



AMTRAK | Office of
Inspector General
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OIG STATUS REPORT:

JULY 1 THROUGH SEPTEMBER 30, 2015



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OIG Status Report, July 1 through September 30, 2015

Table of Contents

ONGOING AUDIT PROJECTS	1
Governance	1
Acquisition and Procurement.....	2
Train Operations & Business Management	3
Asset Management.....	3
Safety and Security	3
OFFICE OF AUDITS REPORTS ISSUED.....	4
NOTEWORTHY CRIMINAL, CIVIL, AND ADMINISTRATIVE ACTIONS	7
Fraud Awareness Training.....	9
Fraud Waste and Abuse Hotline	9
OIG MISSION AND CONTACT INFORMATION.....	10

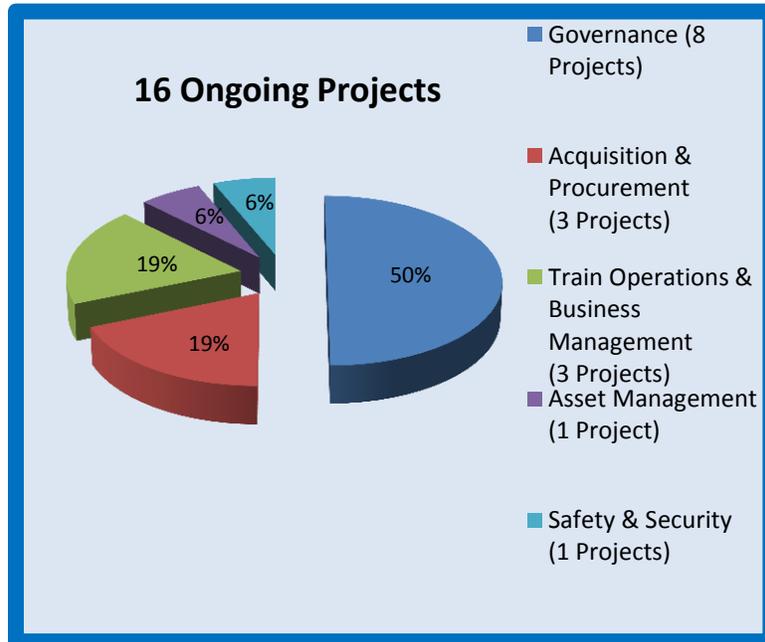
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OIG Status Report July 1 through September 30, 2015

ONGOING AUDIT PROJECTS

We had 16 ongoing audits addressing 5 focus areas of our Annual Audit Plan as of September 30, 2015.

Project Inventory by Category



Governance

Best Practices for Establishing and Operating Project Management Office – The objective of this audit is to do a comparative review of the company's current and planned practices for using the project management office concept with project management office best practices to identify opportunities for improvement. Drafting Report

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

Monitoring the Work of Amtrak's Independent Public Accountant Conducting the FY 2014 A-133 Audit – The objective of this audit is to determine whether the IPA

performed the single audit in accordance with generally accepted government auditing standards and the Office of Management and Budget Circular A-133. Analysis Phase

Data Analytics – The objective of these audits is to assess the effectiveness of management controls in the corporation’s business processes; identify opportunities to control risks and improve efficiency and effectiveness of business operations; and prevent, detect, and deter instances of fraud, waste, and abuse in the company. We have three data-analytics audits underway – (i) identifying fraud and abuse indicators in paid medical claims of agreement employees (Analysis Phase), (ii) identifying potential duplicate payments of medical claims of agreement employees (Analysis Phase), and (iii) determining whether medical healthcare claims are only paid for eligible agreement employees, and benefits are coordinated with Medicare or other medical coverage. Analysis Phase

Accounting for Business Lines of Operation – The objective of this audit is to review the effectiveness and efficiency of the company’s financial systems and data supporting the accumulation and allocation of costs for the company’s business lines of operation. We will also assess whether the company has implemented prior recommendations made by the Department of Transportation, Office of Inspector General, in its March 27, 2013 report to improve the effectiveness of the company’s cost accounting system. Analysis Phase

