



AMTRAK | Office of
Inspector General
www.amtrakoig.gov

SEMIANNUAL REPORT to the United States Congress

April 1, 2013–September 30, 2013
Report # 48





Amtrak Exhibit train (celebrating veterans) pulls the Empire Builder over Gaynor Trestle bridge in Berne, WA
Photo: Steve Ostrowski

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Capital Limited at Fairhope, PA
Photo: Amtrak Corporate Communications

From the Inspector General



National Railroad Passenger Corporation Office of Inspector General

I am pleased to provide the Amtrak Office of Inspector General *Semiannual Report to the United States Congress* for the six months ending September 30, 2013, pursuant to the Inspector General Act of 1978, as amended. This report highlights our significant accomplishments in audits, evaluations, and investigations to help Amtrak accomplish its strategic goals and support congressional oversight.

Event Highlights

Over the last six months, our office has produced high-quality work that provides independent and objective oversight of Amtrak. However, before I summarize our key accomplishments, I want to highlight some significant events of this reporting period.

First, I want to welcome back Tom Carper who rejoined the Board of Directors in August 2013 for a second five-year term. I look forward to continuing our positive working relationship.

Second, after a long effort, our investigative office received approval from Attorney General Eric H. Holder, Jr., to exercise statutory law enforcement powers in accordance with the Inspector General Act and the Attorney General Guidelines for Offices of Inspector General. This authority allows our agents to exercise law enforcement duties, including carrying firearms while engaged in official law enforcement duties, making arrests without warrants, seeking and executing warrants for arrest and search of premises, and seizing evidence.

Last, I am pleased to report that our audit and evaluation offices are being recognized by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) at its annual awards program. CIGIE is recognizing our audit office for its sustained efforts that identified more than \$91 million in overpayments to host railroads and resulted in significant improvements to Amtrak's invoice-review process. In addition, our evaluation office is being recognized for a significant achievement, alerting management to a potential threat to public safety—the rising use of drugs and alcohol

From the Inspector General

by employees in safety-sensitive positions—and for prompting necessary corrective action.

Key Accomplishments

Over the last six months, our audit, evaluation, and investigative offices continued to be productive. We issued 9 audit and evaluation reports with 50 recommendations, including financial recommendations totaling more than \$53 million. Our investigative work resulted in 3 indictments, 7 convictions, more than \$1 million in restitution and recoveries, and \$1.1 million each year in cost avoidance. Here are some examples of our work in different areas.

- We continued to focus on helping the corporation improve *corporate governance*. To that end, our evaluation office found that Amtrak’s initial changes to the capital planning process were generally consistent with sound business practices, but the process could be further improved if management follows other practices, such as developing sound business cases. We observed some projects in which Amtrak did not develop sound business cases, resulting in schedule delays and other problems that potentially cost the company up to \$155 million in lost revenue and unrealized cost reductions.
- Also in the *governance* area, we issued the first two of a series of audits using a data analysis software tool that allows us to analyze 100 percent of transactions for given timeframes, rather than sampling. Our first review centered on identifying duplicate payments—when a vendor is paid more than once for the same goods and/or services—and the causes of these payments. Based on our analysis, Amtrak recovered or is in the process of recovering \$1.9 million in duplicate payments and is reviewing another \$4.8 million in potential duplicates. We also reviewed the use of company credit cards (procurement cards) and found that, with a few exceptions, the policies and procedures in place seemed effective at controlling the use of these cards.
- In *acquisition and procurement*, an investigation found that some Amtrak managers responsible for arranging employee lodging did not always follow the best practice recommendations from the lodging management firm. Management estimated that following those recommendations could save about \$1.1 million per year.

From the Inspector General

- In *information technology (IT)*, we found that Amtrak's acquisition of IT services achieved some of the expected program results, but the IT department could have more effectively planned and managed its acquisition approach, better administered the contracts, and held the contractors more accountable for meeting contract terms. In that report, we also identified up to \$27 million in potential savings through the end of the contract and \$4.4 million in payments that could have been avoided with closer management attention.
- In *asset management*, we previously reported that a joint investigation with the Amtrak Police department revealed that five Amtrak employees stole communications wire valued at more than \$100,000 and resold it to recycling companies. All five individuals pled guilty in federal court, are serving varying sentences, and were ordered to make restitution to Amtrak. The individuals are no longer employed by Amtrak.

During this reporting period, we maintained a high level of productivity despite unexpected challenges, including the budget reductions mandated by sequestration and an increase in employee benefit costs. When this occurred, we decided that the best course of action was not just to get through FY 2013, but also to be prepared for a similar budget environment in FY 2014. Therefore, we right sized the office to reflect current budget realities, while ensuring we can continue to perform our mission and achieve our goals.

