



MARCH 11, 2015

The Honorable Jason Chaffetz  
Chairman, Committee on Oversight  
and Government Reform  
2157 Rayburn House Office Building  
Washington, DC 20515-6143

The Honorable Elijah E. Cummings  
Ranking Member, Committee on Oversight  
and Government Reform  
2157 Rayburn House Office Building  
Washington, DC 20515-6143

Dear Chairman Chaffetz and Ranking Member Cummings:

This memorandum responds to your letter of February 11, 2015, concerning our open and unimplemented recommendations and access to agency information. The information below corresponds to the six questions listed in your letter.

1. We have 97 open and unimplemented recommendations.
2. From those, we identified approximately \$238 million in estimated cost savings.
3. Attachment 1 is our listing of cost saving recommendations, the date they were made and the estimated savings.
4. Attachment 2 details the three open and unimplemented recommendations we consider to be most important. Highlights are as follows:
  - That Amtrak develop corporate-wide policies and procedures for authorizing the use of overtime;
  - That Amtrak conduct a pilot program to outsource its food and beverage services on selected routes; and

- That Amtrak develop a strategic plan to manage its implementation of the Americans with Disabilities Act.

5. We had three investigative matters that were not publicly disclosed.

- DC-14-0129-0. This involved an allegation regarding an employee's claim for reimbursement for travel-related expenses. We found no fraud and referred the matter to management. Closed: October 7, 2014.
- DC-14-0164. This involved an allegation that an employee was using Amtrak's IT systems to search for child pornography. Our review did not substantiate criminal activity. Closed: August 12, 2014.
- CA-12-0318. This involved an allegation that an employee was submitting false medical documentation. However, the employee in question died after we began investigative activity. Closed: July 29, 2014.

6. We do not have any instances where the agency refused to provide, or otherwise delayed or restricted our access to, records or other information.

If you have any questions, please contact me or Kevin Winters, our Deputy Inspector General/Counsel, at 202-906-4600.

Sincerely,



Tom Howard  
Inspector General

Attachment

## Open Report Recommendations with Estimated Cost Savings

OIG-A-2013-006  
2/15/2013

### Amtrak Invoice Review: Undetected Inaccuracies Resulted in Overpayments

<http://amtrakoig.gov/content/amtrak-invoice-review-undetected-inaccuracies-resulted-overpayments>

We reviewed over \$5 million in on-time-performance incentive payments to BNSF Railway for the period from July through December 2006. Of that total, we questioned \$2,115,440 in payments and recommended that the company take action to recover the questioned costs.

OIG-A-2013-013  
4/16/2013

### Information Technology: Opportunities Exist to Improve Services, Economies, and Contract Performance

<http://amtrakoig.gov/content/information-technology-opportunities-exist-improve-services-economies-and-contract-performan>

We found that while achieving some service improvements the Information Technology Infrastructure Initiative program was not providing support services in an effective and efficient manner. To address the situation, we recommended that the company take a number of short- and long-term actions. We estimated potential savings associated with our recommendations to be \$31.4 million.

OIG-A-2013-016  
7/29/2013

### American Recovery and Reinvestment Act: Opportunities Exist to Recover Funds and Reduce Future Costs by Improving Procurement Policies

<http://amtrakoig.gov/content/american-recovery-and-reinvestment-act-opportunities-exist-recover-funds-and-reduce-future-c>

Estimated savings related to questioned costs of \$596,345.00 We reviewed over 90 ARRA contract change orders, valued at more than \$70 million and found the orders to be generally supported. However, we identified \$596,345 in charges that we questioned because of various errors, including applying (1) overhead rates to costs not covered in the general contract provisions; (2) incorrect overhead rates; (3) incorrect profit rates; and (4) inappropriate mark-up of subcontractor costs and sales tax. We recommended the company seek reimbursement.

We also identified \$529,175 in funds that could have been put to better use because weaknesses in procurement policy led the company to pay unnecessary costs. Our estimate was limited to the change orders we reviewed and we were not able to conclusively document future savings. However, the weaknesses we identified likely could result in some percentage of change orders related to Amtrak's existing contracts - valued at \$1.4 billion - being more costly than necessary. We recommended that the company clarify procurement policy by ensuring that the overhead and profit rates permitted on a change order is based on the total amount of the change order, not on the individual components.

