



AMTRAK | Office of
Inspector General
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SEMIANNUAL REPORT to the United States Congress

October 1, 2013–March 31, 2014
Report # 49





Amtrak's Board of Directors: (from left to right) Albert DiClemente, Christopher Beall, Jeffrey Moreland, Anthony Coscia, Joe Boardman, Yvonne Burke, and Tom Carper with Paul Nissenbaum, Federal Railroad Administration. Not pictured, Anthony Foxx, Secretary of Transportation.

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California Zepher
Photo: Amtrak Corporate Communications

From the Inspector General



National Railroad Passenger Corporation Office of Inspector General

I am pleased to submit my first *Semiannual Report to the United States Congress* as Inspector General for Amtrak. This report highlights the audit, evaluation, and investigative activities of the Amtrak Office of Inspector General for the six months ending March 31, 2014, pursuant to the Inspector General Act of 1978, as amended.

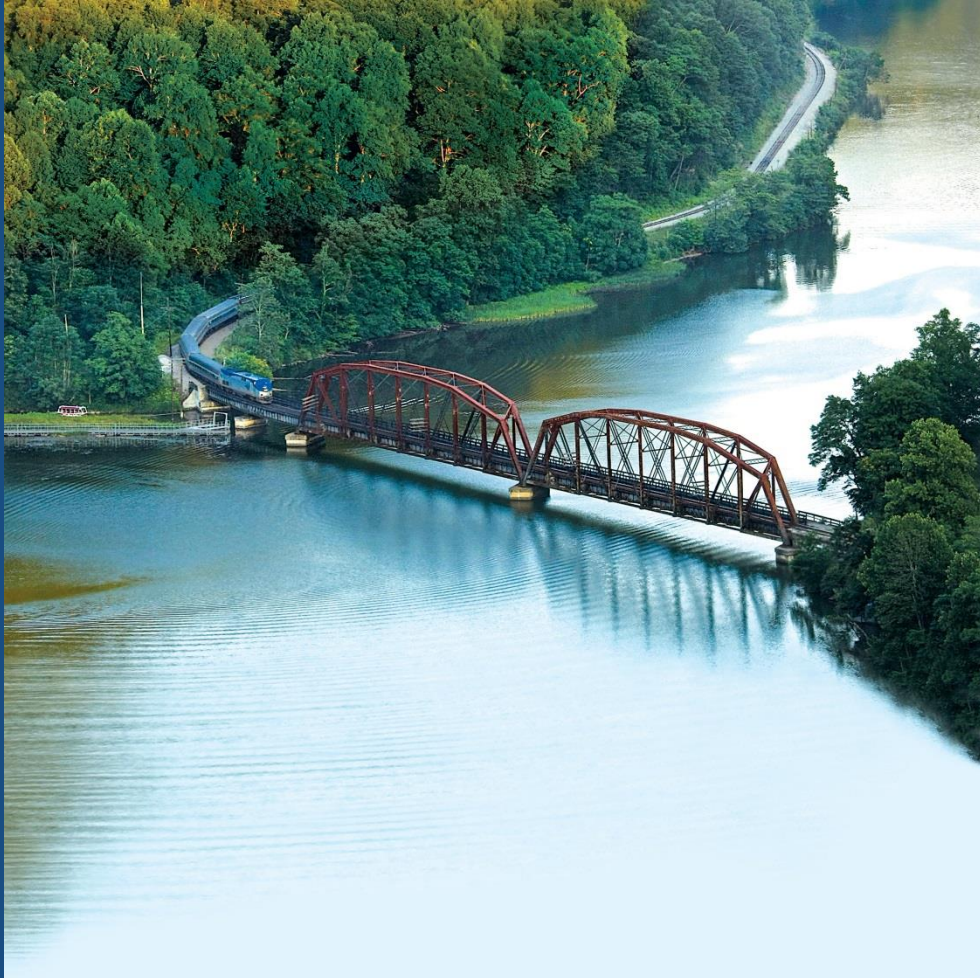
Throughout this semiannual period, our audit and evaluation work addressed issues intended to improve the efficiency and effectiveness of Amtrak's programs and operations. Our issued products addressed opportunities to reduce losses on food and beverage sales, management of the Gateway Program's concrete casing project, and an assessment of Amtrak's progress implementing the Passenger Rail Investment and Improvement Act of 2008. We discuss these work products in this report.

During this period, our investigative activities continued to prevent and deter fraud, waste, and abuse through an ongoing outreach program and to hold accountable those who sought to harm Amtrak's programs and operations. The investigative activities discussed in this report include theft, fraudulent contractor practices, and Amtrak employee integrity/misconduct issues.

It is also important to note our appreciation for the significant contributions of the former Inspector General, Ted Alves. His accomplishment in enhancing the operations of the Office of Inspector General and establishing effective working relationships with the Amtrak Board of Directors and management were particularly noteworthy.

In the months ahead, we will continue to focus on issues of importance to Amtrak management and the Board in meeting their stewardship and fiduciary responsibilities, supporting Congressional oversight, and providing information to the public. We hope that you find this report informative.

Tom Howard
Inspector General



Cardinal at Hawks Nest, WV
Photo: Amtrak Corporate Communications

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, inspections, evaluations, and investigations focused on recommending improvements to Amtrak's economy, efficiency, and effectiveness; preventing and detecting fraud, waste, and abuse; and providing Congress, Amtrak management, and Amtrak's Board of Directors with timely information about problems and deficiencies relating to Amtrak's programs and operations.

Vision

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

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

Focus Areas

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

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

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

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

Information Technology (IT). IT management encompasses processes, policies, and procedures to acquire and use IT tools to improve labor and asset productivity and deliver safe and reliable customer service.