We will continue to identify ways to operate more economically and efficiently. At the same time, we will work to help Amtrak meet its stewardship responsibilities and support Congress in its oversight responsibilities. As Amtrak Inspector General, this is my commitment to you.



Ted Alves
Inspector General



Missouri River Runner at Kirkwood, MO
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, inspections and evaluations, and investigations on eight 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

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.

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.

Information Technology. 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.

Train Operations and Business Management. These activities are associated with operating Amtrak’s passenger service, including delivering safe and cost-effective 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 and Inspections and Evaluations Plan FY 2013*. http://www.amtrakoig.gov/sites/default/files/reports/aie_plan_final_oct22.pdf.

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

American Recovery and Reinvestment Act of 2009. We provide oversight of all activities that benefited from the \$1.3 billion grant from the Federal Railroad Administration. We are providing Congress with information on Amtrak's use of these funds; we will complete our ongoing work in this focus area during the next semiannual period.

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



Capitol Limited at Mance, PA
Photo: Amtrak Corporate Communications

Significant Activities: Audits, Inspections and Evaluations, and Investigations

During this reporting period, we issued five audit reports, four evaluations, and provided 29 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 and evaluation reports, access our website, www.amtrakoig.gov.)

Governance

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

(Evaluation Report No. OIG-E-2013-020, September 27, 2013)

Amtrak's initial changes to the capital planning process are generally consistent with sound business practices used by other organizations, and those changes should improve its process. However, the process could be further improved if management fully adopts sound business practices in developing business cases, selecting projects for funding, and evaluating project outcomes.

We reviewed five capital projects and observed that when Amtrak developed sound business cases, projects generally met their intended outcomes. However, when these practices were not followed, we observed schedule delays and other problems that potentially cost Amtrak up to \$155 million in lost revenues and unrealized cost reductions. Additionally, Amtrak has not consistently used sound business practices to objectively review and rank proposed capital projects making it difficult to ensure that

Significant Activities

it is selecting the projects that best support its strategic objectives. Moreover, Finance department officials told us that Finance lacks the resources to evaluate the status of ongoing projects or the outcome of completed projects, as required by the *Capital Programming* policy. In one case, this enabled an official to commit the company to about \$50 million more than was approved by the Board of Directors on a project for installing Positive Train Control on the Northeast Corridor.

To assist management's ongoing efforts to improve the company's capital planning process, we recommended that Amtrak take a number of actions to build the capability to fully implement the sound business practices described in this report. Amtrak's President and Chief Executive Officer stated that implementation of our recommendations should significantly improve the capital allocation process. He added that the OIG's work will allow Amtrak to ensure it makes the best possible use of constrained capital investment dollars in years to come.

Governance: Most Procurement Card Controls are Effective, but Some Need to be Strengthened

(Audit Report No. OIG-A-2013-019, September 26, 2013)

Procurement Cards (company credit cards or PCards) are an inherently risky method for purchasing due to the highly decentralized nature of the transactions, the number of cardholders, and the amount of activity. We used a data analysis software tool to analyze 100 percent of PCard purchases for the 22-month period ending March 2013. During this period, PCard holders made approximately 48,000 transactions to procure about \$17.2 million of goods and services.

We found that the Finance department established policies and procedures for controlling the use of PCards that, with a few exceptions, appear to be effective based on the level of compliance by employees. Areas where controls can be strengthened include:

- **Split Transactions and Circumvented Single Purchase Limits.** 142 employees potentially split purchases totaling about \$1.2 million into 2 or more separate purchases—circumventing the single purchase limit.
- **Single and Monthly Purchase Limits Exceeded.** 78 employees exceeded their single purchase limit 551 times, spending about \$569,000 over their authorized

limits; 45 employees exceeded monthly purchase limits 82 times, spending about \$384,000 over their authorized limits.

- **Unauthorized Purchases.** We identified about \$130,000 of potentially unauthorized purchases.
- **Unused Cards Were Not Canceled.** 126 PCards with the new service provider had no activity for more than 6 months.
- **Employees With Higher Purchase Limits Than Requested.** 53 employees had purchase limits higher than the amounts they requested.
- **Uncertain Continued Need for a PCard.** 52 employees who changed positions did not surrender or request continuation of their PCard.

We recommended the Acting Chief Financial Officer direct the Amtrak Controls group to assess the adequacy of PCard processes to address these issues. Management responded that it plans to assess the adequacy of PCard controls as part of its implementation of a management control framework. During that process, management stated the Controls group will work with PCard process owners to deploy solutions, where appropriate, and implement routine monitoring of payment controls using data analytics similar to those developed by the OIG. We will provide the data analytics testing tools we developed for this review to the Finance department for its use.