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

Acquisition and Procurement

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

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

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

Train Operations & Business Management

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

Review of the Operations Foundation Program – The objective of this audit is to review the program’s cost estimate, implementation plan, progress, and oversight processes. Drafting Report

Positive Train Control Follow-up - The objective of this is to assess the company’s progress addressing the challenges we noted in our June 19, 2015 interim report on Positive Train Control, OIG-A-2015-013. Analysis Phase

Asset Management

Review of the Management of Construction and Specialized Equipment – The objective of this audit is to assess the adequacy of the company’s management and oversight of its construction and specialized equipment and vehicles. Reporting Phase

Safety and Security

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

OFFICE OF AUDITS REPORTS ISSUED

We issued 2 reports since July 1, 2015 addressing 1 focus areas in our Annual Audit Plan.

Governance

OIG-A-2015-014

August 21, 2015, Non-Career Officials Were Not Involved in Responding to Freedom of Information Act Requests

This report responds to a letter from the Chairman of the Senate Committee on Homeland Security and Governmental Affairs asking that we analyze whether non-career officials were involved in the process of responding to Freedom of Information Act (FOIA) requests at Amtrak (the company) from January 1, 2007, to June 30, 2015. Specifically, he asked whether there was any undue delay of a response to any FOIA request or whether any document or portion of any document was withheld that would have otherwise been released but for the involvement of non-career officials in the process. He also requested that we seek from the Chief FOIA Officer one of the following certifications:

- (1) No non-career officials were involved in the company's response to any FOIA request.
- (2) If such involvement occurred, the involvement of non-career officials has never resulted in any undue delay of a response to a FOIA request or the provision of less information than would have been provided but for the involvement of the non-career officials.

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

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

OIG-SP-2015-015

September 30, 2015, Amtrak: Top Management and Performance Challenges – Fiscal Year 2016 and Beyond

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

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

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

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

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

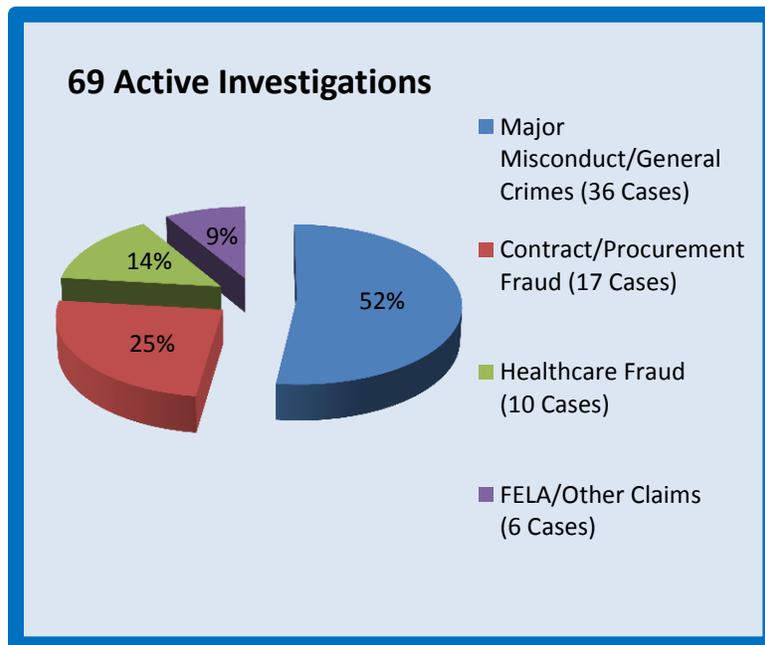
- sustaining commitment to improving governance
- enhancing financial performance in a public/private environment
- improving train operations
- improving asset management

- improving human capital management
- improving acquisitions and procurement processes
- using information technology to improve business operations

We discuss these seven issues by noting the nature of the challenges, examples of where our work shows the complexity of the challenges, the progress that has been made in addressing them, remaining impediments, and actions that can be taken to further address the challenges.

