



NATIONAL RAILROAD PASSENGER CORPORATION  
OFFICE OF INSPECTOR GENERAL

Semiannual Report  
to the  
United States Congress



Report #43  
October 1, 2010–  
March 31, 2011

## **VISION**

The Office of Inspector General (OIG) strives to provide Amtrak's employees, its customers, the public, and the Congress with the highest quality service and programs through vigilance, timely action, accuracy, and an overall commitment to excellence across the broad range of OIG responsibilities.

## **MISSION**

The OIG conducts and supervises independent and objective audits, inspections, evaluations, and investigations relating to Amtrak programs and operations; promotes economy, effectiveness, and efficiency within the company; prevents and detects fraud, waste, and abuse in company programs and operations; reviews security and safety policies and programs, and reviews and makes recommendations regarding existing and proposed legislation and regulations relating to Amtrak's programs and operations.



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Empire Builder at Stephen's Pass, Montana





National Railroad Passenger Corporation  
Office of Inspector General

I am pleased to present the Amtrak Office of Inspector General (OIG) *Semiannual Report to the United States Congress* for the six months ending March 31, 2011. Along with discussing significant OIG accomplishments in audits, inspections and evaluations, and investigations during this period, this report highlights ongoing action to strengthen OIG operations and make progress toward becoming a model OIG.

With a staff that combines years of experience in the railroad industry along with those having an extensive background in auditing and investigative work, the Amtrak OIG is in a unique position to monitor Amtrak programs with an eye toward best practices. This has given us a team with the ability to assess Amtrak operations and offer well-reasoned recommendations for improvement.

We are continuing to enhance our capability to perform effective independent oversight and to foster mutually beneficial working relationships among OIG, Amtrak management, the Congress, and other stakeholders. The quality and quantity of our audits, evaluations, and investigations are growing: at present we have several major audits/evaluations in progress, focusing on governance and strategic asset management, Amtrak's risk-management framework, its process for handling employment background investigations, a follow-up evaluation of mechanical maintenance operations, and on-time-performance incentive payments, among others.

### **Significant Accomplishments**

As stewards of public funds, we strive to ensure that monies are spent wisely, and that appropriate value is received. During this reporting period, our audit and evaluation units issued seven reports that identified over \$17 million in

questioned costs. Our investigative work into schemes involving health care fraud, theft, contract noncompliance, and employee attendance fraud resulted in two convictions and one indictment. In total, our Office of Investigations was responsible for bringing in more than \$116,000 in fines, restitution, and cost savings.

We continued to identify opportunities to reduce costs, improve management operations, and institute more efficient and effective business processes. For example:

- Our March 2011 evaluation of Amtrak's Fiscal Year 2010 *Fleet Strategy* examined the company's plan to spend \$23 billion over the next 30 years to replace aging equipment and meet future ridership demand. While Amtrak has done a commendable job in creating a comprehensive fleet strategy that it has greatly needed, we identified seven areas in which Amtrak can improve the strategy by conducting additional, more detailed analyses. These areas include:
  1. Determining future equipment requirements based on route-specific ridership demand projections.
  2. Increasing the use of multi-level cars.
  3. Incorporating equipment-availability improvements.
  4. Using a more sophisticated decision model to determine equipment's optimal economic life.
  5. Identifying a business-plan-based approach for replacing and enhancing the Acela Express fleet.
  6. Revising the planned procurement approach to achieve lower unit-cost pricing.
  7. Integrating a systematic fleet planning process with other corporate plans and activities.

Management agreed with all of these recommendations; the President and CEO pointed out that Amtrak has begun addressing some of them in its FY 2011 Fleet Strategy update, and plans to address the remaining recommendations in future strategy updates. The company also began recruiting for a fleet strategy manager.



- Our March 2011 evaluation of Amtrak's Operation RedBlock Program reviewed the company's progress in implementing recommendations from our 2008 report. RedBlock is a labor-developed drug and alcohol identification and education program. Our prior review found serious deficiencies in program leadership and oversight, and questioned whether the program should continue counseling services that go beyond the scope of its charter. The Federal Railroad Administration has also repeatedly expressed concerns that RedBlock is not operating effectively and that employees are not receiving proper support to deal with substance abuse problems.

Our evaluation found that significant issues remain to ensure that Amtrak, its employees, passengers, and the public are protected from accidents due to alcohol or drug use.

We made five specific recommendations, that the President and CEO work with management and involved labor unions to ensure that the RedBlock executive steering committee

- convenes on a regular basis, at least semiannually, to review program performance;
- establishes a process and timeline for the development of meaningful performance goals;
- implements processes to reliably report information related to RedBlock activities, while protecting confidential data;
- establishes guidelines and consequences, and ensure that employees are appropriately referred to and properly evaluated by certified, credentialed counselors within the Employee Assistance Program; and
- fifth, we recommended that the Critical Assistance and Response for Employees, Peer Counselor, and Union Member Assistance Coordinator programs be reassigned to the Employee Assistance Program unit.

Amtrak's President and CEO agreed with the recommendations and has become personally involved in working with labor to implement the needed changes.

## **Significant Actions Taken to Strengthen OIG Operations**

A critical element for ensuring that we can effectively perform the independent role mandated by the Inspector General Act of 1978 is a professional and effective working relationship between the OIG and Amtrak management. We have implemented a relationship policy that meets the letter and spirit of the IG Act, withdrawn our office from performing management functions, and built a constructive working relationship with Amtrak management.

During this reporting period, the OIG has completed or initiated several additional actions to strengthen our operations and improve operating efficiency and effectiveness. Our goal is to build a culture of continuous improvement.

*In the Human Resources area, we have, among other items,*

- filled two Deputy Assistant Inspector General for Investigations positions (headquarters and field operations);
- filled a Senior Director for Quality Assurance and Internal Affairs position, reporting to the Deputy Inspector General; and
- created and are in the process of filling two Senior Director positions to support a restructuring of the Office of Inspections and Evaluations.

*Organizationally, we have*

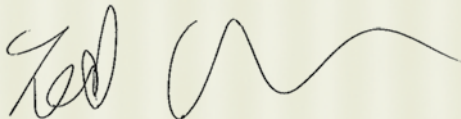
- begun to review the structure and operational effectiveness and efficiency of the Office of Audits;
- begun the process of hiring new employees in the Office of Inspections and Evaluations to replace recent retirees and other departing staff, to bring us back to full strength;



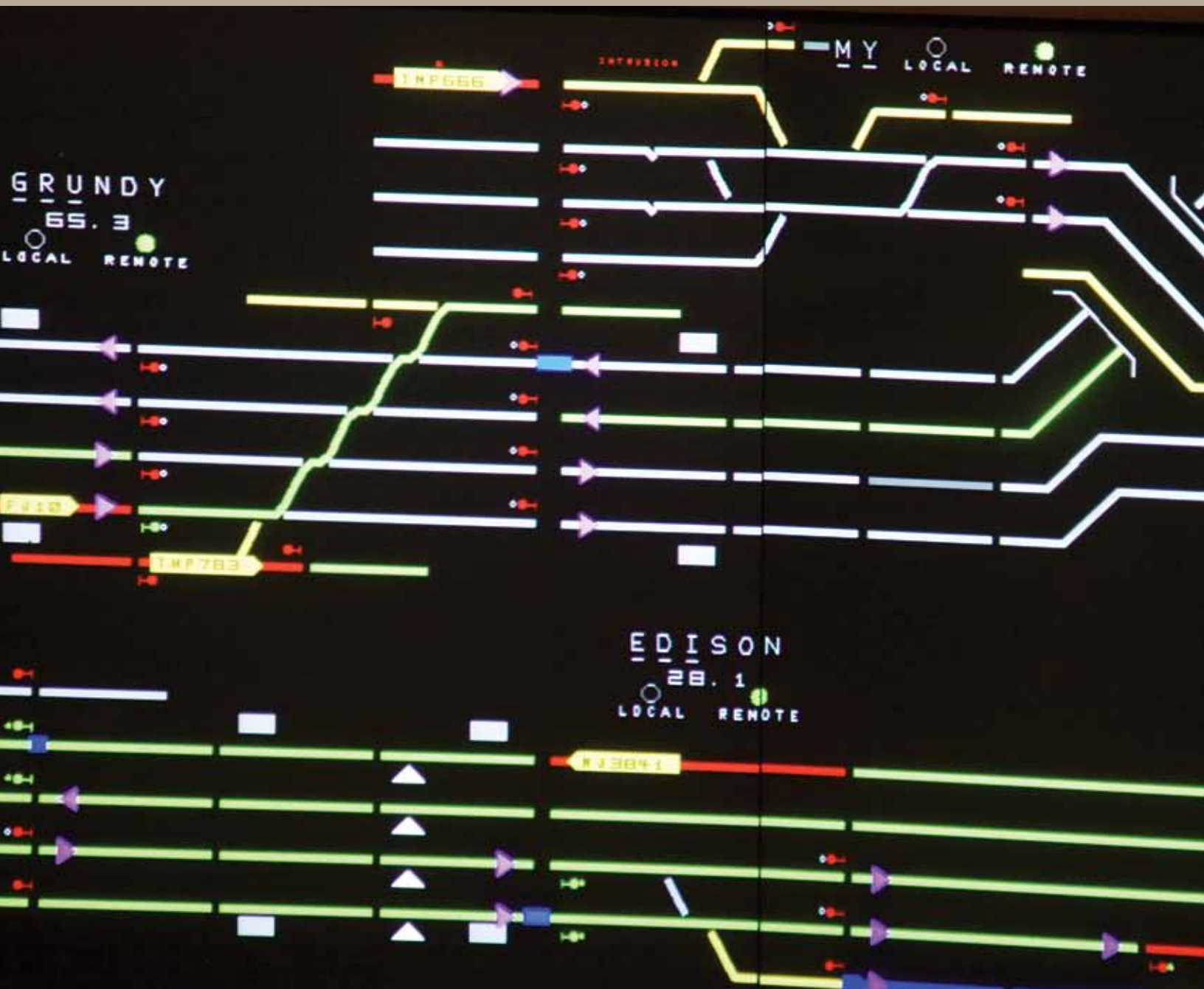
- begun a restructuring of the Office of Investigations;
- conducted an initial assessment and initiated a detailed organizational review of the Office of Management and Policy; and
- developed implementation plans to address recommendations from the National Academy of Public Administration (NAPA), which conducted an organizational assessment of our office and made 41 recommendations focusing on eight areas in which we can enhance our operations.