Governance: Enhanced Controls Needed to Avoid Duplicate Payments

(Audit Report No. OIG-A-2013-018, September 20, 2013)

From October 2005 through June 2013, the Amtrak Finance department processed 1.9 million transactions valued at \$14.1 billion. Given the large value of transactions, sound payment processes are necessary to avoid duplicate invoice payments. A duplicate invoice payment occurs when a vendor is paid two or more times for the same goods and services.

We used a data analysis software tool to analyze 100 percent of the Finance department's invoice payment data from October 2005 through June 2013. Using the results of our analysis, Finance department staff recovered or are in the process of recovering about \$1.9 million in duplicate invoice payments and are reviewing another

Significant Activities

\$4.8 million in potential duplicate invoices we identified. We reviewed 25 duplicate invoice payments valued at \$533,988 and identified four major causes: (1) Accounts Payable personnel processed known duplicate payments despite system warnings, (2) the payment system included multiple codes for the same vendor that could not be detected by the automated controls, (3) Accounts Payable personnel did not ensure invoice numbers were accurate, and (4) the payment process allows vendors to submit invoices to Accounts Payable and other offices.

The Acting Chief Financial Officer agreed with our recommendations to (1) apply cost and benefit criteria in seeking recovery of the \$4.8 million in potential duplicate invoices; and (2) direct the Amtrak Controls group to assess the adequacy of vendor payment process controls and take corrective actions, as appropriate. The Acting Chief Financial Officer also stated that by the end of November 2013, they will review all potential duplicate invoices greater than \$25,000 within the \$4.8 million identified by the OIG to identify true duplicates and collect from vendors, where possible. Additionally, management stated the Controls group would work with the Accounts Payable process owners to implement routine monitoring of duplicate payment controls. We will provide the data analytics testing tools we developed for this review to the Finance department for its use.

Theft of PCard Information from Amtrak Employee

July 2013 (Investigations)

Our investigation revealed that an Amtrak employee used her Amtrak PCard to reserve a conference room at the Union Station Business Center. An employee of another company located inside the Union Station Business Center surreptitiously obtained and later used her PCard number to make purchases at Bloomingdales, Nieman Marcus, Macy's, and to purchase basketball tickets and online adult entertainment. The individual was arrested and prosecution is pending.

Failure to Report Job Injury

June 2013 (Investigations)

We investigated allegations that an Amtrak coach cleaner did not report an on the job injury she sustained. The injury did not come to management's attention until a claim was filed by the employee. Additionally, although three Amtrak employees were interviewed by the injured employee's counsel, none of the employees notified

management of the interview or the injury, as required. We reported the results of our investigation to Amtrak management and recommended they publish and disseminate policy reminders regarding employees' duties to report work-related injuries and protect confidential information from dissemination to outside parties before consulting with supervisors. Amtrak management concurred with our recommendations.

Amtrak Employee Not Truthful in Deposition

June 2013 (Investigations)

Our investigation revealed 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 that 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. The matter was referred to Amtrak management for consideration.

Fraudulent Activities Related to Purchasing Tickets

April 2013 (Investigations)

In our prior semiannual report, 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 card 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. Prosecution is pending for a codefendant.

Amtrak Passenger Charged With Filing a Fraudulent Injury Claim

April 2013 (Investigations)

During the prior semiannual period, we reported that an investigation showed that a truck ran a railroad crossing in Plant City, FL, and struck the Amtrak Silver Star train. Passengers injured in the resulting derailment filed claims against Amtrak. One

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passenger received a \$20,000 payment from Amtrak and subsequently filed a demand for \$87,000 and a civil suit against the trucking company insurer. Our investigation determined that the passenger was in fact not on the train at the time of the accident, having disembarked earlier in Lakeland, FL. The individual was arrested and charged under Florida statutes with two counts of insurance fraud and two counts of theft. In April 2013, the passenger entered into a plea agreement with the State of Florida wherein she pled guilty to one count of theft and one count of insurance fraud. She was sentenced to 10 years of probation, 50 hours of community service and was ordered to pay restitution to Amtrak in the amount of \$20,000 and \$7,113.92 to the National Indemnity Insurance Company. In addition, she was ordered to pay all court costs and the cost of the investigation.

Ongoing Work—Governance

Capital Program Management. Our objective is to determine the effectiveness of Amtrak’s policies and procedures for managing the execution of capital projects focusing on its practices for overseeing and monitoring cost, schedule, performance, and project close-out.

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 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.