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

¹ OIG-SP-2013-017, *Strategic Plan Fiscal Years 2013-2017*,
http://www.amtrakoig.gov/sites/default/files/reports/strategic_plan2.pdf

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

Safety and Security. These programs and activities are related to the safety and security of employees and the train-riding public.

Asset Management. These activities are related to the utilization and maintenance of Amtrak's assets, including train sets, support equipment, inventory, and real property.



Amtrak Station at Kirkwood, MO
Photo: Amtrak Corporate Communications

Significant Activities: Audits, Inspections and Evaluations, and Investigations

During this reporting period, we issued three audit reports and one testimony and provided 10 investigative summaries to management. During the next six months, we expect to complete work in a number of our work focus areas. (To see the full audit reports and testimony, access our website, www.amtrakoig.gov.)

Acquisition and Procurement

Acquisition and Procurement: Gateway Program's Concrete Casing Project Progressing Well; Cost Increases Will Likely Exceed Project Budget

(Audit Report No. OIG-A-2014-004, February 11, 2014)

Amtrak has established an effective project management framework for managing the concrete casing project. We did not identify any significant risks related to the project's scheduled completion or the contractor's performance. The company is aware that project costs are exceeding initial estimates and is monitoring the potential for further cost escalation.

These are some of the highlights of our review:

- An executive steering committee has been established to oversee project implementation.
- A construction management firm has been hired to assist in overseeing the project's implementation.

Significant Activities

- The commercial developer has identified about \$9 million in additional cost increases that are being reviewed by Amtrak.
- The Long Island Rail Road has identified about \$5.3 million in support costs that were not included in the project budget.
- Other cost increases are likely as the project progresses.

To enhance Amtrak’s management of the concrete casing project, we recommend that the Vice President, Northeast Corridor Infrastructure and Investment Development (1) finalize and adopt the draft charter for the executive steering committee; and (2) develop a risk mitigation plan to address potential cost increases and funding sources.

The Vice President, Northeast Corridor Infrastructure and Investment Development concurred with our recommendations.

Production of Long Distance Single Level Rail Cars

November 2013 (Investigations)

We received an allegation of numerous improprieties regarding the contracting of 25 sleeper cars, 25 dining cars, 25 baggage/dorm cars, and 55 baggage cars totaling \$298,132,648. Of the 11 improprieties alleged, we did not find any substantial information or evidence indicating potential fraud or other criminal violations. Amtrak management addressed and resolved potential contract or production irregularities. We



Gateway program’s concrete casing project underway
Photo: Amtrak OIG

recommended to management that they continue to monitor the progress to address the initial use of non-conforming parts in the production process; check the welding credentials of welders who worked on the prototype cars and welders on the rail cars when full production begins in 2014; and to monitor the contractor's compliance with the Buy America Act.

Ongoing Work—Acquisition and Procurement

Capital Program Management. Our objective is to determine the effectiveness of Amtrak's policies and procedures for managing the execution of capital projects with a focus on best practices.

Procurement Process. Our objective is to provide an assessment of Amtrak's procurement function in four areas: (1) organizational alignment and leadership, (2) policies and processes, (3) human capital, and (4) knowledge and information management, with a focus on best practices.

Survey of Issues Related to the North East Corridor Infrastructure Projects. We are actively monitoring phases one and two of the Gateway project. In April we will initiate a review of the raceway project focusing on the company's oversight of cost, schedule, and performance issues. The successful accomplishment of Northeast Corridor ongoing and planned infrastructure projects in an effective and efficient manner are of high priority to the corporation, the Board of Directors, the Congress, and other stakeholders. Our overall objective is to keep apprised of Northeast Corridor infrastructure planning and implementation issues. Our specific objective is to provide stakeholders timely information and recommendations, where appropriate, based on an independent review of emerging issues.

Alstom-Acela Spare Parts. Our objective is to assess the adequacy of contract oversight, administration, and contractor performance for the Alstom contract. We will focus on the company's oversight of cost, schedule, and performance issues.

Significant Activities

Train Operations and Business Management

Food and Beverage Service: Potential Opportunities to Reduce Losses

(Audit Report No. OIG-A-2014-001, October 31, 2013)

Amtrak reduced food and beverage service losses from a reported \$105 million in FY 2006 to \$72 million in FY 2012 by making incremental changes to the food and beverage business model. We estimate that losses could be further reduced by about \$10.5 million annually by making additional incremental changes to the business model. For example, aligning onboard staffing on long-distance routes with seasonal changes in ridership could have reduced FY 2012 labor costs by an estimated \$6.9 million.

Outsourcing food and beverage could substantially reduce costs—we estimate that this could reduce labor costs by \$51.4 million to \$60.5 million annually. However, this option would significantly impact the workforce of about 1,200 personnel. Some implementation costs, such as contributions to railroad retirement and insurance, could reduce savings by about \$3.5 million to \$5.1 million, and other qualitative factors, such as the safety and security responsibilities of onboard personnel, would also need to be assessed.

We also noted that route managers lack key information to effectively manage the food and beverage program, such as cost and revenue by train.

To reduce food and beverage losses, we recommended piloting outsourcing and options to increase efficiency and improve data management. The President and Chief Executive Officer agreed with the spirit of our recommendations. He also noted that in evaluating each of our recommendations, the company must assess the impact of any potential changes on customer satisfaction, ridership, revenue, and the company brand.

Food and Beverage Service: Progress and Opportunities to Reduce Operating Losses

(Testimony No. OIG-T-2014-002, November 14, 2013)

On November 14, 2013, former Inspector General Ted Alves testified on our October 31, 2013 report and recommendations related to improving Amtrak's food and beverage services. Mr. Alves' testimony focused on two areas: (1) Amtrak's progress in reducing losses; and (2) opportunities to further reduce losses by improving business practices, processes, and management information.

