data used as the basis for determining short term incentive and long term incentive goal achievement; and (2) the short term incentive and long term incentive payments made to employees.

Data Analytics. The objective of this audit is to identify medical service providers that have submitted potentially fraudulent or abusive claims paid by the company on behalf of agreement covered employees.

Safety and Security

Safety and Security: Progress Made in Implementing Positive Train Control, but Additional Actions Needed to Ensure Timely Completion of Remaining Tasks

(Report No. OIG-A-2017-001, October 6, 2016)

The Positive Train Control Enforcement and Implementation Act of 2015 requires the company to implement an approved Positive Train Control (PTC) safety system by December 31, 2018. PTC systems can help prevent some types of train accidents resulting from excessive speeds, including the tragic Train 188 accident that occurred in Philadelphia on May 12, 2015. PTC systems can also alert engineers to a misaligned track switch and can protect roadway workers by automatically slowing or stopping trains from entering work zones.

The company has made significant progress implementing PTC. However, it still must complete a significant number of remaining tasks. Specifically, the program office must complete the remaining 33 percent of its planned trackside installations, all of which are outside the Northeast Corridor (NEC) (about 293 route miles), and several other key tasks before the December 2018 deadline, including:

- submitting a safety plan to the Federal Railroad Administration for approval of the Advanced Civil Speed Enforcement System (ACSES) PTC system used on the NEC and connecting rail corridors

Significant Activities

- installing the Interoperable-Electronic Train Management System (I-ETMS) PTC system on segments of the NEC and on other segments between Philadelphia and Harrisburg, and upgrading ACSES technical standards to meet Federal Railroad Administration interoperability requirements
- resolving issues of potential radio frequency spectrum interference with ACSES on the northern end of the NEC because such a spectrum is critical to the operation of the system
- installing I-ETMS on the company's fleet of 311 diesel locomotives that operate on the company's long-distance and state-supported routes

In addition, the full cost of all implementation tasks has not been fully estimated and may cost the company hundreds of millions more than is currently budgeted, program management responsibilities are still divided across several departments, and project schedules do not follow leading practices or company requirements.

We recommended that the company use leading practices to update cost estimates and enhance project schedules. We also recommended that the company clarify the roles of managers responsible for PTC implementation to ensure that a senior official has clear authority and accountability for the completion of the remaining tasks. The company agreed with all three recommendations and identified actions that would meet the intent of these recommendations once implemented.

Falsification of Safety Related Documents, Obstruction and Retaliation

March 2017 (Investigations)

On March 14, 2017, an Amtrak Assistant Division Engineer retired from his position following the release of our investigative report, which concluded that he improperly directed two subordinate supervisors to instruct their employees to falsify, sign, and backdate multiple safety-related job briefing forms. Doing so created the illusion that the briefings were documented on the dates indicated. In addition, we found that the Assistant Division Engineer gave false statements during our investigation and made threatening, retaliatory, and unprofessional comments against employees he believed were cooperating with the investigation.

Ongoing Work— Safety and Security

Audit of the Potential Effect of Drug and Alcohol Use on Company Operations. The objective is to assess the effectiveness of the company’s efforts to deter, detect, and control the use of illegal and prescription drugs and alcohol by employees in safety-sensitive positions.

Audit of Amtrak’s Strategy and Planning for Physical Security. The objectives are to (1) assess the company’s strategy and planning for physical security and (2) identify challenges, if any, to achieving the company’s security goals.

Acquisition and Procurement

Master Service Agreements Are Not Strategically Managed and Award and Oversight Processes Can Be Improved

(Report No. OIG-A-2017-006, February 22, 2017)

Since FY 2009, the company has increased its use of a contracting vehicle called a Master Services Agreement (MSA) from as few as 10 in FY 2009 to at least 76 ongoing in FY 2016. Designed as a mechanism to expedite acquiring professional services, such as IT support, the company has spent at least \$404 million on MSA contracts from October 2008 through September 2016, based on available data.