Acquisition and Procurement

Amtrak Corporate Lodging Practices: Improved Business Process Lead to Substantial Cost Avoidance

September 2013 (Investigations)

Our investigation identified opportunities to improve the cost effectiveness of Amtrak's lodging program. During the last three fiscal years, Amtrak spent approximately \$69 million to provide overnight lodging for about 6,400 employees. Amtrak outsources its lodging services to a lodging management firm in an effort to gain leverage in negotiating hotel room rates and to manage Amtrak's lodging program. Our investigation found that some Amtrak managers responsible for arranging lodging for employees did not always follow the recommendations of the lodging management firm on how to use industry best practices to realize significant savings. We reported the results of our investigation to management, who agreed to take action to adopt the best practices recommended in the report. Amtrak management estimated that by following the lodging management firm's recommended best practices, the company could realize a cost avoidance of \$1.1 million per year.

Conflicts of Interest

June 2013 (Investigations)

We reported the results of our investigation into allegations of a possible conflict of interest by a company vice president in the award and administration of contracts to provide training to Amtrak executives. We determined that the vice president's father had a relationship to the company that provided the training. Our investigation

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disclosed that the vice president's position gave the appearance or perception of a conflict of interest. We did not find that the vice president or his father derived any financial benefit or gain from the training contract; however, we found that Amtrak has no corporate recusal policy for conflict of interest. Amtrak management has revised its policy to provide guidelines and training for reporting and documenting recusal matters.

Amtrak Claims Department Use of Contracted Investigative Surveillance

May 2013 (Investigations)

We conducted an investigation into allegations that an investigative firm overcharged and submitted inflated claims for surveillance work performed under contract to the Amtrak Claims department. Our investigation did not disclose fraud on the part of the contractor or Claims department officials. Our investigation disclosed control issues that were similar or identical to those reported in an August 2012 audit report³. The Amtrak Claims department has taken actions to address some of these matters and others are underway.

Ongoing Work—Acquisition and Procurement

Survey of Procurement Process. Our objective is to gain an understanding of Procurement and Materials Management department's processes and compare them to best practices.

³ *Claims Program: Use of Best Practices Would Strengthen Management Controls*, Report No. OIG-A-2012-016, August 14, 2012.

Gateway Project Planning and Development. Our objective is to provide stakeholders timely information and recommendations, where appropriate, based on an independent review of emerging issues related to the Northeast Corridor infrastructure planning and implementation.



OIG staff meet with Amtrak and construction company officials at the Gateway project site.
Photo: Amtrak OIG

Information Technology (IT)

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

(Audit Report No. OIG-A-2013-013, April 16, 2013)

While achieving some of the expected program results, Amtrak's IT department could have more effectively planned and managed its approach to acquiring IT services; better administered the contracts; and held the contractors more accountable for meeting contract terms. As a result, the IT department has not consistently received the level of IT support services it contracted for, continues to incur higher than necessary IT support costs, and faces an increased risk of costly interruptions to key business operations. Further, we identified up to \$27 million in potential savings through the end of the contract and \$4.4 million in payments that could have been avoided with closer management attention.

Significant Activities

During the course of our work, we discussed weaknesses with Amtrak's new Chief Information Officer who began working aggressively to address them. We made a number of recommendations aimed at improving the effectiveness and efficiency of support services provided by the IT Infrastructure Initiative program. Management agreed with the recommendations and suggested approaches for addressing them within the context of its ongoing organizational change to, among other things, enable Amtrak to govern more effectively.

Train Operations and Business Management



Amtrak dining car report.
Photo: Amtrak OIG

Ongoing Work—Train Operations and Business Management

Food and Beverage Best Practices. Our objective is to make a comparative analysis between Amtrak’s business process for providing food and beverage service and best practices used by others to deliver the same or similar service. Using that analysis, we will assess the effects of Amtrak using different food and beverage service business processes from a cost, revenue, operations, and service perspective.

FY 2013 Implementation of the 2008 Passenger Rail Investment and Improvement Act (PRIIA). Our objectives are to (1) examine Amtrak’s progress in implementing its PRIIA responsibilities, and (2) assess any challenges to completing the implementation.

Follow-up Audit on Compliance with the Americans with Disabilities Act (ADA). Our objective is to assess Amtrak’s progress toward achieving ADA-compliance at stations it serves.

Human Capital Management

Theft of Funds

September 2013 (Investigations)

Our investigation disclosed that an Amtrak ticket receiver cashier, who was responsible for reconciling cash deposits from lead service attendants upon completion of their train run, was actually pocketing some of the cash deposits. This employee was sporadically absent from work and resigned when asked to take a drug test. After being arrested, the employee later pled guilty and was sentenced to a 180 day suspended sentence, 3 years of probation, and also was ordered to pay \$10,871 in restitution.

Former Ticket Clerk Charged With Insurance Fraud

July 2013 (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

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false 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 consequently sentenced in absentia to 20 years and 4 months of 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. Prosecution is pending against her for failure to appear in court.