Losses on Amtrak's food and beverage service have been a long-standing issue. From FY 2006 through FY 2012, the food and beverage service incurred direct operating losses of more than \$609 million—with the overwhelming majority of the losses incurred on long-distance routes. During that time, Amtrak's actions allowed it to reduce annual food and beverage operating losses by a reported \$33.2 million.

Mr. Alves' testimony detailed six opportunities to improve business practices and processes, which we conservatively estimate have the potential to reduce losses by at least \$10.5 million annually.

1. Align staffing of dining cars to ridership.
2. Monitor and manage the sales performance of lead service attendants.
3. Shorten reporting times for onboard service personnel.
4. Align service to the needs of each route.
5. Ensure that the cost of complimentary items is recovered.
6. Reduce spoilage.

Mr. Alves' testimony also noted that the food and beverage accounting process lacks the capability to generate the information needed to efficiently and effectively operate the service, including route managers lacking labor cost and revenue data by train and departure date. To achieve profit-and-loss accounting for the service, cost and revenue data must be more complete and accurate. Further, Mr. Alves noted that to achieve a more significant impact on financial performance, Amtrak may require a completely different business model. Contracting out food and beverage services offers the greatest potential for cost reductions; nevertheless, this change to the business process would be complex and risk prone. Consequently, this option should be approached in a structured, methodical manner.

Significant Activities

Passenger Rail Investment and Improvement Act of 2008: Accomplishments and Requirements that Deserve Consideration for Future Authorizing Legislation

(Audit Report No. OIG-A-2014-003, January 9, 2014)

Amtrak has made significant progress implementing the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) by addressing 24 of the 29 assigned provisions. The company continues to work on incorporating eight categories of information that were not fully addressed in its last five-year financial plan, among other things. Amtrak has not had to react to three provisions because the events that trigger a response have not yet occurred. Additionally, we identified three areas that provide opportunities for savings and improved performance service quality.

- Amtrak, with Department of Treasury's assistance, has successfully completed restructuring its debt on 13 capital leases, saving about \$173 million; however, the authorization for this provision expired in October 2010. Amtrak, with Treasury's assistance, could reduce its costs and federal subsidy requirements by about \$393 million (\$282 million in present-value dollars) from FY 2014 through FY 2019 if this provision is reauthorized.
- In July 2013, the U.S. Court of Appeals for the D.C. Circuit ruled that the performance metrics and standards developed under PRIIA were not enforceable. This ruling invalidated the metrics and standards, eliminating those that measure on-time performance and the requirement to incorporate metrics and standards into the operating agreements with host railroads. It also eliminated the authority for the metrics and standards to be unilaterally reissued absent new authorizing legislation.
- Additional time and resources are needed to fully implement the Northeast Corridor state of good repair plan, the Northeast Corridor infrastructure and operations improvements, and the compliance requirements of the Americans with Disabilities Act. Reauthorizing the reporting requirements in these three provisions would provide information to stakeholders to help make informed decisions to execute these long-term efforts.

The company agreed with our recommendation that it fully address the requirements for the annual five-year financial plan. We also reported that Congress may want to consider the three areas that present opportunities for savings and improved performance and service quality in future authorization legislation.

Ongoing Work—Train Operations and Business Management

Follow-up Audit on Progress in Achieving Compliance with the Americans with Disabilities Act (ADA). Our objective is to assess the ADA program progress toward achieving its goals with a focus on addressing issues raised in our prior report related to program management weaknesses.



Demonstration of new ADA bridge plate prototype.
Photo: Amtrak OIG

Governance

Yard Employees Leave the Premises before the End of Their Shift

October 2013 (Investigations)

We conducted an investigation into an allegation that employees of the Los Angeles yard were receiving overtime pay for overtime that was not worked. We selected three employees of the Los Angeles yard for review. We found that these three employees left the yard approximately 15 minutes before the end of their assigned shifts. It was determined that supervisors allowed yard engineers and conductors 20 minutes of “tie-up” time to perform various tasks. With more than 30 employees in these work assignments, the time lost by employees leaving the premises and not using the time for “tie-up” purposes could potentially be substantial. The matter was brought to management’s attention. Management reaffirmed to all crew members that they were not to leave Amtrak property prior to their authorized end time.

Significant Activities

Theft of PCard Information from Amtrak Employee

November 2013 (Investigations)

As reported in our previous semiannual report, our investigation revealed that an Amtrak employee used her Amtrak Procurement Card (PCard) to reserve a conference room at the Union Station Business Center. An employee of another company located inside the Union Station Business Center used the Amtrak employee's PCard number to make purchases at Bloomingdales, Neiman Marcus, Macy's, and to purchase basketball tickets and online adult entertainment. The individual was arrested and subsequently pled guilty to one count of identity theft and one count of attempted forgery. In November 2013, he was sentenced on both counts to 120 days' incarceration, sentence suspended. He was placed on three years' supervised probation and was ordered to make restitution of \$4,480 and to pay \$100 to the Victims of Violent Crime Compensation Fund.

