



## **FRAUD:**

### Overtime Fraud and Abuse by Amtrak's Mid-Atlantic Communications and Signals Department Employees

#### *Report Summary:*

*Because of the sensitive information contained in this report, we are only providing a summary of the report.*

Report No. OIG-I-2012-018 | September 5, 2012





**Date:** September 5, 2012

**Subject:** *Fraud: Overtime Fraud and Abuse by Amtrak's Mid-Atlantic Communications and Signals Department Employees (Report No. OIG-I-2012-018)*

The Amtrak Office of Inspector General (OIG) received information from a confidential source alleging payroll fraud in the form of unworked overtime paid to certain Amtrak employees. This provides the summary results of our investigation of that allegation. Specifically, our objective was to disclose regular and overtime fraud and other abuses by these employees and the supervisory failures to prevent these actions.

## **SUMMARY OF RESULTS AND MANAGEMENT COMMENTS**

### ***Fraudulent Pay for Time Not Worked and Other Abuses***

Based on intermittent surveillance, reviews of time records and e-mails, and other investigative activities, we determined that multiple Amtrak employees defrauded Amtrak by being paid for hours not worked. We also identified other serious abuses, including misuse and potential theft of property, misuse of computer resources, and a pervasive lack of supervision by responsible agreement-covered (union) and management officials.

One employee defrauded Amtrak by working an outside job while being paid regular and overtime hours. We confirmed that he was paid \$5,600 for time, including regular and overtime pay, when he was actually off Amtrak property officiating at high school sporting events. In addition, while at work, this employee misused Amtrak computer resources by sending and receiving thousands of e-mails related to his recreational activities, including communicating extensively with women he met on six online dating sites.

Another employee committed extensive fraud by being paid for numerous overtime hours he did not work. Although it is impossible to quantify the full amount lost to his fraud, losses could total hundreds of thousands of dollars. Our surveillance conducted during several months in 2010 and 2011, showed that he routinely was paid for overtime he did not work. For the 84 days we observed him, \$16,500 of the \$27,000, or

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61 percent of the overtime wages he was paid were fraudulent. If this rate is representative of the total period, the estimate of the fraudulent overtime paid to this employee during the 30-month period of July 2009 through December 2011 would be approximately \$143,300 of the \$234,928 that he was paid.

We were not able to conclusively document fraudulent overtime paid to several other employees. However, it is likely that certain additional employees were paid for overtime hours that were not worked as these employees received pay for an average of 72 hours weekly—ranging individually from an average of 60 hours to nearly 84 hours weekly—including weekends.

### ***Supervision and Oversight Failures***

Our investigation also found that the first-level management supervisor provided inadequate supervision and oversight and did not prevent the fraud or abuse that occurred. Similarly, the union supervisors also failed in their supervisory responsibilities and we confirmed that one union supervisor also committed fraud. In fact, we found that a union supervisor facilitated the fraudulent actions by allowing these employees' overtime pay to evolve into a "standard" 6 hours of overtime on weekdays and 12 hours on Saturday and Sunday without providing actual oversight of what was being accomplished.

The departmental supervisors failed to prevent (1) fraudulent regular and overtime hour payments, (2) misuse of Amtrak property, and (3) cost overruns and slow progress in completing two American Recovery and Reinvestment Act projects. Further, given that these individuals are first line supervisors within the Department and the magnitude of the overtime payments, their failures also raise questions about the adequacy of oversight by the Department's senior managers related to these issues.

As a result of concerns about excessive overtime paid to employees, we have audit work underway reviewing company-wide management controls over employees' use of overtime.

We have concluded our investigation of this matter and have referred it to Amtrak management for appropriate action. Amtrak management told us they would act quickly and aggressively to discipline employees who committed fraud, misused company resources, or failed in their supervisory responsibilities.

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

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