Employee Theft and Abuse of Personal Rail Travel

July 2013 (Investigations)

We investigated allegations that an employee used his and his dependents' Rail Travel Privilege cards to obtain and give pass rider tickets to ineligible persons, resulting in approximately \$10,000 in revenue loss to Amtrak. The investigation also found that the employee stole a variety of supplies on a consistent basis. Charges were brought against the employee that resulted in termination of his employment.

American Recovery and Reinvestment Act of 2009 (ARRA)

American Recovery and Reinvestment Act: Amtrak Has Taken Positive Steps to Safeguard Funds Used for Concrete Tie Replacement Program

(Evaluation Report No. OIG-E-2013-017, September 19, 2013)

Amtrak has taken positive steps to proactively minimize the risk of manufacturing defects in concrete ties. The company has negotiated a series of contracts to reduce the potential financial risks associated with any future defective ties. The most recent contract, signed in June 2010, requires the contractor to maintain a quality assurance system acceptable to Amtrak and this system has been certified annually by two



Concrete ties.

Photo: Amtrak Corporate Communications

independent organizations. The contract also extends the warranty period during which Amtrak can make claims to be reimbursed for all damages resulting from defective ties from five to eight years.

Amtrak has maintained its commitment to monitor the contractor's performance, with the same Amtrak engineer overseeing the production since May 2003. This has resulted in no observed defects or reduction of train speeds on the Northeast Corridor as a result of the quality of the ties manufactured and installed since 2003.

Although Amtrak has successfully implemented its quality assurance practices, these practices are not yet fully described in enough detail to enable future Amtrak quality assurance personnel to uniformly continue current practices. We recommended the Chief Engineer ensure that the quality assurance plan is updated to fully describe current practices. During our evaluation, Engineering officials agreed and began to update the quality assurance plan.

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

(Audit Report No. OIG-A-2013-016, July 29, 2013)

The policies, procedures, and practices used by Procurement and Materials Management (Procurement and Materials) provided assurance that change orders to its ARRA contracts were, with minor exceptions, adequately supported and allowable under the contracts' terms and conditions. We found an error rate of 1.2 percent in our review of whether the policies, procedures, and practices used ensured that the values of the 92 ARRA contract change orders were adequately supported and allowable under the contracts' terms and conditions. This low error rate was in part attributable to Procurement and Materials' enhancement of the review process for ARRA funds—by engaging contractors to review the fairness and reasonableness of proposed change order values. The errors we identified amounted to approximately \$824,042—\$596,345 in questioned costs and \$227,697 in unsupported costs. We questioned these costs because Procurement and Materials approved change orders that contained 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 markup of subcontractor costs and sales tax.

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In addition, the opportunity has been missed to save about \$529,175 resulting from procurement policy weaknesses, including (1) the lack of policy guidance stating overhead and profit should be applied based on the total change order value and (2) policy silence on allowable overhead and profit rates for service contracts. Correcting these weaknesses could reduce the cost of future change orders. Although we were not able to conclusively document future savings, these weaknesses 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 the Acting Chief Financial Officer take action to recover questioned costs and obtain documentation or seek reimbursement for unsupported costs identified in the report. Additionally, we recommended that General Counsel work with the Chief Logistics Officer to clarify procurement policy. Management generally concurred with the recommendations.

Ongoing Work—ARRA

Controls Over the Disposition of Equipment Purchased With ARRA Funds. The objective of this audit is to assess the adequacy of controls over the disposition of equipment such as computers, furniture, and tools purchased with ARRA funds.

Asset Management

Asset Management: Amtrak is Preparing to Operate and Maintain New Locomotives, but Several Risks to Fully Achieving Intended Benefits Exist

(Evaluation Report No. OIG-E-2013-021, September 27, 2013)

Amtrak has taken some significant actions and developed plans to introduce 70 new electric locomotives into revenue service, once they are delivered. The actions include hiring a Project Team Leader, developing and coordinating a testing plan, and developing plans to train staff to maintain the new locomotives. However, as of July 1 of this year, some important actions and plans had been delayed or had not been finalized, including:

- improving its facilities to test and maintain the locomotives, raising questions about whether these improvements are needed and, if so, the most cost-effective way to fund the construction;
- scheduling the retirement of the current locomotives, potentially causing Amtrak to continue to spend more than necessary to maintain and overhaul locomotives that it plans to remove from active service over the next three years;
- finalizing practices for maintaining the new locomotives that could impact their availability or reliability if not completed before the locomotives are put into service; and
- procuring spare parts, increasing the risk that parts might not be available when needed or might cost more than necessary.