Amtrak Employee was Formally Counseled for Not Cooperating with the OIG

November 2013 (Investigations)

Our prior semiannual report noted that an Amtrak Train Attendant reported an on the job injury over two months after the alleged event, claiming she tripped and fell while climbing the stairway aboard her assigned car. The employee filed a civil suit for \$300,000. It was determined that the employee was not truthful in her deposition, and did not disclose medical treatment she had previously received for shoulder pain prior to the alleged accident at Amtrak. The suit was subsequently settled for \$17,000. Additionally, the Railroad Retirement Board gave the employee \$12,342 in sickness benefits and she received \$11,538 from Trustmark, a union supplemental sickness benefit plan. The district attorney declined prosecution. We made numerous attempts to coordinate an interview with the employee. Eventually the employee appeared with a union representative for interview, but refused to answer questions. The employee received a letter of Formal Counseling for failing to follow Amtrak's policy to cooperate and comply with requests of the OIG.

Overbilling by Amtrak Contractor

December 2013 (Investigations)

We conducted an investigation into overbilling on the Amtrak Sanford Station Renovation Project and found that a contractor billed Amtrak for hours that were not

supported by documentation. Additionally the contractor added \$9 per hour on all work performed by one subcontractor. The contractor reimbursed Amtrak for \$2,277 that was overbilled.

Fraudulent Activities Related to Purchasing Tickets

February 2014 (Investigations)

In prior semiannual reports, we noted that our investigative work disclosed that two individuals used numerous stolen credit cards to purchase Amtrak train tickets in Greensboro, NC. The individuals relocated to New York where they were arrested. One individual pled guilty in North Carolina General Court of Justice to multiple counts of identity theft, unlawfully obtaining credit cards and financial fraud. He was sentenced to 56-68 months' incarceration, of which all but 36 months was suspended. He was ordered to pay restitution of \$3,000 to Amtrak and to pay \$2,958 in court costs and attorney fees. During this reporting period a codefendant pled guilty to 6 misdemeanor counts of financial fraud and was sentenced to 12 months' probation and ordered to pay a fine of \$679.

Contractor Falsified Engineering Credentials

March 2014 (Investigations)

In conjunction with the Department of Transportation OIG, we investigated allegations that a former employee of an Amtrak contractor falsified his engineering credentials. The former employee, a field inspector on the Thames River Bridge project for Amtrak in 2008, provided Amtrak's contractor with a falsified diploma for a degree in Civil Engineering from the University of Vermont, as well as falsified credentials from the National Institute for Certification in Engineering Technologies. These credentials were not properly verified by the contractor. Amtrak paid \$109,000 for the work performed by the falsely credentialed field inspector. Amtrak engineering determined that another field inspector conducted the same types of inspections on a different shift so the inspections of the falsely credentialed inspector did not entail critical safety issues. The falsely credentialed field inspector also worked on other projects funded by the Department of Transportation. He was arrested in March 2014, based on a warrant issued in the State of Connecticut Superior Court for larceny in the first degree. Civil litigation is ongoing against Amtrak's contractor.

Significant Activities

Ongoing Work—Governance

Top Management and Performance Challenges. Our objectives are to (1) identify Amtrak’s top management and performance challenges, and (2) assess the ongoing and planned management initiatives to address those challenges.

Monitoring the Work of Amtrak’s Independent Public Accountant Conducting the Fiscal Year (FY) 2013 Financial Statement Audit. Our objective is to determine whether the Independent Public Accountant (IPA) performed the audit of Amtrak’s Consolidated Financial Statements in accordance with generally accepted government auditing standards, and to follow up on prior recommendations made to the Audit and Finance Committee and Chief Financial Officer.

Monitoring the Work of Amtrak’s Independent Public Accountant Conducting the FY 2013 A-133 Audit. Our objective is to determine whether the IPA performed the single audit in accordance with generally accepted government auditing standards and the Office of Management and Budget Circular A-133.

Data Analytics Review of Travel Cards. Our objectives are to (1) assess the effectiveness of internal controls in the company’s business processes; (2) identify opportunities to control risks and improve efficiency and effectiveness of business operations; and (3) prevent, detect, and deter fraud, waste, and abuse in the company.

Data Analytics Review of Payment Terms and Discounts. Our objectives are to (1) assess the effectiveness of internal controls in the company’s business processes; (2) identify opportunities to control risks and improve efficiency and effectiveness of business operations; and (3) prevent, detect, and deter fraud, waste, and abuse in the company.

Data Analytics Review of Materials Management. Our objectives are to (1) assess the effectiveness of internal controls in the company’s business processes; (2) identify opportunities to control risks and improve efficiency and effectiveness of business operations; and (3) prevent, detect, and deter fraud, waste, and abuse in the company.

Data Analytics Review of Injury Claims. Our objectives are to (1) assess the effectiveness of internal controls in the company's business processes; (2) identify opportunities to control risks and improve efficiency and effectiveness of business operations; and (3) prevent, detect, and deter fraud, waste, and abuse in the company.

Allegation That Assistant Track Supervisor Falsified Overtime. We received an allegation that an Assistant Track Supervisor falsified overtime for himself and a few favored employees. A check of overtime revealed that the assistant track supervisor received more overtime than others in his group, but there was insufficient indication of fraud. A referral was made to management to determine if the overtime amounts were appropriate for this crew. Our report is currently under review by management.

Information Technology (IT)

Amtrak Computers Used to Access Pornography

March 2014 (Investigations)

We received information from Amtrak's Chief Information Security Officer that Amtrak computers were inappropriately used to access pornography, including possible child pornography. We seized two computers which were examined forensically. The forensic examination found that the computers accessed or attempted to access pornographic websites using three Amtrak employees' logon information. More than 300 pornographic images were downloaded and stored on the hard drive. We did not substantiate the initial allegation regarding child pornography. One employee declined to be interviewed and voluntarily resigned. The remaining two employees were dismissed as the result of a company hearing.