OIG-A-2014-001

Food and Beverage Service: Potential Opportunities to Reduce Losses

10/31/2013

<http://amtrakoig.gov/content/food-and-beverage-service-potential-opportunities-reduce-losses>

We recommended that the company pilot with a third party to provide onboard food and beverage services on selected routes to determine the qualitative and quantitative costs and benefits. In our report, we estimated that contracting this activity had the potential to save the company between \$51.4 and \$60.5 million, annually. For semiannual reporting, we included just the low end of the estimate and projected it over three years, for a total of \$154.2 million.

We also recommended that the company pilot various options to increase efficiency, including: aligning the food and beverage service model with variations in ridership, customer demand, and performance; developing performance measures and metrics for assessing the sales performance of service attendants; and developing a program to reward high sales performers and counsel or hold accountable low sales performers. We estimated that the changes identified in our report could potentially save the company about \$7 million, annually. For semiannual reporting, we project this estimated savings over three year, \$21 million.

OIG-A-2015-005

Governance: Opportunities Exist to Improve the Efficiency of Procurement Practices for Goods and Services

2/11/2015

<http://amtrakoig.gov/content/governance-opportunities-exist-improve-efficiency-procurement-practices-goods-and-services>

We reviewed policies and practices for making purchases and used data analytics software to review calendar year 2013 purchasing data. We recommended that the company, where possible, implement the use of more economical purchasing practices identified in our report to help ensure that the lowest cost is paid for materials, negotiating discounts for early payments, and negotiating extended payment terms with vendors. Our review showed that the company could reduce payments by about \$3.4 million annually by using lower-price vendors and \$6 million annually by negotiating early payment discounts. The potential savings of about \$9.4 million - \$3.4 million plus \$6 million - for three years would result in freeing up about \$28.2 million in funds that could be put to better use.

## Most Important Open and Unimplemented Recommendations

OIG-A-2013-009  
3/26/2013

Management of Overtime: Best Practice Controls Can Help in Developing Needed Policies and Procedures

<http://amtrakoig.gov/content/management-overtime-best-practice-controls-can-help-developing-needed-policies-and-procedure>

Develop corporate-wide policies and procedures for authorizing the use of overtime that address cost-effectiveness, operational efficiency, and safety. These policies and procedures should incorporate the best practices discussed in this report, including:

1. tone at the top;
2. standard employee, supervisory, and timekeeper responsibilities;
3. timing of supervisory approvals;
4. procedures to verify that hours claimed are actually worked; and
5. standard procedures for capturing data that identify the reasons for overtime.

OIG-A-2014-001  
10/31/2013

Food and Beverage Service: Potential Opportunities to Reduce Losses

<http://amtrakoig.gov/content/food-and-beverage-service-potential-opportunities-reduce-losses>

We recommend that the President and CEO direct the VP, Operations to pilot contracting with a third party to provide onboard food and beverage services on selected routes to determine the qualitative and quantitative costs and benefits of this approach.

We recommend that the President and CEO direct the VP, Operations to pilot various options to increase efficiency, including:

- Align the food and beverage service model with variations in ridership, customer demand, and financial performance for each route. Consider amending or eliminating the current sit-down dining car service seasonally, on selected routes, or on portions of some routes.
- Develop performance measures and metrics for assessing the sales performance of service attendants.
- Develop a program to reward high sales performers and counsel or hold accountable low sales performers.
- Reduce report times and eliminate the practice of double-counting food stocks.

We recommend that the President and CEO direct the VP, Operations to develop food and beverage cost and revenue data by train, car, and departure date to reduce the reliance on allocated financial data when developing financial performance reports.

We recommend that the President and CEO direct the VP, Operations to ensure that the onboard point-of-sale system includes the capability to provide relevant business management data, such as time-of-sale.

OIG-A-2014-010

8/4/2014

### Train Operations and Business Management: Addressing Management Weaknesses Is Key to Enhancing the Americans with Disabilities Program

<http://amtrakoig.gov/content/train-operations-and-business-management-addressing-management-weaknesses-key-enhancing-amer>

To help improve the effectiveness of ADA program management, we recommend that the President and CEO, after organizational responsibility has been decided, direct the lead executive, in conjunction with other ADA management team members, to develop a written strategic plan for achieving ADA compliance that:

- provides a clear vision and policy for the ADA program; assigns program and project accountability;
- establishes criteria for selecting projects to fund;
- identifies project and program cost estimates;
- creates annual performance metrics;
- sets a goal date for all stations to become ADA-compliant.

To help improve the effectiveness of ADA program management, we recommend that the President and CEO consider establishing an ADA Advisory Panel that includes members from the disabled community to advise the ADA management team on ADA-related issues.