Additionally, Amtrak has not designated an individual to be accountable for synchronizing all of the company's efforts to prepare for the new locomotives. This has delayed the finalization of some plans and actions, which could reduce the expected benefits. We recommended Amtrak assign authority and responsibility for managing and synchronizing these efforts to ensure that all plans are finalized in a cost-effective and timely manner—and also to ensure that all associated tasks are documented in a policy to guide this and future procurements.

Based on our report, Amtrak cancelled all future overhauls of electric locomotives. According to Amtrak's most recent five-year plan (published in May 2013), this change provides the company more than \$14 million that can be spent elsewhere.

Employees Steal Materials from Amtrak Yards

August 2013 (Investigations)

Our prior semi-annual report noted that a joint investigation with the Amtrak Police department discovered that five Amtrak employees stole communications wire from several locations in Pennsylvania and Delaware and resold it to recycling companies. The stolen wire was valued at more than \$100,000. All five individuals pled guilty in federal court and are no longer employed by Amtrak. Two individuals were sentenced to 12 months' probation and two individuals were sentenced to 36 months' probation. One defendant was sentenced to pre-trial diversion and was ordered to pay \$10,000 in

Significant Activities

restitution. That defendant's criminal record will be cleared after one year if he follows the pre-trial diversion plan. The remaining four defendants were ordered to make restitution to Amtrak jointly and severally of \$99,249.

Real Property Management: Applying Best Practices Can Improve Real Property Inventory Management Information

(Audit Report No. OIG-A-2013-015, June 12, 2013)

Our comparative analysis of best practices for real property inventory management information systems to Amtrak's practices show opportunities for improvement. Real property management responsibilities at Amtrak are divided among a number of departments, including the Finance, Engineering, Law, Transportation, Procurement, and Environmental Health and Safety. However, none of these departments has a comprehensive real property inventory management information system that could be used to accomplish all departments' diverse strategic real property goals.

Further, the real property inventory management information the departments maintain is incomplete and contains inconsistent data. The absence of a comprehensive real property management information system leaves Amtrak vulnerable to experiencing (1) higher than necessary operating and maintenance costs for underutilized and/or unnecessary real property, (2) higher than necessary leasing expenditures through lost opportunities to consolidate underutilized space, and (3) lower revenues for unidentified land and facilities available for sale or lease to other entities.

We were informed by Finance department's Real Estate Development officials that the corporation has efforts underway to improve the quality of its real property information. The information provided in this report can be useful in those efforts. To that end, we recommended that Amtrak develop a comprehensive real property inventory management information system that includes consideration of the best practices identified in this report.

Asset Management: Integrating Sound Business Practices into its Fleet Planning Process Could Save Amtrak Hundreds of Millions of Dollars on Equipment Procurements

(Evaluation Report No. OIG-E-2013-014, May 28, 2013)

Amtrak risks spending hundreds of millions of dollars more than necessary and needing additional operating subsidies if it does not adopt sound business practices as it improves its fleet planning process. For example, Amtrak has not established a disciplined process to analyze its equipment needs in a manner consistent with sound business practices although it agreed to do so in response to our prior recommendations. Amtrak projected its equipment acquisition requirements without having analyzed route-specific ridership demand or having determined the optimal level of service for each route based on Amtrak's business strategies. Additionally, Amtrak did not consider its plans to improve equipment availability in determining the amount of equipment it needs. Further, the corporation did not adequately integrate its fleet acquisition plans with its strategic plans, most notably its financial plans. It is unclear how Amtrak plans to fund future equipment acquisitions because the funding requirements in the *FY 2012 Fleet Strategy* are inconsistent with the current 5-year plan. Amtrak's ongoing procurement of electric locomotives illustrates the risks that could arise when procuring equipment in this manner, as it appears that Amtrak may have decided to buy more equipment than needed.

Amtrak's President and Chief Executive Officer told us it is designing a new approach to fleet planning that aligns with its corporate strategy, which will include comparing the costs of buying new equipment with the costs of operating existing equipment before requests to buy new equipment will be approved. To assist management's current efforts to improve the fleet planning process, we recommended that Amtrak's President and Chief Executive Officer implement the recommendations from our prior report to ensure that the weaknesses in Amtrak's fleet planning processes are addressed, review the ongoing electric locomotive procurement to determine whether funds could be better spent elsewhere, and consider asking Congress to suspend any requirements for an FY 2013 fleet strategy document for a year in order to address the recommendations in this report. Amtrak's President and Chief Executive Officer generally concurred with all of our recommendations.

Significant Activities

Ongoing Work—Asset Management

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.



Heartland Flyer at Gene Autry, OK
Photo: Amtrak Corporate Communications

Actions to Continuously Improve OIG Operations

We continually strive to improve our operations to benefit Congress, the Board of Directors, and the corporation. To that end, we have taken key actions to enhance the capabilities of our investigators, auditors, and evaluators, as well as our ability to conduct organization-wide activities.