However, the company is not strategically managing the use of MSAs. As a result, there are opportunities to strengthen management controls over MSAs and incorporate the use of leading practices that could result in significant cost savings and the opportunity to put funds to better use. Opportunities also exist for the company to improve its processes for awarding and overseeing MSAs in order to better manage them and reduce costs. In particular, we found that the company did not fully adhere to certain contract award requirements in the Amtrak Procurement Manual and did not use other leading practices when awarding MSAs, and that its post-award oversight of MSAs was weak.

Significant Activities

Further, when awarding the 17 MSAs we reviewed in detail, the company did not consistently follow its own policies and procedures or use leading practices, such as incorporating performance metrics and incentives. Similarly, the 17 MSAs did not include various cost-saving procurement approaches commonly used in the private and public sectors. One such approach—incorporating early payment discounts—could help the company save about \$500,000 to \$1 million annually. Another approach—using firm fixed pricing when possible—could have contributed to an additional \$2.8 million in savings.

The company also continues to engage in practices that may be unnecessarily costly, such as relying on staff augmentees obtained under MSAs for long periods of time. As of September 2016, nearly 40 percent of the staff augmentees in the IT and Marketing departments (116 of 297) had been with the company for more than two years. Although using staff augmentees on a temporary basis can be cost-effective, using them for longer periods—typically more than two years—can be more costly than hiring full-time employees. For example, the IT department paid an average rate of about \$113 per hour for staff augmentees, compared to the average fully loaded rate of \$80 per hour for full-time IT employees.

We made nine recommendations aimed at strengthening strategic oversight of MSAs that will help the company better manage these contracts and realize additional cost savings. These recommendations include establishing a central tracking mechanism to collect information on the company's use of MSAs, developing a plan to reduce the company's reliance on long-term IT staff augmentees, developing new management controls and guidance, and providing additional staff training.

The company's Executive Vice President/Chief Administrative Officer stated that the company agreed with all or part of our nine recommendations, and described in its response planned actions to address the intent of eight of these recommendations, including targeted completion dates. We also requested that management provide us with additional information on one recommendation to clarify when and how it will

develop a plan to reduce the number of long-term staff augmentees in the IT department's workforce.

Adopting Additional Leading Practices to Manage the Baltimore Penn Station Redevelopment Could Help Mitigate Project Risks

(Report No. OIG-A-2017-002, December 14, 2016)

Baltimore Penn Station—the company's eighth busiest station—and its surrounding assets are being redeveloped as part of a larger company effort to optimize the value of its underutilized assets. In fiscal year 2014, the company launched the Terminal Development Initiative to assess opportunities to optimize the use of its assets, attract private investment, and generate new revenue streams to fund critical infrastructure projects. As part of this effort, the company decided to redevelop Baltimore Penn Station and its adjacent assets by procuring the services of a master developer. Under the master developer approach, the company will use a private partner—a master developer—to design and implement a master plan to redevelop the station and surrounding assets, including the financing, construction, and maintenance of these assets.

Our audit objectives were to provide an update on the Baltimore Penn Station redevelopment project and assess the extent to which the company is following leading practices in selecting a master developer and managing and overseeing the project. This audit was initiated in response to a January 2016 request by Senator Mikulski and other members of the Maryland congressional delegation for information on the Baltimore Penn Station project.

We found that while the company has taken, and plans to take, a number of steps toward selecting a master developer, there are opportunities to improve the project's chances for success as it moves forward. For example, the company has not finalized a framework to manage and oversee the project, a weakness identified in many of our prior reports on other programs and projects. In addition, the company has opportunities to adopt additional leading practices to help mitigate risks and ensure project success. These practices include:

- establishing a governance and project management framework

Significant Activities

- creating a strong legal agreement with the master developer
- developing a plan and dedicating resources for managing and overseeing project implementation

We recommended that the company establish a transparent governance and project management framework, develop a strong legal agreement with the master developer, and develop a plan and dedicate resources to manage and oversee the master developer. The company agreed with our recommendations and outlined planned actions that, if fully implemented, will address the intent of these recommendations.