In addition, the U.S. Postal Service's Office of Inspector General is now conducting a review to gauge our independence from Amtrak as required by Public Law 111-117, the Consolidated Appropriations Act, 2010.

I look forward to our continued effective working relationship with the Chairman, Board members, President and CEO, and executives at Amtrak; along with the House and Senate authorization, oversight, and appropriations committees, as we work to meet the challenges facing OIG, Amtrak, the train-riding public, and taxpayers.



Theodore (Ted) Alves  
Inspector General



Penn Station Control Center, New York

# OIG Profile

## Vision, Mission, and Authority

### **Vision**

The Office of Inspector General (OIG) strives to provide Amtrak's employees, its customers, the public, and the Congress with the highest quality service and programs through vigilance, timely action, accuracy, and an overall commitment to excellence across the broad range of OIG responsibilities.

### **Mission**

The OIG will conduct and supervise independent and objective audits, inspections, evaluations, and investigations relating to Amtrak's programs and operations; promote economy, effectiveness, and efficiency within Amtrak; prevent and detect fraud, waste, and abuse in Amtrak's programs and operations; review security and safety policies and programs; and review and make recommendations regarding existing and proposed legislation and regulations relating to Amtrak's programs and operations.

### **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 for Amtrak to consolidate existing investigative and audit resources into independent organizations headed by an Inspector General (IG) to promote economy, efficiency, and effectiveness; and 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 Offices of Inspectors General.



## Guiding Principles and Values

OIG principles and values are important because they form the building blocks used to accomplish its mission and conduct its day-to-day operations:



Amtrak's Office of Inspector General will:

- **High Quality, Relevance, Timeliness**—Provide valuable and timely service. Work products are high quality, relevant, timely, add value, and are responsive to the needs of Amtrak, and its stakeholders.
- **Innovation**—Be innovative, question existing procedures, and suggest improvements. New ideas and creativity are fundamental to continued growth, development, and problem solving.
- **Respecting and Developing People**—Create an environment that supports gathering, sharing, and retaining knowledge; fosters treating everyone fairly and with mutual respect through words and actions; ensures professional growth; and values the diverse backgrounds, skills, and perspectives of employees.
- **Professionalism**—Be committed to our professional standards and foster relationships with stakeholders that rely on communication and cooperation. Relationships with program managers are based on a shared commitment to improving program operations and effectiveness.

- **Independence and Objectivity**—Be committed to carrying out its mission with objectivity and independence, both in appearance and fact. Conflicts, improper influence, or other impediments do not interfere with our work.
- **Customer Service**—Strive to be aware of the needs of stakeholders and work with Amtrak’s chairman, the Board of Directors, and the Congress to improve program management.



Acela Express at New Haven, Connecticut

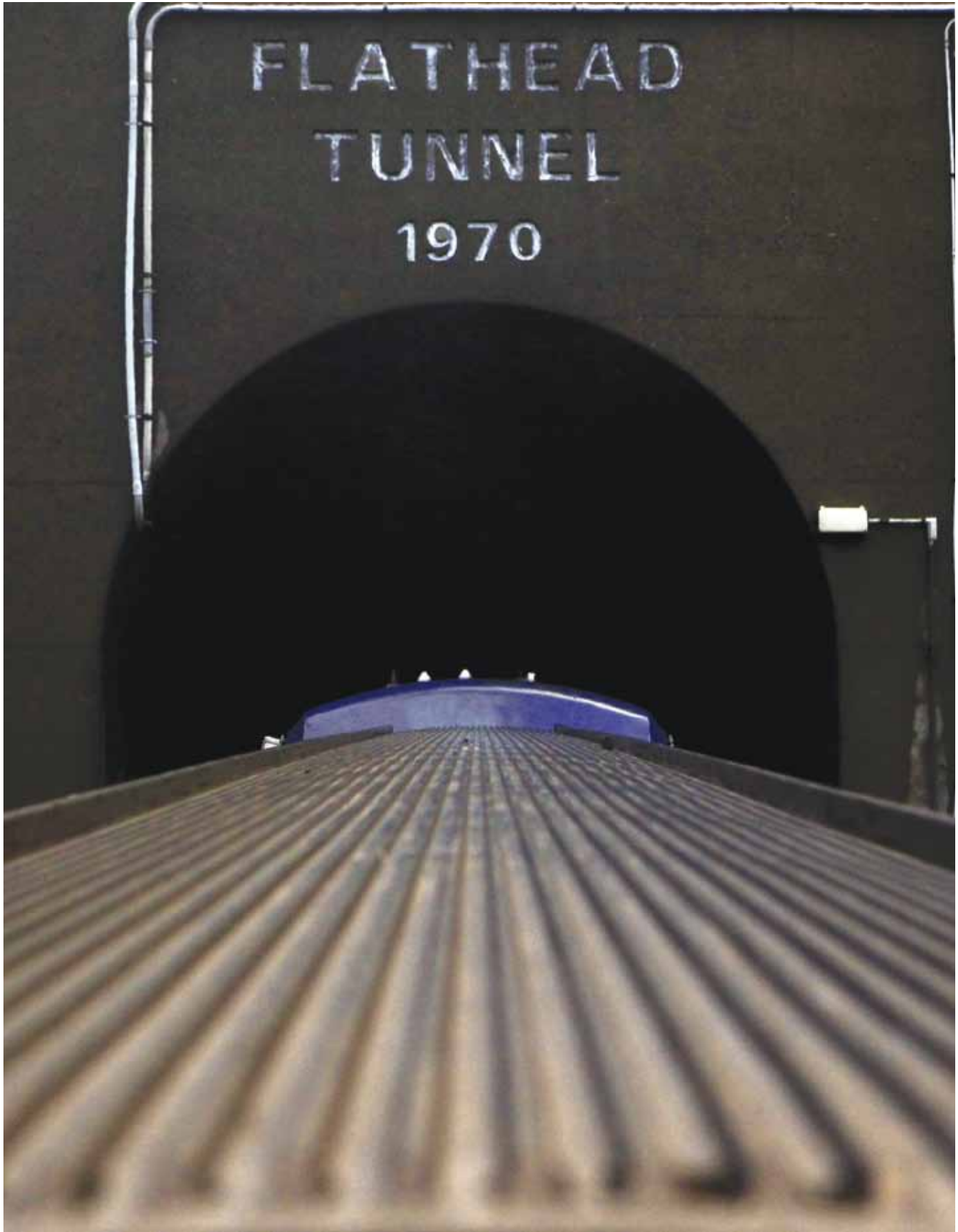
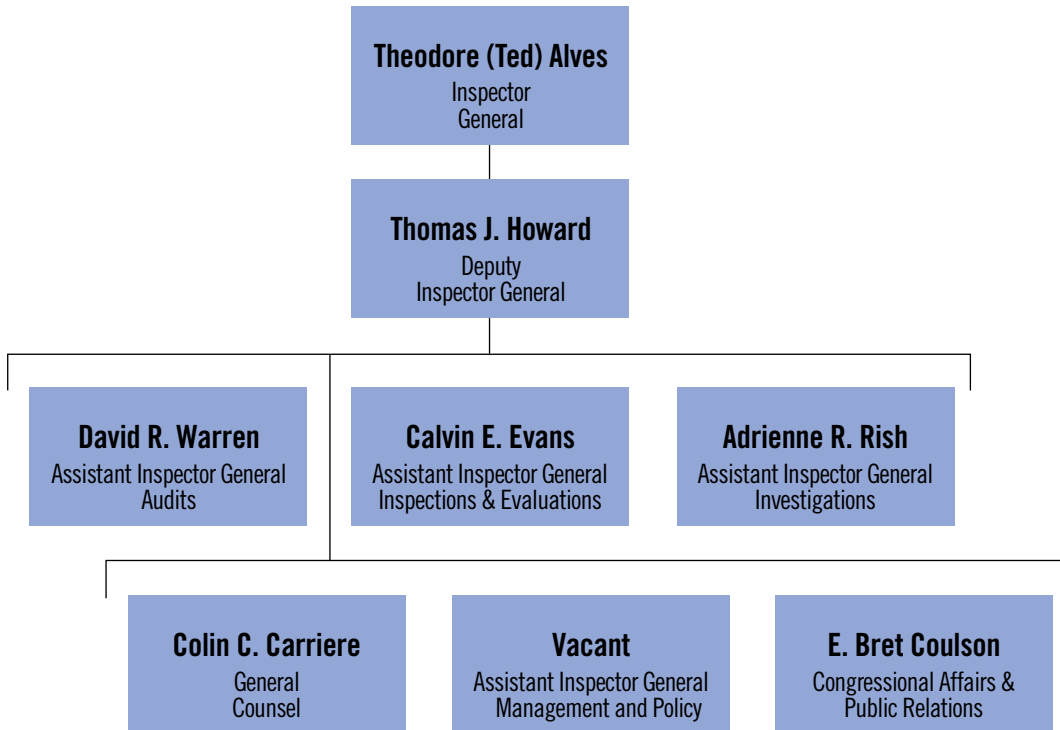