Investigations

In the last six months, our investigative office enhanced staff capabilities through two significant achievements—obtaining law enforcement authority and completing in-service training. On September 25, 2013, Attorney General Eric H. Holder, Jr., approved a request for our investigative agents to exercise statutory law enforcement powers in accordance with the Inspector General Act and the Attorney General Guidelines for Offices of Inspector General. With this authority, our agents may exercise law enforcement duties, including carrying firearms while engaged in official law enforcement duties, making arrests without a warrant, seeking and executing warrants for arrest and search of premises, and seizing evidence. Before obtaining statutory law enforcement authority, our agents had to undergo a review and be approved to exercise the above powers by obtaining special deputation from the U.S. Marshals Office.

Additionally, in August, our investigative office completed its annual in-service training, which covered defensive tactics, arrest techniques, blood-borne pathogens, continuing legal education on constitutional issues, and other topics. The sessions were led by speakers from within the OIG and Amtrak as well as external agencies, including the Department of Health & Human Services, OIG; Treasury Inspector General for Tax Administration; Department of Justice; and Defense Criminal Investigative Service.

Audits and Evaluations

We also took action to enhance the capabilities of our audit and evaluation staff by conducting internal training and initiating an upgrade of our project management tool, TeamMate. Our August internal training for nearly 40 audit and evaluation staff

Actions to Continuously Improve OIG Operations

included refreshers on the audit/evaluation process, writing reports, and assessing and documenting project risk. We identified these topics through our system of quality control which includes an assessment of completed projects against accepted auditing standards and internal policies. During this training, we introduced staff to a forthcoming upgrade of our project management tool, which we initiated as part of our commitment to provide staff with leading edge resources. This effort included classroom training for select staff and a period of testing to ensure that the tool will work as expected. The staff who received classroom training will provide on the job training to their teams and serve as champions when questions arise. We expect to complete the upgrade by the end of calendar year 2013.

Organization-Wide

Organization-wide efforts included office right-sizing; reinitiating development of a human capital strategic plan, including workforce planning; and conducting our semiannual all hands meeting. First, during this period we completed our office right-sizing. During FY 2013, we faced budget reductions mandated by sequestration and unanticipated employee benefit cost increases. We decided that the best course of action was not just to get through FY 2013, but also to be prepared for a similar FY 2014 budget environment. Consequently, we reduced our headcount through a March 2013 voluntary separation and a May 2013 reduction in force. Second, before the budget challenges and subsequent mitigation, we had started developing a human capital strategic plan, including a tailored workforce plan. We reinitiated this effort and we anticipate completion of the plan during FY 2014. Finally, we conducted our semiannual all-hands meeting in August, reviewing with staff the details of the various office changes and presenting our plan for the way ahead.



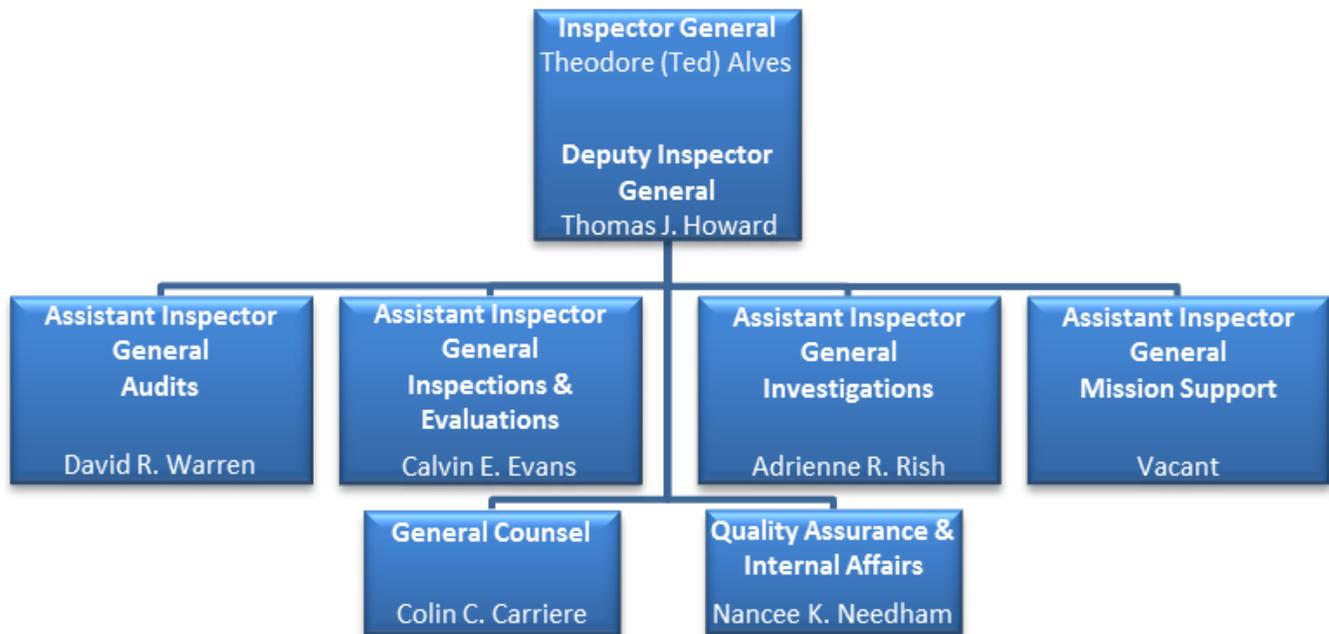
Chicago field office, audit team.
Photo: Amtrak OIG