Improved Management and Oversight of GE Diesel Locomotive Service Contract Could Lead to Savings

(Report No. OIG-A-2017-005, February 3, 2017)

The company can improve its processes for managing and overseeing the General Electric (GE) contract—used to provide parts and related services to support the company’s maintenance of the diesel locomotive fleet—which could result in up to \$5.56 million in company funds that could be put to better use. We found that Mechanical department personnel obtained \$5.3 million in spare parts from the company’s inventory contract from December 2013 through June 2016 but did not submit a claim to GE to replenish the parts. We were unable to determine whether the parts obtained from the company’s inventory were eligible for replenishment from GE because the company’s data systems did not indicate why the part was needed.

In addition, the Procurement department does not have effective oversight in place to monitor the timeliness of GE’s delivery of parts and ensure credits for any late deliveries are properly calculated. With more effective oversight, the company could have collected an additional \$265,000 in credits resulting from GE’s performance in delivering large locomotive components on a pre-determined schedule, as well as other spare parts covered under the contract.

We recommended that the company take several steps to strengthen its management and oversight of spare parts, including determining what portion of the parts drawn from the company’s inventory are eligible for replenishment under the terms of the GE

contract and strengthening its management controls to ensure that the company receives any credits owed based on GE's performance in delivering and shipping parts. The Executive Vice President/Chief Administrative Officer stated that management agreed with our recommendations and outlined planned actions that will address the intent of the recommendations.

Fuel Card Misuse

November 2016 (Investigations)

We found that a company engineering and traction lineman was misusing a government fleet fuel card assigned to a company-leased vehicle to purchase fuel for two of his personal vehicles. On November 3, 2015, the employee retired from his position with the company and is ineligible for rehire. On November 10, 2016, the employee was convicted and sentenced for misdemeanor theft in the District Court of Maryland. He was sentenced to 10 days of incarceration, 2 years of probation, and 200 hours of community service, and ordered by the court to make restitution to the company in the amount of \$2,600.

Fuel Card Misuse

February 2017 (Investigations)

We initiated a joint investigation with the Amtrak Police Department and the U.S. General Services Administration OIG into allegations that a company assistant track supervisor misused his two assigned General Services Administration fuel cards to conduct fraudulent transactions. The investigation disclosed that, from May 24, 2015, to July 28, 2015, these two fuel cards were used to conduct 88 fraudulent transactions totaling approximately \$5,300. The employee admitted to providing the two fuel cards to a non-Amtrak employee to purchase fuel for non-Amtrak vehicles at local gas stations in exchange for cash used to purchase illegal drugs for both of them. The employee resigned from his position with the company on February 3, 2017 and is ineligible for rehire.

Significant Activities

Contract Fraud

February 2017 (Investigations)

In May 2014, an audit of a construction contractor and its joint venture partner responsible for project management functions on several Amtrak construction projects, found discrepancies in the contractor's billing practices. We conducted a joint investigation with the Department of Transportation OIG, which showed the contractor failed to bill actual labor and overhead rates as required. Instead of making adjustments for actual rates, the contractor billed at the maximum overhead rate, billed the lower overhead rates for a related company at higher rates, and failed to bill field employees at actual rates. In February 2017, the U.S. Attorney for the Eastern District of Pennsylvania, reached a civil settlement with the contractor who agreed to pay the United States \$1.5 million.

Ongoing Work—Acquisition and Procurement

Next-Generation High-Speed Trainset Program. The objectives are to (1) assess the effectiveness and efficiency of the company's framework and processes for managing the contract for the Next-Generation High-Speed Trainset Program, and (2) evaluate the adequacy of the planning and cost estimating for the associated infrastructure improvements on the Northeast Corridor.