Photo: Jason Berg

Empire Builder at the Flathead Tunnel, Montana



## Office of Inspector General Organization



The OIG headquarters is based in Washington, D.C., with seven field offices located in Baltimore, Boston, Chicago, Los Angeles, New York, Philadelphia, and Wilmington, Delaware.

The Inspector General provides policy direction and leadership for Amtrak’s Office of Inspector General and serves as an independent voice to the Board of Directors and the Congress by identifying opportunities and promoting solutions for improving the company’s performance and economy and efficiency of operations, while preventing and detecting fraud, waste, and abuse. The Deputy Inspector General assists the Inspector General in development and implementation of the OIG’s diverse audit, inspection, evaluation, investigative, legal, and support operations.



The Audit group conducts performance and financial audits aimed at improving Amtrak's economy, efficiency, and effectiveness; Inspections and Evaluations also identifies opportunities to improve the overall quality of Amtrak service delivery. Investigations likewise looks into alleged fraud, waste, abuse, and misconduct that could affect Amtrak's programs, assets, and resources.

### **Audits**

The Audit group conducts performance and financial audits across the spectrum of Amtrak's support and operational activities. It produces reports on those activities that are aimed at improving Amtrak's economy, efficiency, and effectiveness, while seeking to detect and prevent fraud, waste, and abuse. The audit activities are focused on issues related to governance, to include financial management, acquisition and procurement, information technology, human capital and American Recovery and Reinvestment Act-related activities. The group conducts its work in accordance with generally accepted government auditing standards.

### **Inspections and Evaluations**

The Office of Inspections and Evaluations conducts evaluations of Amtrak programs and operations to identify opportunities to improve cost efficiency and effectiveness, and the overall quality of service delivery throughout Amtrak.

### **Investigations**

The Office of Investigations investigates allegations of fraud, waste, abuse, and misconduct that could affect Amtrak's programs, operations, assets, and other resources. Investigative findings are referred to the Department of Justice for criminal prosecution or civil litigation, or to Amtrak management for administrative action. The office develops recommendations to reduce Amtrak's vulnerability to criminal activity.



Crescent at the James River, Lynchburg, Virginia



Empire Builder at Glacier National Park, Montana

### **Management and Policy**

The Office of Management and Policy provides financial management, procurement, human capital management, administrative, information technology, and communications expertise to support OIG operations.

### **Congressional Affairs & Public Relations**

The Office of Congressional Affairs & Public Relations serves as the OIG liaison to Congress, other government entities, and the public, and conducts OIG outreach.



## Amtrak Profile

The National Railroad Passenger Corporation—Amtrak—is incorporated under the District of Columbia Business Corporation Act (D.C. Code § 29-301 et seq.) in accordance with the provisions of the Rail Passenger Service Act of 1970 (P. L. 91-518). Under the provisions of the Passenger Rail Investment and Improvement Act of 2008 (P. L. 110-432; 49 U.S.C. § 24302), Amtrak’s Board of Directors was reorganized and expanded to nine members.



Since 2000, ridership has grown by more than 36 percent. In March 2011, Amtrak recorded its 17<sup>th</sup> straight month of increased passenger traffic.

The company is operated and managed as a for-profit corporation providing intercity rail passenger transportation as its principal business. Congress created Amtrak in 1970 to take over, and independently operate, the nation’s intercity rail passenger services. Prior to this, America’s private freight companies ran passenger rail as required by federal law. Those companies reported that they had operated their passenger rail services without profit for a decade or more. With this in mind, when Amtrak began service on May 1, 1971, more than half of the rail passenger routes then operated by the freight railroad companies were eliminated.

### Amtrak Ridership Continues Upward Trend as 40th Anniversary Approaches

As Amtrak reaches its 40th anniversary on May 1 of this year, ridership has continued to increase steadily: in March 2011, Amtrak recorded its 17th straight month of increased passenger traffic (beginning in November 2009). Since 2000, ridership has grown by more than 36 percent.

Amtrak has requested some \$2.2 billion in federal funding for FY 2012.

## How It Works: Ownership and Contracting

Amtrak owns the right-of-way of more than 363 route miles in the Northeast Corridor (NEC, which includes Washington, D.C.–New York City–Boston; Philadelphia–Harrisburg; and New Haven, Conn.–Springfield, Mass.), as well as 97 miles in Michigan. Amtrak owns 105 station facilities, and is responsible for the upkeep and maintenance of an additional 181 station facilities and 411 platforms. Amtrak owns 17 tunnels and 1,186 bridges.

Amtrak owns most of the maintenance and repair facilities for its fleet of about 2,600 cars and locomotives. Outside of the NEC, Amtrak contracts with freight railroads for the right to operate over their tracks. The host railroads are responsible for the condition of their tracks and for the coordination of all railroad traffic.



Maryland Area Regional Commuter (MARC) at Washington, D.C.





Empire Builder at Williston, North Dakota



## Significant Activities: ACTIONS UNDERWAY TO STRENGTHEN OIG OPERATIONS

A professional, independent, and effective working relationship between OIG and Amtrak management is critical to our ability to perform the independent oversight envisioned in the Inspector General Act of 1978. Our relationship policy with management meets the letter and the spirit of the IG Act.

As a consequence, our office no longer performs management functions that should be handled by Amtrak itself, and our independent working relationships with Amtrak supervisors and managers continue to be excellent.

During this reporting period, we have completed or initiated several actions to strengthen our office and ensure that we operate as efficiently and effectively as possible. Among them:

- **Human Capital Management.** As part of our quest to become a model OIG, we hired several key professionals with many years of experience:

**Senior Director for Quality Assurance and Internal Affairs.** The incumbent brings 23 years of management, logistics, staff development, as well as auditing experience within the IG community, serving for the past 3 years in Baghdad as Deputy Assistant IG for Audit—Iraq, with the Special IG for Iraq Reconstruction (SIGIR). This followed some 20 years with the Department of Defense IG.

**Principal Communications Officer.** The incumbent's 37-year federal career includes 21 years with the Government Accountability Office (GAO) as a communications analyst and, since 2005, similar positions with the Offices of Inspector General at the Departments of Transportation and Commerce.

**Deputy Assistant Inspector General for Investigations—Headquarters Operations.** The incumbent has a rich and varied background in law enforcement and fraud investigations of all types, including computer and



As part of our quest to become a model OIG, we hired several more auditing professionals with many years of experience.

financial crimes. He has served with Offices of Inspector General at the Departments of Defense, Commerce, Agriculture, and the Special Inspector General for Iraq Reconstruction.