Human Capital Management

Former Ticket Clerk Charged With Insurance Fraud

January 2014 (Investigations)

Our prior semiannual report noted the investigation of a former Amtrak ticket clerk who was charged with extensive disability insurance fraud in San Diego Superior Court. The former employee submitted claims to several insurance companies and she received sickness benefits from the Railroad Retirement Board. The former employee was found guilty on 29 criminal counts including insurance fraud, tax evasion, and false

Significant Activities

claims submitted to the Railroad Retirement Board. When she subsequently failed to appear in court for her sentencing a warrant was issued for her arrest. She was sentenced in absentia to 20 years, 4 months' incarceration and ordered to pay \$920,134 in restitution, including \$21,228 to the Railroad Retirement Board. She was also fined \$100,000 and ordered to pay court fees of \$2,082. In July 2013, she was arrested in Rosarita Beach, Mexico and was extradited to San Diego. In January 2014, she was sentenced to an additional 2 years, 8 months' incarceration for failure to appear in court and was ordered to pay a fine of \$560 and special assessments of \$224.

Safety and Security

Passenger Engineer Uses Cell Phone While Operating Locomotives

December 2013 (Investigations)

We received an allegation that a passenger engineer on the Long Distance Business Line in Amtrak's Central Region was using his cell phone while operating Amtrak locomotives. Our investigation revealed that the engineer sent text messages, pictures, and audio messages to an individual while operating a locomotive. Two text messages showed sexually explicit photographs of the engineer. The engineer's employment was terminated as the result of a company hearing.

Ongoing Work—Safety and Security

Safe-2-Safer. The objective of this evaluation is to review how Amtrak's Safe-2-Safer program has been implemented, identify the resources devoted to the program, and determine the extent to which the goals of the program have been achieved.

Survey of Amtrak's Security Programs. Our objective is to develop information on the security program's objectives, scope, costs, and results. We will use that information to identify areas for more detailed audits. We will brief appropriate officials as our work progresses and at the conclusion of our survey work.

Asset Management

Ongoing Work—Asset Management

High-Speed Rail Business Case. The objective of this evaluation is to determine the extent to which Amtrak is incorporating sound business practices in developing its business case for high-speed rail equipment.

Fleet Utilization. The objective of this evaluation is to determine the extent to which Amtrak effectively and efficiently utilizes its fleet of locomotives and passenger equipment.



Capitol Corridor Train 532 at Pinole, CA
Photo: Amtrak Corporate Communications

Actions to Continuously Improve OIG Operations

The Amtrak OIG has been working with Federal Management Partners, Inc. (FMP) to conduct a human capital needs assessment—with the goal of defining the ideal future state of our organization for the next several years and to develop a targeted strategy to close any gaps between the current and future states. The assessment concluded that some restructuring would help ensure the effectiveness and efficiency of future operations. FMP's report included recommendations intended to address the perspectives it gathered on succession planning, career development and performance-based pay. FMP briefed the executive team on the results of the assessment in late 2013 and we have implemented a number of actions to address the topics covered by the assessment.



Inspector General Tom Howard, Assistant Inspector General for Audits Dave Warren, and Assistant Inspector General for Investigations Adrienne Rish.
Photo: Amtrak OIG

- **Organizational restructuring.** We built upon prior efforts by completing or initiating additional organizational restructuring to help ensure the effectiveness and efficiency of future operations—including eliminating the position of Deputy Inspector General, creating a Chief Mission Support Officer position, and establishing a Chief Human Capital Officer position.

Actions to Continuously Improve OIG Operations

- **Succession planning.** We completed the initial steps in implementing a succession planning process by identifying critical positions and options for backfilling them.
- **Leadership and development.** We established a cross functional team of Senior Directors to make recommendations on career paths, training, leadership development, and an individual development planning process.
- **Performance-based compensation.** We developed a framework for merit increases and used it to award pay increases based on FY 2013 performance.
- **Awards system.** We established a cross functional team of Senior Directors to make recommendations for an annual OIG awards program.

In addition, we are in the process of consolidating the Audits and Inspections and Evaluations groups. Doing so will allow maximum flexibility in customizing the optimal team for engagements, improve efficiency and increase consistency in developing reports, and leverage our technical experts on a wider variety of products.