Train Operations and Business Management

On-Time Performance Reporting Generally Accurate; Additional Actions Could Enhance Delay Reporting

(Report No. OIG-A-2017-007, March 2, 2017)

On-time rail performance is important to the company achieving its strategic goals of acquiring and retaining satisfied customers and enhancing its revenues. The company uses two performance metrics to measure the timeliness of its trains:

- **On-time performance.** How a train actually performs compared to its published, scheduled arrival time at each station and final destination on its route.

- **Delays.** How much a train's elapsed run time exceeds its optimum run time at various locations along its route.

The company uses this information to produce a series of widely distributed monthly and quarterly reports, diagnose why trains are late, and manage relationships with host railroads—whose tracks the company uses for most of its train routes—in order to improve its trains' performance. Host railroads use the company's on-time performance and delay information to calculate and invoice on-time performance incentive payments the company owes under contractual agreements. In calendar year 2015, the company paid host railroads more than \$24 million in incentive payments. Additionally, federal agencies overseeing rail operations use the company's reports to fulfill a number of statutory obligations.

Our audit objectives were to assess (1) the accuracy of the company's reporting of on-time performance and delays for trains operating on host railroad tracks and (2) whether data quality and management control issues affect the accuracy and reliability of performance data.

The company's reporting of on-time performance for trains arriving at their final destinations was generally accurate. However, its reporting of delays was less accurate on the routes we reviewed, and opportunities exist to further enhance the accuracy and reliability of this performance data. Accurate performance metrics help ensure that the amount of incentive payments the company pays to host railroads is accurate and help federal agencies carry out their oversight responsibilities. In addition, these metrics help the company diagnose and address the causes of delays and help meet its strategic goals for customer service.

Over the past several years, the company has taken a number of actions to enhance its reporting of on-time performance and delays. This is a positive development. However, the accuracy and completeness of current delay reporting could be enhanced by strengthening existing management processes and controls. Accordingly, we recommended that the company identify and document appropriate time-capture points to measure and report delays, establish more effective controls for collecting the data used to calculate delays, and strengthen management controls over collected data.

Significant Activities

The company agreed with our recommendations and outlined planned actions that, if fully implemented, will address the intent of these recommendations.

Ongoing Work—Train Operations and Business Management

Review of the Operations Foundation Program. The Operations Foundation program is a large, complex initiative in information technology and business process improvement. In 2014, the company estimated that the program would cost at least \$427 million and be completed in 2025. The objective of this audit is to review the program's scope, estimated cost, implementation plan, progress, and oversight processes.

Management of Diesel Fuels. The objective is to assess the efficiency and effectiveness of the company's purchasing, testing, and distribution of diesel fuel.

Asset Management

Theft of Company Property

October 2016 (Investigations)

On October 5, 2016, a former employee pleaded guilty to theft of company property in the Circuit Court of Cook County, Illinois, and was sentenced to two years' probation and ordered to make \$9,000 in restitution to the company. We conducted this investigation jointly with the Amtrak Police Department. The investigation revealed the former employee stole batteries and scrap metals and sold them to a recycling center.

Theft of Company Property

November 2016 (Investigations)

On November 17, 2016, two former company electricians pleaded guilty in the Circuit Court of Cook County, Illinois, to felony theft of company copper cables. Both defendants were sentenced to two years' probation and 30 hours of community service.

and ordered by the court to make restitution to the company in the amounts of \$7,002 and \$9,612, respectively. We conducted this investigation jointly with the Amtrak Police Department.

Human Capital Management

Contractor Background Checks

December 2016 (Investigations)

Our investigation disclosed that a contractor employee was arrested in 2002 and pleaded guilty to a sexual offense involving a minor between 2000 and 2002. The contractor employee was sentenced in 2002, received a suspended state prison sentence of 12 years, was placed on probation for five years, and was required to meet several other requirements. When the contractor hired the employee in 2008, the company did not have a background check policy for contractors; therefore, we did not find that the contractor or its employee violated company policy. The company instituted its background check policy for contractors in 2009. While we did not find a violation of the policy, we questioned the appropriateness of the contractor employee's access to sensitive information. As a result, the company contacted the contractor and advised that the contractor employee was no longer permitted to work under the Amtrak contract. The individual was ultimately removed from the site.