**Deputy Assistant Inspector General for Investigations—Field Operations.** The incumbent brings 20 years of experience in law enforcement from Offices of Inspector General at the U.S. Postal Service—where, for the past 8 years, he was Deputy Assistant IG for Investigations and Mission Support—and the Department of Transportation. His background includes organizational development and leadership, along with procurement fraud and financial crimes.

- **NAPA.** As detailed in our last *Semiannual Report*, the National Academy of Public Administration (NAPA) conducted an organizational assessment of our office and made 41 recommendations focusing on eight areas in which we can enhance our operations. We have developed an implementation plan to address recommendations from NAPA's report.



California Zephyr at Glenwood Springs, Colorado

- **Writing Training.** All audit and inspection & evaluation staff attended a 3-day training course in developing and writing audit reports. Taught by two well-respected writing instructors in the auditing community with decades of experience, along with our own newly-hired Principal Communications Officer, the course explored in detail how to write reports for busy decision makers using clear and persuasive language while effectively marshaling evidence.



San Joaquins near Merced, California

- **Office of Management and Policy.** We conducted an initial assessment and initiated a detailed organizational review of the Office of Management and Policy.
- **Office of Audits.** We have begun discussions to review the structure and operational effectiveness and efficiency of the Office of Audits.

### Ongoing Actions

- *Postal IG Review.* This review is an evaluation by the USPS Inspector General to gauge our independence from Amtrak. The Fiscal Year 2010 Consolidated Appropriations Act directed that a member of the Council of Inspectors General for Integrity and Efficiency (CIGIE) review our March 2010 relationship policy with Amtrak management. This was done by the Inspector General of the Farm Credit Administration, who determined that it was consistent with the letter and spirit of the IG Act of 1978, as amended. The Appropriations Act further called for another CIGIE member to evaluate—a year later—our operational independence. This is the review being carried out by the Postal Service Inspector General.
- *Recruitment.* We are recruiting for several critical positions, among them an Analyst/Referencer to support Quality Assurance and Internal Affairs; two Senior Directors, two Principal Operations Analysts, and two Lead Evaluators for Inspections and Evaluations; and a Special Agent-in-Charge and Criminal Investigator for Investigations.



All Audit and Inspection & Evaluation staff attended a 3-day training course in developing and writing audit reports, exploring in detail how to write for busy decision makers using clear and persuasive language while effectively marshaling evidence.





Capitol Limited at Mance, Pennsylvania

# Significant Activities: AUDITS

During this reporting period, the Office of Audits issued five reports—three dealing with incurred costs, one discussing price negotiations on an acquisition contract, and one reviewing design controls in Amtrak’s Strategic Asset Management program.

## Audits Issued This Reporting Period

These are summaries of audit reports issued between October 1, 2010 and March 31, 2011. The full reports may be accessed through our website: [www.amtrakoig.gov](http://www.amtrakoig.gov).

### **Questionable Contract Language Related to Interest Payable Under Kiewit Contract C069-93228 / Sounder Preventive Maintenance Track Replacement and Related Improvements, Seattle, WA / and Kiewit Contract C069-06834 South End Track and Related Improvements, Seattle, WA**

(Audit Report 508-2009, December 2, 2010)

Amtrak awarded two cost-reimbursable-plus-fee contracts up to a combined guaranteed maximum price of over \$11 million to perform work related to track replacement and related improvements. Our audit objective was to determine the accuracy and acceptability of costs invoiced by the contractor, Kiewit. Both contracts allow Amtrak to withhold 10 percent of progress payments made to Kiewit on a cost-incurred basis. This retained amount is to be withheld until the work has been satisfactorily completed and OIG audit findings, if any, have been resolved.

We identified questionable “retainage” language in both contracts. It states that if the retainage is not paid within 90 calendar days following proper invoicing by the contractor and receipt by Amtrak, both parties “shall agree to seek a mutually acceptable means of compensating the contractor for the ‘time value of money’ associated with extended and/or unwarranted withholding of retainage from the contractor without suitable cause.” One of the mutually acceptable means

identified in the contract allows the contractor to be paid interest on retainage not later reduced by audit findings.

It is a common construction contracting practice for the owner to withhold a certain percentage of compensation from the contractor as a means of motivating the contractor to complete the work in a timely and satisfactory manner. The contract retainage language may offset the benefits of withholding. The 90 calendar days time frame places a burden on Amtrak that may result in hasty management decisions. The unfavorable retainage language may also result in unnecessary costs to Amtrak.



Procurement officials indicated that the language was included only in the two contracts to induce the contractor to do business with Amtrak.

The audit also noted that the inclusion of this language in only Kiewit contracts presents an appearance that Amtrak accorded preferential treatment to this particular contractor. Amtrak procurement officials indicated that the language was included only in the two Kiewit contracts to induce the contractor to do business with Amtrak, because the Seattle Facility Infrastructure Improvement project underwent a number of changes as a result of Amtrak's funding constraints.

We further noted that the interest payment clause could impose limits on our responsibilities and/or place unreasonable restriction on the time needed to complete an audit or issue the report, which could impair the auditor's independence.

We recommended that Amtrak

- exclude any language that allows paying interest to a contractor on a retainage basis and, if such language is included, formally justify that it is in Amtrak's best interest and does not impair auditor independence;
- review all existing contracts for similar retainage language; and
- avoid any contract language that could impair auditor responsibilities.

Amtrak agreed with our recommendations and has already issued guidance to its procurement personnel reminding them of the need to avoid contract language that could impair the independence and objectivity of the OIG and other external auditors.



**Incurred-Cost Audit: Amtrak's Design/Build Improvements Contract Audit Identified a Total of \$926,276 in Questioned and Unsupported Costs**

(Audit Report 503-2009, December 13, 2010)

*Questioned Costs: \$ 17,694*

*Unsupported Costs: 908,582*

Amtrak awarded a cost-reimbursable-plus-fee contract up to a guaranteed maximum price of over \$2 million for work related to design/build improvements. Our objective was to determine the accuracy and acceptability of costs invoiced by the contractor.

We found that the questioned costs were primarily the result of the contractor's billing of relocation, insurance, and general and administrative costs that were not allowed. Further, the contractor did not provide adequate support for salaried staff and staff vehicle costs invoiced to Amtrak.

We also found, however, that Amtrak's Department of Procurement and Materials Management did not ensure before payment that all costs invoiced by the contractor were in compliance with contract provisions and/or were adequately and appropriately supported.

Our draft report recommended that Amtrak take steps to recover overpayments and remind staff to ensure that costs are adequately supported before paying vendor invoices. Amtrak disagreed with most of the questioned and unsupported costs and with the recommendation. Management's response did not, however, contain sufficient facts or rationale to rebut the findings. In our view, management's response indicates a lack of appropriate attention to controls over payments.

Given this lack of attention, our final report recommended that Amtrak's Chief Financial Officer

- direct staff to initiate negotiations with the contractor to recover the questioned and unsupported costs;
- remind staff to ensure that all costs invoiced to Amtrak are in accordance with contract provisions and are adequately supported before paying vendor invoices; and
- review the adequacy of internal controls over the vendor invoice process, including the control environment, and implement improvements as needed.

As of mid-April, Amtrak was drafting its response and estimated that it would be provided to us before May 1.

### **Incurred-Cost Audit: Amtrak's Track Replacement and Related Improvements Contracts Audit Identified a Total of \$351,205 in Questioned and Unsupported Costs**

(Audit Report 504-2009, December 22, 2010)

<i>Questioned Costs:</i>	<i>\$221,925</i>
<i>Unsupported Costs:</i>	<i>129,280</i>

Amtrak awarded two cost-reimbursable-plus-fee contracts up to a combined guaranteed maximum price of over \$11 million to for work related to track replacement and related improvements. Our objective was to determine the accuracy and acceptability of costs invoiced by the contractor.

We found that the questioned costs were primarily the result of overstated labor and labor add-ons, such as benefits, equipment costs, and certain other subcontractor costs not in accordance with the contract. We found that the Contractor did not provide adequate support for business managers' labor and labor add-ons, and for related equipment costs invoiced to Amtrak.

We also found that Amtrak's Department of Procurement and Materials Management did not ensure that all invoiced costs were in compliance with contract provisions. Amtrak's procurement office and project manager did not ensure that the contractor's invoices were adequately and appropriately supported before they were paid.