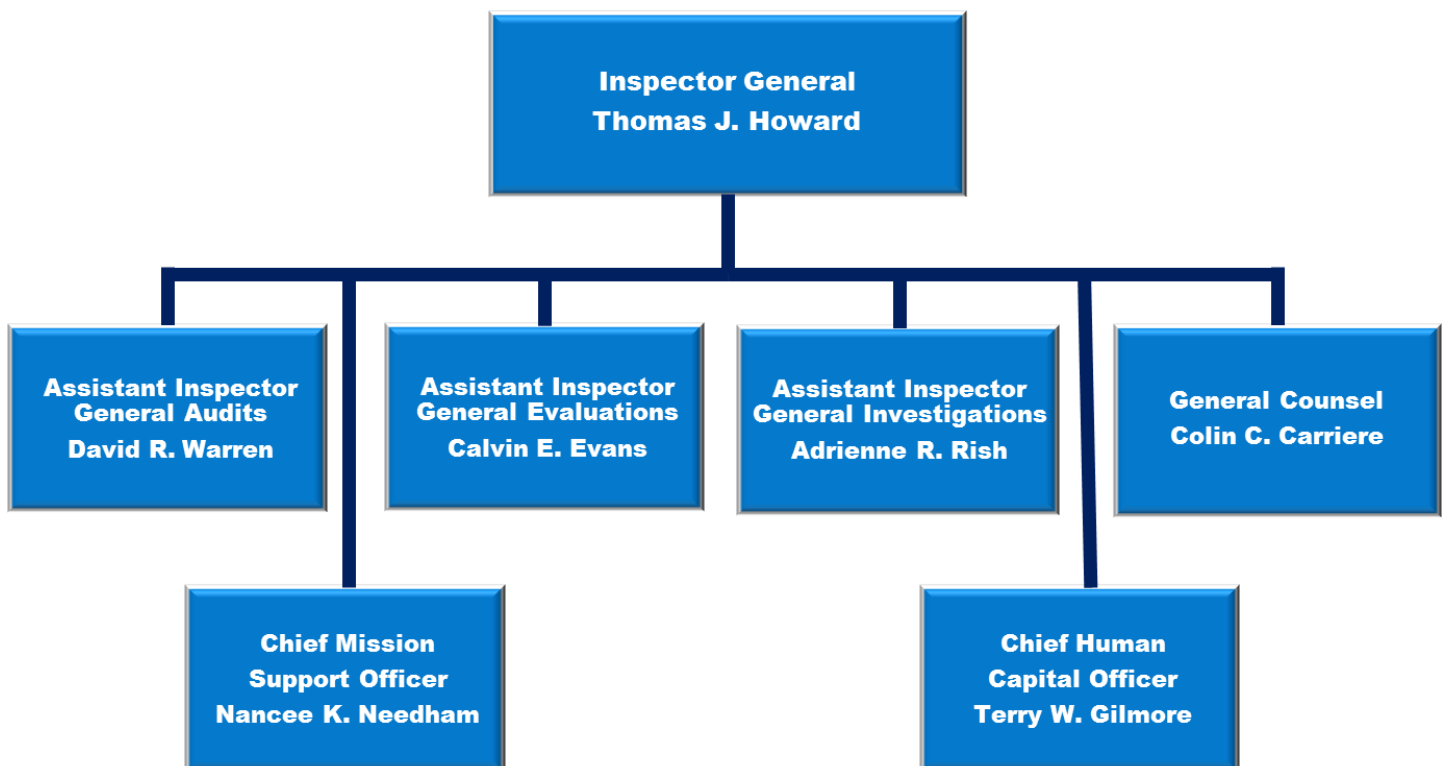


Empire Builder in flowers
Photo: Amtrak Corporate Communications

OIG Organization

OIG Organization

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



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

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

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

General Counsel. Counsel provides legal assistance and advice to OIG senior management and supports audits, evaluations, special reviews, and investigations. Counsel coordinates with outside attorneys, including local and federal agencies and law enforcement attorneys, and appears in court on behalf of the OIG and its employees.

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

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



Cascades train races into the sunset
Photo: Amtrak Corporate Communications

Appendix 1 Fiscal Year 2014 Performance Measures (10/1/2013 – 3/31/2014)

Audit/Testimony Results

Reports/Testimony Issued	4
Funds to Be Put to Better Use	175,200,000 ^a
Recoveries (Audits)	\$1,400,000

Advisory Functions

FOIA ^b Requests Received	13
FOIA Requests Processed	6
Referred to Amtrak	7
Response Pending	1
FOIA Appeals Received	1
FOIA Appeals Processed	—
Legislation Reviewed	—
Regulations Reviewed	—

Investigative Results

Financial Impact	
Recoveries/Restitution	\$6,757
Cases Opened	
Major Misconduct and General Crimes	10
Claims Fraud	2
Healthcare Fraud	1
Contract and Procurement Fraud	1
Judicial and Administrative Actions	
Indictments	1
Convictions	3
Criminal Referrals	18
Criminal Referrals Declined	8
Administrative Actions	7
Investigative Workload	
Investigations Opened	14
Investigations Closed	24
Hotline Contacts/Referrals	
Sent to Amtrak Management	139
Investigation Opened	7
Request from Other Law Enforcement Agency	1
Customer Complaints	91
Under Review	1
No Action Warranted	39

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

^b Freedom of Information Act.

Appendix 2

Appendix 2 Questioned Costs (10/1/2013 – 3/31/2014)

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

Appendix 3 Funds Put To Better Use (Audits) (10/1/2013 – 3/31/2014)

Audit and Evaluation Reports Issued with Funds to be Put to Better Use		
Category	Number	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period	—	\$—
B. Reports issued during the reporting period	1	175,200,000 ^a
Subtotals (A+B)	1	175,200,000
Less		
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management	1	175,200,000
(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	—	—

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

Appendix 4

Appendix 4 Audit Reports and Testimony (10/1/2013 – 3/31/2014)

Listing of Issued Audit/Evaluation Reports						
Date Issued	Report Number	Report Title	Focus Area	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
11/1/2013	OIG-A-2014-001	Food and Beverage Service: Potential Opportunities to Reduce Losses	Train Operations and Business Management	\$—	\$—	\$175,200,000 ^a
11/14/2013	OIG-T-2014-002	Food and Beverage Service: Progress and Opportunities to Reduce Operating Losses	Train Operations and Business Management	—	—	—
1/8/2014	OIG-A-2014-003	Passenger Rail Investment and Improvement Act of 2008: Accomplishments and Requirements that Deserve Consideration for Future Authorizing Legislation	Train Operations and Business Management	—	—	—
2/11/14	OIG-A-2014-004	Acquisition and Procurement: Gateway Program's Concrete Casing Project Progressing Well; Cost Increases Will Likely Exceed Project Budget	Acquisition and Procurement	—	—	—
Total				\$—	\$—	\$175,200,000

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

Ongoing Audit and Evaluation Projects	
Project Status	Number of Projects
Audit and Evaluation Projects In-process, as of 10/1/2013	13
Projects Postponed or Canceled	1
Audit and Evaluation Projects Started Since 10/1/2013	7
Audit and Evaluation Reports Issued Since 10/1/2013	3
Audit and Evaluation Projects In-process, as of 3/31/2014	16