Information Technology (IT)

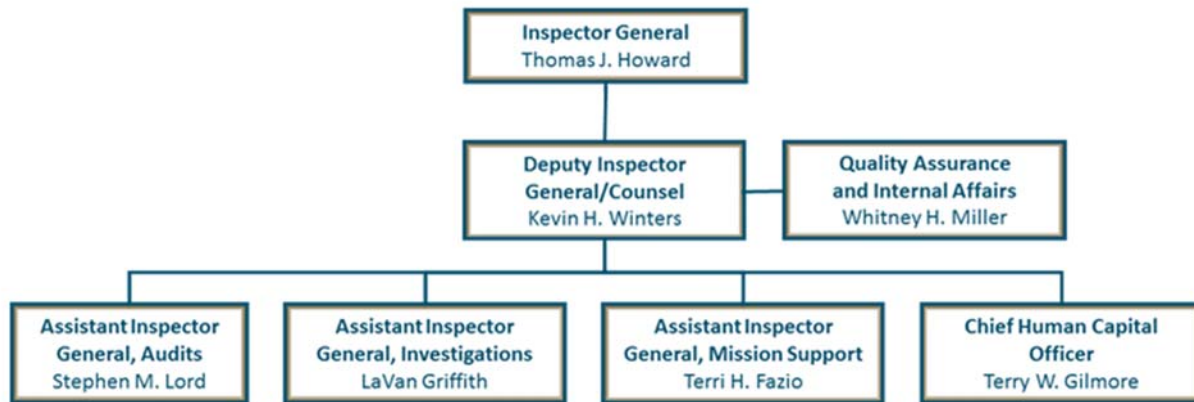
Ongoing Work—IT

Assessing the Adequacy of Security for Publicly Accessible Web Applications. The objective is to assess the adequacy of the company's security for its publicly-accessible web applications. We are performing this review in coordination with some members of the Council of Inspectors General on Integrity and Efficiency (CIGIE), which is performing similar reviews within its respective federal agencies and organizations. We will report the results of our audit to company management and summarize them in the report consolidating results of the reviews from all the participating OIGs.



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 the OIG and serves as an independent and objective voice to management, the Board of Directors, and Congress 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 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, and IT 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 and coaching on performance.



Appendix 1

Appendix 1 Fiscal Year 2017 Performance Measures (10/1/2016 – 3/31/2017)

<i>Audit Results</i>	
Products Issued	9
Questioned Costs	\$—
Funds Put to Better Use	\$23,565,000

<i>Advisory Functions</i>	
FOIA ^a Requests Received	21
FOIA Requests Processed	14
Referred to Amtrak	6
Response Pending	2
FOIA Appeals Received	—
FOIA Appeals Processed	—
Legislation Reviewed	—
Regulations Reviewed	14
Outside Agency Consultation	—

Note:

^a Freedom of Information Act

Investigative Results	
Financial Impact	
Recoveries/Restitution	\$1,525,200.92
Cases Opened	
Major Misconduct and General Crimes	20
Contract and Procurement Fraud	2
Health Care Fraud	2
Judicial and Administrative Actions	
Criminal Referrals to U.S. Department of Justice ^a	33
Criminal Referrals to State and Local Prosecuting Authorities ^b	4
Criminal Referrals Declined	22
Arrests	19
Indictments/Informations ^c	12
Convictions	16
Investigative Reports Issued ^d	13
Administrative Actions	36
Investigative Workload	
Investigations Opened	24
Investigations Closed	24
Investigations of Senior Employees Closed and Not Disclosed to the Public	—
Hotline Contacts/Referrals	
Referred to Amtrak Management	124
Referred to Customer Service	20
Referred to Other Agency	7
Referred for Investigation	32
No Action Warranted	20
Request from Other Agency	1
Referred to Amtrak Police Department	5

Notes:

^a These referrals include individual subjects that are referred for federal prosecution to the U.S. Department of Justice.