Our draft report recommended that Amtrak take steps to recover overpayments and remind staff to ensure that costs are adequately supported before paying vendor invoices. Management's response disagreed with most of the questioned and unsupported costs and with our recommendation. It did not, however, contain sufficient facts or rationale to rebut the validity of our findings. In our view, management's response indicates a lack of appropriate attention to controls over payments.

Our final report recommended that Amtrak's Chief Financial Officer direct staff to initiate negotiations with the contractor to recover the questioned and unsupported costs we identified, and to remind staff to ensure that all costs invoiced to Amtrak are in accordance with contract provisions and are adequately supported before paying vendor invoices.

As of mid-April, Amtrak was drafting its response and estimated that it would be provided to us before May 1.

**Price-Proposal Audit: Amtrak Should Negotiate a Price Adjustment to a Major Acquisition Contract**

(Audit Report 219-2010, January 12, 2011)

*(Final report contains contractor-proprietary information.)*

Amtrak awarded an acquisition contract for a sum not to exceed nearly \$500 million. Given this significant amount, we audited the contractor’s price proposal. Our objectives were to determine the accuracy and completeness of the data, the accuracy of the contractor’s internal controls as they affected the price proposal, and whether the contractor’s estimating system was applied in a reasonable manner.

We found that the contractor did not reasonably apply its estimating system and identified more than \$16.6 million in unreasonable costs; further, the contractor duplicated profit, misapplied labor and training rates, overstated costs, and included warranty and risk costs we found to be unreasonable.

We recommended that Amtrak negotiate a price adjustment. Amtrak responded that it will use the information contained in this report to assess any future modifications to the contract.

**Strategic Asset Management Program Controls Design Is Generally Sound, But Improvements Can Be Made**

(Audit Report 105-2010, January 14, 2011)

Amtrak’s Strategic Asset Management (SAM) program is estimated to cost as much as \$380 million. Its goal is to transform key business operations such as finance and logistics; in so doing, it will replace or enhance many existing manual and automated systems. Given SAM’s cost and expected impact on business operations, we reviewed its internal controls design to determine whether it adequately identified and mitigated risks.

The design of the automated controls to mitigate financial risk in the first SAM segment to be implemented is generally sound. However, we found gaps in the design of the controls that do not fully mitigate the financial and operational risks. These gaps put Amtrak at risk of not fully realizing SAM’s potential benefits. In particular, the lack of adequate controls can lead to inaccurate financial



We found gaps in the design of the controls that do not fully mitigate the financial and operational risks, gaps that put Amtrak at risk of inaccurate financial reporting, vulnerability to fraud, and inefficient business operations.





During the next 6 months, the Office of Audits expects to complete work on determining whether Amtrak's risk management framework and processes are effective in identifying and controlling financial, operational, and regulatory risks.

reporting, vulnerability to fraud, and inefficient business operations.

For example, we found the following areas in which improvements could be made:

- Journal entries are to be processed manually, leaving the process vulnerable to error and rework.
- Controls were not documented to avoid the risk of unauthorized purchases.
- Controls over certain physical inventory items were not in place, leaving the items vulnerable to undetected loss or theft.

We also found that the scope of design controls work was limited to automated finance and materials management business controls.

We recommended that Amtrak complete certain automated control design tasks before the April 2011 implementation, and expand the scope of the control design process. Amtrak agreed with our recommendations, and has been working to implement them.

### Ongoing Audits

During the next 6 months, the Office of Audits expects to complete work on the following:

- A review to determine whether Amtrak's risk management framework and processes are effective in identifying and controlling financial, operational, and regulatory risks, and are consistent with private and public best practices.
- An audit of Amtrak's management of employment background investigations, including a review of policies, processes, and practices used to conduct new employee background investigations, with an emphasis on the use of that information in the hiring process; and oversight of contractors performing background investigations, with an emphasis on oversight of contractors' timeliness in providing investigation reports.
- An audit of Amtrak's planning, implementation approach, and program management for the Strategic Asset Management (SAM) program. This is Amtrak's most significant information technology program to improve the



Acela Express at Washington, D.C.

economy, effectiveness, and efficiency of its support and business operations, and is estimated to have an implementation cost of up to \$380 million.

- An audit of the adequacy of accounting practices related to financial reporting for inventory purchases.
- Audits of invoices billed to Amtrak for performance payments to other railroads. These invoices allowed over \$60 million in awards payments. Similar past audits have identified significant overpayments.
- A review of 40 American Recovery and Reinvestment Act of 2009 (ARRA)-funded projects expected to cost about \$465 million. These projects are being implemented by a contractor on behalf of Amtrak. The audit will address the adequacy of Amtrak's program management oversight and status of project implementation, as well as obstacles encountered in attempting to complete the projects by the ARRA deadline of February 17, 2011.
- An audit of 35 police and security ARRA-funded projects expected to cost \$95 million. The audit will address the adequacy of Amtrak's program management and the status of project implementation, as well as obstacles to completing the projects by the February 2011 ARRA deadline.
- A review of Amtrak's progress in complying with the Americans with Disabilities Act. The audit will address what has been and remains to be done, as well as barriers that must be overcome to achieve further progress.



Crescent in Virginia



## Significant Activities: INSPECTIONS AND EVALUATIONS

During this reporting period, the Office of Inspections and Evaluations issued two reports, a review of Operation RedBlock—Amtrak’s drug-and-alcohol peer-counseling program, and a review of Amtrak’s Fleet Strategy.

### Evaluations Issued This Reporting Period

These are summaries of the inspection and evaluation reports issued between October 1, 2010 and March 31, 2011. The full reports may be accessed through our website: [www.amtrakoig.gov](http://www.amtrakoig.gov).

#### **Operation RedBlock: Actions Needed to Improve Program Effectiveness** (Evaluation Report E-11-01, March 15, 2011)

Operation RedBlock is a labor-developed, management-supported program to promote the awareness and education of drug use in the workplace through union-led volunteer-prevention committees. We initially issued a report in March 2008 identifying significant deficiencies in the program and made 14 recommendations to improve its operational and organizational efficiency and effectiveness. Amtrak disagreed with many of the recommendations, and asserted that the program was operating effectively (but did not provide additional information). In July 2009 the Federal Railroad Association (FRA) conducted an audit of Amtrak’s compliance with its drug and alcohol regulations, including the RedBlock program, and expressed significant concerns with how union employees are processed through RedBlock, including whether RedBlock management was using the program to bypass federally-mandated drug and alcohol requirements and standards. We then performed a follow-up evaluation to determine the progress made in implementing our previous recommendations, and whether concerns raised were addressed.

We identified five issues surrounding RedBlock’s operational efficiency and effectiveness:



We performed a follow-up evaluation to determine whether RedBlock management was using the program to bypass federally-mandated drug and alcohol requirements and standards.

## Significant Activities | Inspections and Evaluations

- The RedBlock Executive Steering Committee (ESC) had not met for over a year and had failed to formally meet at least twice a year, as previously committed in response to our 2008 report.
- The RedBlock ESC had still not established meaningful performance goals for program self-measurement and improvement.
- The employee mark-off data were not being tracked or reported to ESC that would allow Amtrak and the Committee to identify trends and issues around employee absences from work due to drug and alcohol use. FRA also questioned the reliability of the RedBlock data.
- RedBlock referral practices did not fully support the long-term rehabilitative interest of employees (mark-offs that should have been referred to Amtrak's Employee Assistance Program [EAP] for evaluation) and may not have satisfied FRA's requirement that employees with substance abuse problems be identified and treated.
- RedBlock continued to inappropriately house important employee counseling-type programs that were not organizationally aligned to provide the appropriate resources and support to employees.

We recommended that the President and CEO direct the Vice President for Human Resources, Labor Administration, and Diversity Initiatives to work with management and the involved labor unions to ensure that

1. the RedBlock ESC meets on a regular basis, at least semiannually, to review program performance and provide oversight and direction to improve program operations;
2. the RedBlock ESC establishes a process and timeline for the development of meaningful performance goals that can be used to measure the effectiveness of the program and compliance with federal regulations;
3. the RedBlock ESC implement processes to report reliable and detailed information related to RedBlock activities, including mark-offs and multiple mark-offs, by craft, time period, and location, while also ensuring that personal and confidential information is protected from release;
4. the RedBlock ESC establishes mark-off guidelines and consequences, tracks peer-counselor interactions with and referrals of employees, and ensures that employees are appropriately referred to and properly evaluated by a certified

Substance Abuse Professional-credentialed counselor within the EAP unit. Further, employees with multiple RedBlock mark-offs should be required to contact Amtrak's EAP; and,

5. the Critical Assistance and Response for Employee, the Peer Counselor, and the Union Member Assistance Coordinator programs be reassigned to the EAP department.