Appendix 5

Appendix 5 Recommendations for Which Corrective Action Not Complete (Audits)

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Audit Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Strategic Asset Management Program Controls Design Is Generally Sound, But Improvements Can Be Made	105-2010/ January 14, 2011	—	—	—
On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Long-standing Weaknesses in Amtrak's Invoice-Review Process	403-2010/ April 21, 2011	519,932	—	—
Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant	109-2010/ September 29, 2011	—	—	—
Wireless Network Security: Internal Controls Can Be Improved	OIG-A-2012-003/ December 7, 2011	—	—	—
On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Weaknesses in Amtrak's Invoice-Review Process	OIG-A-2012-004/ February 15, 2012	9,151,451	—	—
Amtrak Corporate Governance: Implementing a Risk Management Framework is Essential to Achieving Amtrak's Strategic Goals	OIG-A-2012-007/ March 30, 2012	—	—	—

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Audit Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Human Capital Management: Weaknesses in Hiring Practices Result in Waste and Operational Risk	OIG-A-2012-014 July 19, 2012	—	—	—
Claims Program: Use of Best Practices Would Strengthen Management Controls	OIG-A-2012-016 August 14, 2012	—	—	—
Food and Beverage Service: Initiatives to Help Reduce Direct Operating Losses Can Be Enhanced by Overall Plan	OIG-A-2012-020 September 7, 2012	—	—	—
American Recovery and Reinvestment Act: Some Questioned Invoice Charges and Minimal Benefit from Duplicative Invoice-Review Process	OIG-A-2012-021 September 21, 2012	1,200,000	—	—
Annual Financial Statement Audits: Observations for Improving Oversight of the Independent Public Accountant	OIG-A-2012-017 September 27, 2012	—	—	—
Amtrak Invoice Review: Undetected Inaccuracies Resulted in Overpayments (BNSF)	OIG-A-2013-006 February 15, 2013	2,115,440	—	—
Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (BNSF)	OIG-A-2013-008 March 26, 2013	1,437,311	—	—
Management of Overtime: Best Practice Control Can Help in Developing Needed Policies and Procedures	OIG-A-2013-009 March 26, 2013	—	—	—
Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Metro North)	OIG-A-2013-010 March 27, 2013	1,223,028	—	—

Appendix 5

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Audit Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Audit of Grant Agreement: Next Generation Equipment Committee Materially Complied with Terms of Grant Agreement	OIG-A-2013-012 March 27, 2013	2,098	9,247	—
Information Technology: Opportunities Exist to Improve Services, Economies, and Contract Performance	OIG-A-2013-013 April 16, 2013	—	—	31,400,000
Real Property Management: Applying Best Practices Can Improve Real Property Inventory Management Information	OIG-A-2013-015 June 12, 2013	—	—	—
American Recovery and Reinvestment Act: Opportunities Exist to Recover Funds and Reduce Future Costs by Improving Procurement Policies	OIG-A-2013-016 July 29, 2013	596,345	227,697	529,175
Governance: Enhanced Controls Needed to Avoid Duplicate Payments	OIG-A-2013-018 September 20, 2013	6,700,000	—	—
Governance: Most Procurement Card Controls are Effective, but Some Need to be Strengthened	OIG-A-2013-019/ September 26, 2013	—	—	—
TOTAL		\$22,945,605	\$236,944	\$31,929,175

Appendix 6 Recommendations for Which Corrective Action Not Complete (Evaluations)

Previous Evaluation Reports' Recommendations for Which Corrective Action Has Not Been Completed

Evaluation Report	Report Number/ Date	Estimated Annual Savings ^a	Estimated Annual Savings Already Achieved
Amtrak Mechanical Maintenance Operations	E-05-04 September 6, 2005	\$100 million+	\$38 million
Amtrak Fleet Planning Process	E-06-02 April 6, 2006	28 million+	4 million
Facility Maintenance Program	E-06-04 August 24, 2006	—	—
Human Capital Management	E-09-03 May 15, 2009	23 million+	—
Amtrak's Infrastructure Maintenance Program	E-09-05 September 29, 2009	50 million+	—
Training and Employee Development	E-09-06 October 26, 2009	8 million	—
Operation RedBlock: Actions Needed to Improve Program Effectiveness	E-11-01 March 15, 2011	—	—
Evaluation of Amtrak's FY 2010 Fleet Strategy: A Commendable High-Level Plan That Needs Deeper Analysis and Planning Integration ^b	E-11-02 March 31, 2011	—	—
Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps	E-11-03 June 23, 2011	—	—
Human Capital Management: Controls Over the Use of Temporary Management Assignment Need Improvement	OIG-E-2012-009 March 28, 2012	—	—

Appendix 6

Previous Evaluation Reports' Recommendations for Which Corrective Action Has Not Been Completed

Evaluation Report	Report Number/ Date	Estimated Annual Savings ^a	Estimated Annual Savings Already Achieved
Mechanical Maintenance: Improved Practices Have Significantly Enhanced Acela Equipment Performance and Could Benefit Performance of Equipment Company-wide ^c	OIG-E-2012-008 May 21, 2012	—	—
Strategic Asset Management Program: Opportunities to Improve Implementation and Lessons Learned	OIG-E-2012-012 May 31, 2012	—	—
Railroad Safety: Amtrak is Not Adequately Addressing Rising Drug and Alcohol Use by Employees in Safety-Sensitive Positions	OIG-E-2012-023 September 27, 2012	—	—
Railroad Safety: Amtrak Has Made Progress in Implementing Positive Train Control, but Significant Challenges Remain	OIG-E-2013-003 December 20, 2012	—	—
Asset Management: Integrating Sound Business Practices into its Fleet Planning Process Could Save Amtrak Hundreds of Millions of Dollars on Equipment Procurements	OIG-E-2013-014 May 28, 2013	—	—
American Recovery and Reinvestment Act: Amtrak Has Taken Positive Steps to Safeguard Funds Used for Concrete Tie Replacement Program	OIG-E-2013-017 September 19, 2013	—	—
Corporate Governance: Planned Changes Should Improve Amtrak's Capital Planning Process, and Further Adoption of Sound Business Practices Will Help Optimize the Use of Limited Capital Funds	OIG-E-2013-020 September 27, 2013	—	—