^b These referrals include individual subjects that are referred for prosecution to state and local prosecutors.

^c Indictments/Informations include all indictments and informations, sealed and unsealed, of individuals who were charged during this reporting period by federal, state, and local prosecutors. Of the 12 indictments/informations reported during this reporting period, 10 were referred for prosecution this reporting period and two were referred for prosecution in a prior reporting period.

^d Investigative Reports Issued is the number of investigative reports issued to the company that detail our investigative findings.

Appendix 2

Appendix 2 Audit Products (10/1/2016 – 3/31/2017)

Audit Products						
Date Issued	Report Number	Report Title	Focus Area	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
10/6/16	OIG-A-2017-001	Safety and Security: Progress Made in Implementing Positive Train Control, but Additional Actions Needed to Ensure Timely Completion of Remaining Tasks	Safety & Security	\$—	\$—	\$—
12/14/16	OIG-A-2017-002	Acquisition and Procurement: Adopting Additional Leading Practices to Manage the Baltimore Penn Station Redevelopment Could Help Mitigate Project Risks	Acquisition & Procurement	—	—	—
1/10/17	OIG-A-2017-003	Governance: Quality Control Review of Amtrak's Single Audit for Fiscal Year 2015	Governance	—	—	—
1/17/17	OIG-A-2017-004	Governance: Addressing Remaining Shortcomings Would Lead to a Budget Development Process More Fully Aligned with Leading Practices	Governance	—	—	—

Audit Products						
Date Issued	Report Number	Report Title	Focus Area	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
2/3/17	OIG-A-2017-005	Acquisition and Procurement: Improved Management and Oversight of GE Diesel Locomotive Service Contract Could Lead to Savings	Acquisition & Procurement	—	—	5,565,000
2/22/17	OIG-A-2017-006	Acquisition and Procurement: Master Services Agreements Are Not Strategically Managed, and Award and Oversight Processes Can Be Improved	Acquisition & Procurement	—	—	18,000,000
3/2/17	OIG-A-2017-007	Train Operations: On-Time Performance Reporting Generally Accurate; Additional Actions Could Enhance Delay Reporting	Train Operations	—	—	—
3/27/17	OIG-A-2017-008	Governance: Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2016	Governance	—	—	—
3/29/17	OIG-SP-2017-009	Amtrak: Top Management and Performance Challenges—Fiscal Years 2017 and 2018		—	—	—
Total				\$—	\$—	\$23,565,000

Appendix 2

Ongoing Audit Projects	
Project Status	Number of Projects
Audit Projects In-process, as of 10/1/2016	16
Audit Projects Canceled	1
Canceled Audit Projects Not Disclosed to the Public	—
Audit Projects Started Since 10/1/2016	5
Audit Products Issued Since 10/1/2016	9
Audit Projects In-process, as of 3/31/2017	11

Appendix 3 Questioned Costs

(10/1/2016 – 3/31/2017)

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 4

Appendix 4 Funds Put To Better Use (10/1/2016 – 3/31/2017)

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	2	23,565,000
Subtotals (A+B)	2	23,565,000
Less		
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management	2	\$23,565,000
(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 5 Audit Reports Described in Previous Semiannual Reports for Which Corrective Actions Are Not Complete