Management agreed with our findings and recommendations and committed to meet with the RedBlock ESC prior to May 31, 2011, agree to a firm deadline for implementing two of the recommendations, and provide a timeline for full implementation of the other three recommendations by June 7, 2011.

We concurred with management's approach to work with the RedBlock ESC and also commended the company for taking additional actions beyond our recommendations to further improve the RedBlock program, as well as the President and CEO's personal commitment to the RedBlock program and his proactive engagement with the ESC labor members.

### **Evaluation of Amtrak's FY 2010 Fleet Strategy: A Commendable High-Level Plan That Needs Deeper Analysis and Planning Integration**

(Evaluation Report E-11-02, March 31, 2011)

The FY 2010 Transportation, Housing and Urban Development and Related Agencies Appropriation Act mandated that Amtrak prepare a comprehensive plan that provides details and time frames for the maintenance, refurbishment, replacement, and expansion of Amtrak's rolling stock fleet. In February 2010, as part of its FY 2011 Grant and Legislative Request, Amtrak published a fleet strategy outlining the need to spend \$23 billion over the next 30 years to replace aging equipment and to provide the fleet necessary to meet future ridership demand. In May 2010, the former Ranking Member of the Senate Appropriations Committee, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, requested that we conduct a comprehensive review of the strategy.

Our objective was to assess whether the critical data and assumptions that have a material impact on the equipment and financial resource estimates contained in the fleet strategy are reasonable and valid. We briefed Amtrak's senior executives on our findings and recommendations on January 11, 2011.



During the next 6 months, the Office of Inspections & Evaluations will continue to work on a follow-up evaluation of Amtrak's mechanical maintenance operations, examining progress toward the adoption of Reliability-Centered Maintenance.



Amtrak has done a commendable job of using a holistic approach to create a comprehensive fleet strategy that it has greatly needed. Its approach is a reasonable first step and may be appropriate for determining a high-level estimate of future equipment needs. However, our evaluation identified seven areas where Amtrak can significantly improve the strategy by conducting additional and more detailed analyses.

These areas for improvements include:

1. ***Determining the future rolling stock requirements based on route-specific ridership demand projections:*** The fleet strategy uses a simplified growth assumption of 2 percent per year on its existing car fleet. We have recommended that Amtrak follow a route-specific approach that is based on future ridership projections and considers current load factors and train consist alternatives.
2. ***Increasing the use of multi-level cars:*** Multi-level cars provide more space at relatively lower procurement and operating costs. Amtrak can reduce its capital investments by \$174 million to \$679 million (depending on the amount of luggage space provided in the cars) if it replaced all of its single-level cars with a seat-equivalent number of multi-level cars.
3. ***Incorporating improved equipment availabilities:*** The fleet strategy does not incorporate equipment availability improvements. If Amtrak achieves the availability targets presented in its Five-Year Financial Plan, it could reduce its capital investments for equipment procurements and overhauls by \$520 million. This could be nearly doubled if Amtrak could further improve the availability of its equipment to the levels achieved by some of the better European operators.
4. ***Determining the equipment's optimal economic life:*** Amtrak uses a time-based criterion to plan rolling stock retirements. Our benchmarking shows that European railroads keep their rolling stock in service considerably longer and base their replacement decisions on strategic, operational, and financial factors. We recommend that Amtrak develop a more sophisticated decision model based on similar criteria. If Amtrak were able to keep its equipment in service, for example, 10 years longer than assumed in the Fleet Strategy, it could reduce its capital investment requirements by \$1.6 billion over the 30-year planning period.
5. ***Developing a business plan-based approach for replacing and enhancing the Acela Express fleet:*** Although the Acela Express service

is one of Amtrak's main revenue drivers, the fleet strategy does not provide a clear and well-supported plan for the replacement and enhancement of the Acela fleet. Amtrak should identify a clear strategic focus for this high-speed rail service and develop a plan based on an operational and financial assessment of the relevant alternatives.

**6. *Using a procurement approach aimed at achieving lower unit prices:***

The fleet strategy's procurement approach plans for relatively small order quantities and annual delivery rates that may result in higher unit costs. We recommend that Amtrak use a procurement approach that results in the most cost-effective use of its funds. For each percentage that Amtrak could lower its equipment procurement prices, the capital funding requirements could be reduced by \$140 million.

**7. *Implementing a systematic fleet planning process integrated with other corporate plans and activities:*** The fleet strategy was not developed as part of a systematic process integrated into a corporate planning process. We recommend that for future updates to the Strategy Amtrak use a more systemic planning process that is integrated with Amtrak's overall strategy and is linked to other strategic plans and activities.

Amtrak's President and CEO stated that management agreed with all of our recommendations. He noted that Amtrak began to address some of our recommendations in the recently published FY 2011 Fleet Strategy Plan and would address the remaining recommendations in future strategy updates. Management's comments are responsive to our recommendations.

## Ongoing Evaluations

During the next 6 months, the Office of Inspections and Evaluations will continue to work on the following:

- A follow-up evaluation of Amtrak's mechanical maintenance operations, examining progress made since our 2005 review, which recommended the adoption of Reliability-Centered Maintenance to improve effectiveness and efficiency.
- An evaluation, in response to a complaint, ascertaining whether Amtrak is following its policy that governs the assignment of individuals to temporary management positions. The complaint alleged that failure to follow the policy has resulted in disparate pay practices.



Capitol Corridor at Niles, California



## Significant Activities: INVESTIGATIONS

During this reporting period, the Office of Investigations (OI) added two new Deputy Inspectors General to assist in its work of combating alleged fraud, waste, and abuse of Amtrak funds. Investigators opened 18 new cases while closing 130; our hotline received 151 contacts by email, fax, letter, telephone, or website. Our work resulted in two convictions and one indictment.

### Proactive Efforts Regarding Medical Leave of Absence

(08-141, December 8, 2010)

*Cost savings of \$126,670 realized*

In conjunction with the Amtrak Health Services Department, OI conducted an initiative involving employees on Medical Leave of Absence. The initiative was designed to determine if employees were abusing this process and, if so, identify those involved.

The project resulted in 63 employees returning to work, with a related cost savings of \$126,670. Amtrak also terminated the employment of 34 individuals.

### Track Inspector Pleads Guilty

(09-002, December 22, 2010)

*Restitution of \$8,000 ordered*

Our last semiannual report noted that a track inspector repeatedly used Amtrak's General Services Administration credit card to purchase fuel for his personal vehicle. The track inspector also falsely reported that he performed track inspections that he had, in fact, not done. At times the inspector was at home or on personal travel when he claimed to be performing track inspections. He also falsely claimed to have worked overtime in some of these instances.

The track inspector pled guilty to one count of theft of public money. He was sentenced to 6 weeks of home detention with electronic monitoring and 2 years' probation. He was ordered to make restitution in the amount of \$8,000, and he resigned his employment with Amtrak.

### **Health Care Facility Operator Indicted**

(07-026, March 3, 2011)

*Forfeiture of property valued at up to \$291,255 ordered*

A Pennsylvania federal grand jury indicted the owner of a health care facility on 22 counts of health care fraud, 10 counts of mail fraud, and 11 counts of aggravated identity theft. The health care provider submitted hundreds of false claims to United Health Care Corporation, a medical management service that processes and pays claims for Amtrak-covered employees' health care expenses.

According to the indictment, the health care company owner employed unlicensed personnel, including an osteopathic physician and a physical therapist. The owner is charged with directing employees to prepare fraudulent physical therapy evaluations reflecting procedures that patients did not receive and on dates that patients were not at the facility. The owner also allegedly directed staff members to submit claims using health insurance identification numbers assigned to patients who did not receive the services. The fraudulent charges totaled \$321,000 and the health care provider received \$291,255, according to the indictment. A notice was served on the owner ordering forfeiture of any property that constitutes or is derived from the proceeds of the above actions, to the sum of \$291,255.

The case was investigated by Amtrak OIG along with the Department of Labor OIG, the U.S. Postal Inspection Service, and the Federal Bureau of Investigation.

### **Closed-Circuit Television System Not Fully Functional**

(10-258, March 3, 2011)

*\$20,576 in Upgraded Equipment Received*

OI conducted a proactive inquiry involving a contractual agreement with a vendor hired to install a closed-circuit television system at an Amtrak facility. OI determined that the vendor installed cameras that were not fully functional. OI worked with Amtrak Procurement to rectify the problem: the vendor agreed to provide Amtrak with upgraded closed-circuit television equipment valued at \$20,576 at no additional cost.