Previous Evaluation Reports' Recommendations for Which Corrective Action Has Not Been Completed

Evaluation Report	Report Number/ Date	Estimated Annual Savings ^a	Estimated Annual Savings Already Achieved
Asset Management: Amtrak is Preparing to Operate and Maintain New Locomotives, but Several Risks to Fully Achieving Intended Benefits Exist	OIG-E-2013-021 September 27, 2013	—	—
TOTAL		\$209 million+	\$42 million+

^a Estimated savings based on benchmarking against other organizations.

^b Not included in the total amount are the funds to be put to better use identified in Report E-11-02 (March 31, 2011). 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 more than \$520 million in procurement and overhaul costs over the lives of these additional pieces of equipment. Additionally, implementing the report recommendation to replace its single-level cars with multi-level cars would result in the additional reduction of \$174 million to \$679 million in procurement and overhaul costs over the lives of the equipment.

^c Not included in the total amount are the funds to be put to better use identified in Report No. OIG-E-2012-008 (May 21, 2012). Implementing the recommendations in this report could allow Amtrak to reduce its fleet requirements by 120 cars and 45 locomotives, resulting in a potential savings of almost \$600 million in fleet procurement costs over the next 15 years. However, these savings do not account for any additional costs potentially required to achieve this improved level of equipment availability.

Appendix 7 Review of Legislation, Regulations, and Major Policies

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. 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.

We continued to work with Congress to ensure that taxpayer funds provided to Amtrak are protected by law from fraud, waste, and abuse by identifying legislative changes that would accomplish the following:

- Apply certain provisions of Title 18 to Amtrak and our office to ensure that the federal funding Amtrak receives is protected from fraud, waste, and abuse.
- Clarify that claims and statements made to Amtrak are considered claims and statements under the False Claims Act to ensure that our office has the necessary tools to protect the government and taxpayer dollars from fraud.
- Extend qualified immunity to OIG personnel to ensure that performance of their statutory duties is not hindered by the threat of litigation and liability.
- Authorize our office to take advantage of the General Services Administration’s programs to conserve federal resources, reduce expenses, and increase efficient operations.

These proposed provisions remain essential to protecting Amtrak from fraud, waste, and abuse and to improving our operations.

Additionally, as noted in this semiannual report, we published an audit report,³ where we identified certain areas that Congress may wish to consider in future authorization

³ *Passenger Rail Investment and Improvement Act of 2008: Accomplishments and Requirements that Deserve Consideration for Future Authorizing Legislation*, Audit Report No. OIG-A-009 2013, January 9, 2014.

legislation that may enhance Amtrak's opportunities for saving and improved performance and service quality.

- Amtrak, with Department of Treasury's assistance, could reduce its costs and federal subsidy requirements by about \$393 million (\$282 million in present-value dollars) from FY 2014 through FY 2019 if a provision allowing the company to restructure its debt is reauthorized.
- In July 2013, the U.S. Court of Appeals for the D.C. Circuit ruled that the performance metrics and standards developed under PRIIA were not enforceable. This ruling invalidated the metrics and standards, eliminating those that measure on-time performance and the requirement to incorporate metrics and standards into the operating agreements with host railroads. It also eliminated the authority for the metrics and standards to be unilaterally reissued absent new authorizing legislation.
- Reauthorizing the reporting requirements in the provisions related to the Northeast Corridor state of good repair plan, Northeast Corridor infrastructure and operations improvements, and compliance requirements of the Americans with Disabilities Act would provide information to stakeholders to help make informed decisions to execute these long-term efforts.

Appendix 8 Peer Review Results

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

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

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

OIG is currently conducting a CIGIE peer review of the Department of the Interior OIG’s audit organization for the year ending September 30, 2013.

Appendix 9 Glossary of Terms, Acronyms, and Abbreviations⁴

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.

⁴ All definitions are from the Inspector General Act of 1978, as amended.

Appendix 9

Acronyms and Abbreviations

ADA	American's with Disabilities Act
CIGIE	Counsel of Inspectors General on Integrity and Efficiency
FMP	Federal Management Partners, Inc.
FY	Fiscal Year
IPA	Independent Public Accountants
IT	Information Technology
NRC	Nuclear Regulatory Commission
OIG	Office of Inspector General
PCard	Procurement Card
PRIIA	Passenger Rail Investment and Improvement Act
TVA	Tennessee Valley Authority

Appendix 10 Reporting Requirements Index

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OIG MISSION AND CONTACT INFORMATION

Mission

The Amtrak OIG's mission is to provide independent, objective oversight of Amtrak's programs and operations through audits, inspections, evaluations, and investigations focused on recommending improvements to Amtrak's economy, efficiency, and effectiveness; preventing and detecting fraud, waste, and abuse; and providing Congress, Amtrak management and Amtrak's Board of Directors with timely information about problems and deficiencies relating to Amtrak's programs and operations.

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Pacific Surfliner at sunset
Photo: Amtrak Corporate Communications



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