ONGOING INVESTIGATIVE WORK

As of September 30, 2015, we had 69 active investigations focusing on significant allegations of suspected fraud, waste, and misconduct in the following areas.



NOTEWORTHY CRIMINAL, CIVIL, AND ADMINISTRATIVE ACTIONS

Escalator Safety Issue – In March 2015, we were notified that an escalator at an Amtrak station was improperly repaired by a contractor, resulting in failure of the escalator and a potential safety issue. We interviewed several witnesses and found no actionable evidence of waste, fraud, or abuse, such as counterfeit parts or product substitution; however, we did find reason to question the quality of the repairs made to the escalator and apparent weaknesses in the service agreement between Amtrak and the contractor. In May 2015, the OIG provided the relevant information from our investigation to Amtrak management to assist them in determining a safe and fiscally responsible solution. Amtrak management recently informed us that it had completed a full review –with the assistance of an outside entity specializing in the inspection and analysis of escalator systems –and reached an agreement with the contractor for a safe and cost effective method to repair the escalator. Additionally, Amtrak management will work to improve future service agreements with contractors.

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

Theft of Copper Cable – We were informed that two Amtrak electricians had stolen 50 feet of copper electrical cable worth \$2,000 from a limited access railroad track area under the Chicago Union Station without authorization. An ongoing OIG investigation has identified that the actual amount of stolen cable is over 4 tons and valued at more than \$10,000. The investigation resulted in the termination of both employees from Amtrak. Additionally, both employees were indicted on one count of felony theft and one count of felony forgery by the Cook County State’s Attorney’s Office. The defendants were arraigned on October 13, 2015 and are scheduled to appear in court in November 2015. We investigated this matter with the Amtrak Police Department.

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

Unqualified Contractor Employee - We previously reported on the result of an OIG investigation in which the United States Attorney for the District of Connecticut and the Attorney General for the State of Connecticut announced that Garg Consulting Services, Inc., entered into a civil settlement agreeing to pay \$390,000 to resolve allegations that the company failed to authenticate an employee’s purported educational credentials and professional certification before hiring assigning him to work on various U.S Department of Transportation-funded and state-funded highway projects, and on a bridge reconstruction project funded by Amtrak. The Garg employee, identified as Barry Kenneth Purnell, Jr. was hired as an

engineer by the company after he applied for employment representing that he was a 2002 graduate of the University of Vermont with a Bachelor of Science Degree in Civil Engineering Management and that he had obtained an Engineer-in-Training (EIT) certification. Garg did not make inquiries to authenticate his educational credentials or EIT certification, had they done so, the company would have learned that Purnell had not graduated from the University of Vermont or obtained the EIT certification. As an update to this case, Purnell pleaded guilty to one count of Larceny-1st degree on February 26, 2015 and was sentenced in Hartford Superior Court on August 28, 2015 to 8 years suspended sentence, with 9 months incarceration to be served. In addition, a term of 5 years of probation was imposed. We investigated this case with the U.S. Department of Transportation OIG.

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

Fraud Awareness Training

Since July 1, 2015, we presented six fraud awareness and outreach briefings to 201 Amtrak management and union employees.

Fraud Waste and Abuse Hotline

Since July 1, 2015, we processed 127 hotline matters.

OIG MISSION AND CONTACT INFORMATION

Amtrak OIG's Mission

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

Obtaining Copies of OIG Reports and Testimony

Available at our website: www.amtrakoig.gov.

To Report Fraud, Waste, and Abuse

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

Web: www.amtrakoig.gov/hotline

Phone: 800-468-5469

Tom Howard Inspector General

Mail: Amtrak OIG

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Washington D.C., 20002

Phone: 202-906-4600

Email: Tom.howard@amtrakoig.gov