### **Billing from Health Care Provider Found to be Problematic**

(09-888, March 22, 2011)

An OI review of invoices submitted by a health care provider revealed serious problems with invoicing and billing practices. OI recommended that management conduct regular reviews and reconciliations as well as random audits of invoices received from the provider. Management concurred and agreed to ensure that invoices are submitted in a manner that allows verification of labor hours charged, that explanations are provided, and that billings are submitted on a timely basis. Management also agreed to take steps to ensure that the provider's administrative functions are performed by appropriate-level personnel and are not charged to Amtrak at higher principal employee rates.

### **Lead Service Attendant Sentenced**

(04-91, March 24, 2011)

In 2006 an Amtrak lead service attendant was charged with one count of theft/deception and one count of theft/unauthorized control of more than \$300 and less than \$10,000. She failed to appear for her initial hearing at that time and a bench warrant was issued for her arrest. She was finally arrested on October 6, 2010, and pled guilty on October 10. She was sentenced to 1 year's probation and time served (67 days). She was also ordered to pay \$500 in fines, costs, and fees.

## **Fraud Awareness Initiative**

Together with the OIG Office of Audits, OI has initiated a comprehensive effort to deliver fraud awareness briefings to Amtrak management, operations, and support personnel. This training is designed to help Amtrak managers, employees, and contractors recognize fraud indicators and report suspicions of fraud to the OIG. The briefings are also designed to educate Amtrak management on the role of the OIG and to foster a partnership between OIG and management.

To date, three presentations have been given to a total of 48 Amtrak Procurement Service employees.

On March 17, 2011, OI presented the fraud awareness briefing to the Amtrak Board of Directors.



## Revenue Protection Unit

In conjunction with mostly random on-board train observations of lead service attendants (LSAs), the OI Revenue Protection Unit (RPU) analyzed support documentation for on-board food and beverage sales for 49 trains. The completed reviews resulted in 11 administrative referrals to management for various findings including theft, fraud, and failure to follow procedures. Two LSAs have been disciplined and other management actions are pending.

RPU has an ongoing program to educate Amtrak personnel on the mission of the RPU and the importance of adhering to internal controls to prevent loss of revenue from on-board ticket and food and beverage sales. RPU gave three presentations to a total of 36 employees, including newly hired assistant conductors.



The Office of Investigations' Revenue Protection Unit gave three presentations to a total of 36 employees on the importance of adhering to internal controls to prevent loss of revenue from on-board ticket and food and beverage sales.



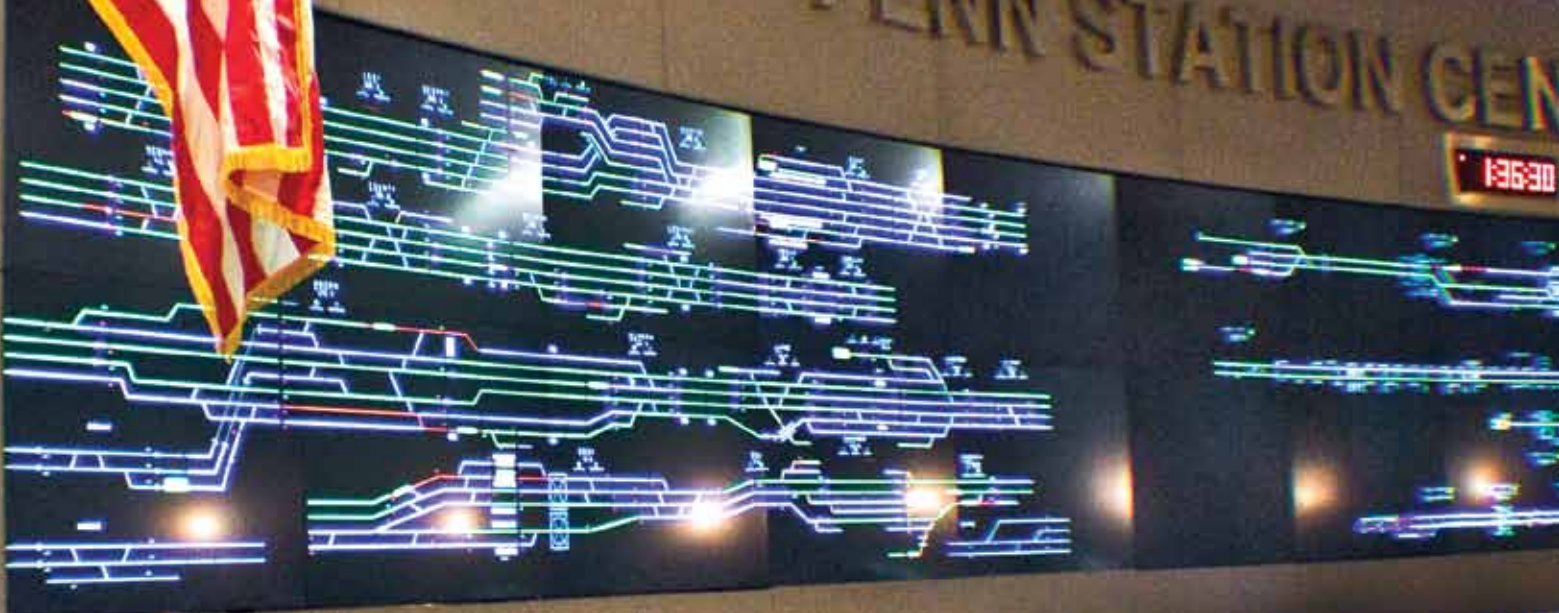
MARC at Washington, D.C.

Penn Station Control Center, New York



PENNS STATION GEN

136:30





## FY 2010 Performance Measures, 10/1/2010–3/31/2011

### AUDIT/EVALUATION RESULTS

Congressional Testimony	0
Reports Issued	7
Costs Questioned/Unsupported, Funds to be Put to Better Use	<sup>a</sup> \$36,902,776
Management Decisions to Seek Recoveries	0

### INVESTIGATIVE RESULTS

Financial Impact	
Fines/Fees	\$ 500
Restitution	\$ 8,000
Cost Savings	\$147,246

Cases Opened	
Theft/Embezzlement	4
Time and Attendance Fraud	2
Procurement Fraud	1
Procurement Irregularity	1
Proactive Reviews	3
Mismanagement	1
Kickbacks	1
Health Care Fraud	1
Employee Misconduct	1
Conflict of Interest	1
Abuse of Position	1
False Statements	1

Judicial and Administrative Actions	
Indictments	1
Convictions	2
Employee Removal	35
Employee Suspensions	0

Investigative Workload	
Investigations Opened	18
Investigations Closed	<sup>b</sup> 130

Hotline Contacts/Referrals	
Management	57
Customer Service	53
Amtrak Police Department	4
OIG Audit	3
Other Agency	2
Reviewed for Investigation	4
Request for Assistance	7
No Action Warranted	21
<b>Total</b>	<b>151</b>

Advisory Functions	
FOIA Requests Received	2
FOIA Requests Processed	2
Legislation Reviewed	0
Regulations Reviewed	0

<sup>a</sup> Not included in this amount are the funds to be put to better use identified in Report E-11-02. Implementing the recommendations in this report would allow Amtrak to reduce its fleet requirements by 53 cars and 25 locomotives over the 30-year planning period in Amtrak's Fleet Strategy, resulting in a potential reduction of over \$520 million in procurement and overhaul costs over the lives of these additional pieces of equipment.

<sup>b</sup> At the beginning of the last semiannual reporting period, the office had an inventory of over 300 cases, many of which had sat dormant for years. Most addressed administrative matters more appropriately handled by Amtrak management.



# Appendixes

## APPENDIX 1

### OFFICE OF INSPECTOR GENERAL AUDIT/EVALUATION REPORTS ISSUED WITH QUESTIONED COSTS

Reporting Period: 10/1/10–3/31/11

	Number	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period.	2	\$21,108,181	\$ 0
B. Reports issued during the reporting period.	2	239,619	1,037,862
<b>Subtotals (A + B)</b>	<b>4</b>	<b>\$21,347,800</b>	<b>\$1,037,862</b>
<b>Less</b>			
C. For which a management decision was made during the reporting period.	1		
(i) dollar value of recommendations that were agreed to by management.		1,055,662	0
(ii) dollar value of recommendations that were not agreed to by management.			0
D. For which no management decision has been made by the end of the reporting period.	3	\$20,292,138	\$1,037,862

**APPENDIX 2**

**OFFICE OF INSPECTOR GENERAL  
AUDIT/EVALUATION REPORTS WITH FUNDS TO BE PUT TO BETTER USE**

**Reporting Period: 10/1/10–3/31/11**

	Number	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period.	0	\$ 0
B. Reports issued during the reporting period.	2	<sup>a</sup> 16,610,638
<b>Subtotals (A + B)</b>	<b>2</b>	<b><sup>a</sup>\$16,610,638</b>
<b>Less</b>		
C. For which a management decision was made during the reporting period.		
(i) dollar value of recommendations that were agreed to by management.	2	<sup>a</sup> 16,610,638
(ii) dollar value of recommendations that were not agreed to by management.	0	0
D. For which no management decision has been made by the end of the reporting period.	0	\$ 0

<sup>a</sup> Not included in this amount are the funds to be put to better use identified in Report E-11-02. Implementing the recommendations in that report would allow Amtrak to reduce its fleet requirements by 53 cars and 25 locomotives over the 30-year planning period in Amtrak's Fleet Strategy, resulting in a potential reduction of over \$520 million in procurement and overhaul costs over the lives of these additional pieces of equipment.