Audit Reports Described in Previous Semiannual Reports for Which Corrective Actions Are Not Complete				
Report ^{a,b}	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	—	—	—
Management of Overtime: Best Practice Control Can Help in Developing Needed Policies and Procedures	OIG-A-2013-009 March 26, 2013	—	—	—
Real Property Management: Applying Best Practices Can Improve Real Property Inventory Management Information	OIG-A-2013-015 June 12, 2013	—	—	—
Food and Beverage Service: Potential Opportunities to Reduce Losses	OIG-A-2014-001 October 31, 2013	—	—	175,200,000 ^c
Governance: Improved Policies, Practices, and Training Can Enhance Capital Project Management	OIG-A-2014-009 July 15, 2014	—	—	—
Asset Management: Opportunities Exist to Enhance Decision-Making Process for Utilization of Long-Distance Equipment	OIG-E-2015-001 October 23, 2014	—	—	—
Acquisition and Procurement: Improved Management Will Lead to Acela Parts Contract Cost Savings	OIG-A-2015-008 March 10, 2015	—	—	19,000,000

Appendix 5

Audit Reports Described in Previous Semiannual Reports for Which Corrective Actions Are Not Complete				
Report ^{a,b}	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Human Capital: Incentive Awards Were Appropriate, But Payment Controls Can Be Improved	OIG-A-2015-009 March 13, 2015	—	—	—
Governance: Alignment with Best Practices Could Improve Project Management Office Implementation	OIG-A-2016-002 December 16, 2015	—	—	—
Asset Management: Additional Actions Can Help Reduce Significant Risks Associated with Long-Distance Passenger Car Procurement	OIG-A-2016-003 February 1, 2016	—	—	—
Acquisition and Procurement: Adequate Competition for Most Contracts Awarded Under Americans with Disabilities Act Program but Procurement Policies Could be Improved	OIG-A-2016-008 June 8, 2016	—	—	—
Governance: Controls to Avoid Duplicate Medical Payments of Agreement Employees Appear Generally Effective, but Some Payment Errors Still Occur	OIG-A-2016-009 July 15, 2016	4,300,000	—	—
Train Operations: Adopting Leading Practices Could Improve Passenger Boarding Experience	OIG-A-2016-011 September 7, 2016	—	—	—
Acquisition and Procurement: Opportunities Exist to Improve Management of Technical Support Services Contracts	OIG-A-2016-013 September 30, 2016	—	—	—
TOTAL		\$4,300,000	\$—	\$194,200,000

Notes:

^a We received comments for all audit reports within the 60 days.

^b Please visit <https://www.amtrakoig.gov/reports/audits> for a copy of the reports listed in this table.

^c \$58.4 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 the last reporting period, the OIG reviewed and commented on 14 company policies and continued its efforts to ensure the American taxpayers' dollars entrusted to the company were protected.

Appendix 7

Appendix 7 Peer Review Results

The *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P. L. 111–203, July 21, 2010) requires that OIGs include in semiannual reports 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 2016, our Office of Audits was the subject of a CIGIE peer review by the Office of Personnel Management OIG. Office of Personnel Management 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, Office of Personnel Management OIG provided a “pass” rating and made no recommendations. The report was released on January 29, 2016.

During FY 2016, our Office of Investigations was the subject of a CIGIE peer review by the Department of the Interior OIG. Department of the Interior OIG concluded that the system of internal safeguards and management procedures for our investigative function was in compliance with the quality standards established by CIGIE and the Attorney General’s Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority. Department of the Interior OIG identified a number of best practices in the investigative operations that they believed warranted acknowledgement.

Appendix 8 Glossary of Terms, Acronyms, and Abbreviations¹

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.

¹ All definitions are from the Inspector General Act of 1978, as amended.

Appendix 8

Acronyms and Abbreviations

ACSES	Advanced Civil Speed Enforcement System
CIGIE	Council of the Inspectors General on Integrity and Efficiency
FOIA	Freedom of Information Act
FY	Fiscal Year
GE	General Electric
I-ETMS	Interoperable-Electronic Train Management System
IT	Information Technology
MSA	Master Service Agreement
NEC	Northeast Corridor
OIG	Office of Inspector General
PTC	Positive Train Control

Appendix 9 Reporting Requirements Index

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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

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or

800-468-5469

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