## APPENDIX 3

OFFICE OF INSPECTOR GENERAL  
DETAILED LISTING OF ALL ISSUED REPORTS

Reporting Period: 10/1/10–3/31/11

Date Issued	Report Number	Report Title	Report Category	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
12/02/2010	508-2009	Questionable Contract Language Related to Interest Payable Under Kiewit Contract C069-93228 / Sounder Preventive Maintenance Track Replacement and Related Improvements, Seattle, WA / and Kiewit Contract C069-06834 South End Track and Related Improvements, Seattle, WA	Acquisition & Procurement	\$ 0	\$ 0	\$ 0
12/13/2010	503-2009	Incurred-Cost Audit: Amtrak's Design/Build Improvements Contract Audit Identified a Total of \$926,276 in Questioned and Unsupported Costs	Acquisition & Procurement	17,694	908,582	0
12/22/2010	504-2009	Incurred-Cost Audit: Amtrak's Track Replacement and Related Improvements Contracts Audit Identified a Total of \$351,205 in Questioned and Unsupported Costs	Acquisition & Procurement	221,925	129,280	0
01/12/2011	219-2010	Price-Proposal Audit: Amtrak Should Negotiate a Price Adjustment to a Major Acquisition Contract	Acquisition & Procurement	0	0	16,610,638
01/14/2011	105-2010	Strategic Asset Management Program Controls Design Is Generally Sound, But Improvements Can Be Made	Information Technology	0	0	0
03/15/2011	E-11-01	Operation RedBlock: Actions Needed to Improve Program Effectiveness	Human Capital Management	0	0	0
03/31/2011	E-11-02 <sup>a</sup>	Evaluation of Amtrak's FY 2010 Fleet Strategy: A Commendable High-Level Plan That Needs Deeper Analysis and Planning Integration	Train Operations & Business Management	0	0	0
<b>Total</b>				<b>\$239,619</b>	<b>\$1,037,862</b>	<b>\$16,610,638</b>

(continued)

<sup>a</sup> Implementing the recommendations in Report E-11-02 would allow Amtrak to reduce its fleet requirements by 53 cars and 25 locomotives over the 30-year planning period in Amtrak's Fleet Strategy, resulting in a potential reduction of over \$520 million in procurement and overhaul costs over the lives of these additional pieces of equipment.



## APPENDIX 3 (continued)

### OFFICE OF INSPECTOR GENERAL DETAILED LISTING OF ALL ISSUED REPORTS

Reporting Period: 10/1/10–3/31/11

Audits/Evaluations	
In process at 10/1/2010:	65
Postponed or canceled:	<sup>b</sup> 40
Started:	8
Issued:	7
In process at 03/31/2011:	26

<sup>b</sup> Audits canceled (40) in response to findings and recommendations in the most recent peer review, to ensure that all audits were being conducted in accordance with generally accepted government auditing standards.

## APPENDIX 4

**OFFICE OF INSPECTOR GENERAL  
EVALUATION REPORTS ISSUED WITH FINAL MANAGEMENT ACTION PENDING CONTAINING ESTIMATED  
YEARLY COST SAVINGS<sup>a</sup> (FUNDS TO BE PUT TO BETTER USE)**

**Reporting Period: 10/1/10–3/31/11**

Recommendations made or carried forward in this reporting period

Source of savings <sup>b</sup>	Report Number/Date	Estimated Annual Savings	Estimated Annual Savings Already Achieved
Reliability-Centered Maintenance	<sup>c</sup> E-05-04/ September 6, 2005	\$100 million+	\$30 million
Increased productivity and utilization of rolling stock fleet	E-06-02/ April 6, 2006	28 million+	4 million
Consolidation of mechanical maintenance operations into “centers of excellence” at fewer locations	E-06-03/April 24, 2006	25 million+	4 million+
Improved efficiency of human resource processes through leveraging of new technology	E-09-03/May 15, 2009	23 million+	
Achievement of “State of Good Repair” of Amtrak infrastructure and adoption of European railroads’ infrastructure best practices	E-09-05/ September 29, 2009	50 million+	
Improved efficiency of training	E-09-06/October 26, 2009	8 million	
<b>Total</b>		<b>\$234 million+</b>	<b>\$38 million+</b>

<sup>a</sup> Estimated savings based on benchmarking to other organizations

<sup>b</sup> Abbreviated description; see report for full explanation

<sup>c</sup> Follow-up evaluation underway

### APPENDIX 5

#### OFFICE OF INSPECTOR GENERAL REVIEW OF LEGISLATION AND REGULATIONS

**Reporting Period: 10/1/10–3/31/11**

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Section 4(a) 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 and to 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.

Furthermore, Section 4(a) states that it is “the duty and responsibility of the Inspector General “to recommend policies for, and to conduct, supervise, or coordinate relationships between such establishment and other Federal agencies, State and local governmental agencies, and nongovernmental entities with respect to (A) all matters relating to the promotion of economy and efficiency in the administration of, or the prevention and detection of fraud and abuse in, programs and operations administered or financed by such establishment, or (B) the identification and prosecution of participants in such fraud or abuse.”

During this reporting period, we reviewed no legislation or regulations.



## Glossary of Audit Terms and Abbreviations

The terms the OIG uses in reporting audit statistics are defined below:

**Questioned Cost** – Cost or expenditure of funds for an intended purpose that is unnecessary, unreasonable, or an alleged violation of Amtrak’s corporate policy or procedure.

**Unsupported Cost** – Cost that is not supported by adequate documentation at the time of the audit.

**Funds to Be Put to Better Use** – Funds identified in an audit that could be used more effectively by taking greater efficiency measures.

**Management Decision** – Management’s evaluation of the OIG audit finding and its final decision concerning agreement or non-agreement with the OIG recommendation.

Abbreviations/acronyms used in the text are defined below:

<b>ARRA</b>	American Recovery and Reinvestment Act of 2009
<b>BNSF</b>	Burlington Northern Santa Fe Railway Co.
<b>CEO</b>	chief executive officer
<b>CFO</b>	chief financial officer
<b>CIGIE</b>	Council of the Inspectors General on Integrity and Efficiency
<b>D.C.</b>	District of Columbia
<b>EAP</b>	Employee Assistance Program
<b>ESC</b>	Executive Steering Committee
<b>FBPTBU</b>	funds to be put to better use
<b>FRA</b>	Federal Railroad Administration
<b>FY</b>	fiscal year
<b>GAGAS</b>	generally accepted government auditing standard
<b>GAO</b>	Government Accountability Office
<b>GSA</b>	General Services Administration
<b>IG</b>	Inspector General
<b>LSA</b>	lead service attendant
<b>NAPA</b>	National Academy of Public Administration
<b>NEC</b>	Northeast Corridor
<b>OI</b>	Office of Investigations
<b>OIG</b>	Office of Inspector General
<b>OMB</b>	Office of Management and Budget
<b>OTP</b>	on-time performance
<b>P.L.</b>	Public Law
<b>PRIIA</b>	Passenger Rail Investment and Improvement Act
<b>R&amp;R</b>	repair and return
<b>RCM</b>	reliability-centered maintenance
<b>RPU</b>	Revenue Protection Unit
<b>SAM</b>	strategic asset management
<b>SIGIR</b>	Special Inspector General for Iraq Reconstruction
<b>U.S.C.</b>	United States Code
<b>USPS</b>	United States Postal Service
<b>WA</b>	Washington

### Reporting Requirements Index

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5(a)(11)	Significant Revised Management Decisions	n/a
5(a)(12)	Significant Management Decisions with Which the OIG is in Disagreement	n/a



Top, Union Station, Washington, D.C.

Bottom, East meets West as staff from Washington confer with L.A. staff at Union Station, Los Angeles



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**Who pays? You pay.**  
**Act like it's your money...because it is.**

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The OIG will keep your identity confidential. You may remain anonymous if you so choose. You are protected by law from reprisal by your employer.

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