Empire Builder at Stevens Pass, WA
Photo: Amtrak Corporate Communications

OIG Organization

The OIG headquarters is based in Washington, DC, 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. The Deputy Inspector General assists the Inspector General in developing and implementing the OIG’s diverse audit, inspection, evaluation, investigative, legal, and mission support operations.

OIG Organization

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, human capital management, administration, information technology, and communications to support OIG operations.

Quality Assurance and Internal Affairs. This office provides guidance, monitors the system of quality control, and conducts inquiries into allegations of misconduct by or involving OIG employees.



California Zephyr
Photo: Amtrak Corporate Communications

Appendix 1

Appendix 1 Fiscal Year 2013 Performance Measures (4/1/2013 – 9/30/2013)

Audit/Evaluation Results	
Reports/Evaluations Issued	9
Costs Questioned/Unsupported/Funds to Be Put to Better Use	\$53,457,246
Recoveries (Audits)	\$2,362,627

Advisory Functions	
FOIA ^a Requests Received	8
FOIA Requests Processed	8
Referred to Amtrak	1
Response Pending	2
FOIA Appeals Received	2
FOIA Appeals Processed	1
Legislation Reviewed	—
Regulations Reviewed	—

Investigative Results	
Financial Impact	
Recoveries/Restitution	\$1,060,367.95
Cost Avoidance	\$3,300,000 ^b
Cases Opened	
Major Misconduct and General Crimes	14
Claims Fraud	1
Contract and Procurement Fraud	1
Judicial and Administrative Actions	
Arrests	2
Indictments	3
Convictions	7
Criminal Referrals Accepted	12
Criminal Referral Declined	9
Administrative Actions	19
Investigative Workload	
Investigations Opened	16
Investigations Closed	34
Hotline Contacts/Referrals	
Sent to Amtrak Management	119
Investigation Opened	2
Referred to Other Law Enforcement Agency	1
Customer Complaint	42
Under Review	3
No Action Warranted	12

^a Freedom of Information Act.

^b \$1,100,000 per year for three years.

Appendix 2 Questioned Costs (Audits)

(4/1/2013 – 9/30/2013)

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	2	7,296,345	227,697
Subtotals (A+B)	2	7,296,345	227,697
Less			
C. For which a management decision was made during the reporting period			
(i) dollar value of recommendations agreed to by management	2	7,296,345	227,697
(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

Appendix 3 Funds Put To Better Use (Audits and Evaluations) (4/1/2013 – 9/30/2013)

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	3	45,933,204
Subtotals (A+B)	3	45,933,204
Less		
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management	3	45,933,204
(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	—	—

Appendix 4 Audit and Evaluation Reports

(4/1/2013 – 9/30/2013)

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
4/16/2013	OIG-A-2013-013	Information Technology: Opportunities Exist to Improve Services, Economies, and Contract Performance	Information Technology	\$—	\$—	\$31,400,000
5/28/2013	OIG-E-2013-014	Asset Management: Integrating Sound Business Practices into its Fleet Planning Process Could Save Amtrak Hundreds of Millions of Dollars on Equipment Procurements	Asset Management	—	—	—
6/12/2013	OIG-A-2013-015	Real Property Management: Applying Best Practices Can Improve Real Property Inventory Management Information	Asset Management	—	—	—
7/29/2013	OIG-A-2013-016	American Recovery and Reinvestment Act: Opportunities Exist to Recover Funds and Reduce Future Costs by Improving Procurement Policies	American Recovery and Reinvestment Act	596,345	227,697	529,175
9/19/2013	OIG-E-2013-017	American Recovery and Reinvestment Act: Amtrak Has Taken Positive Steps to Safeguard Funds Used for Concrete Tie Replacement Program	American Recovery and Reinvestment Act	—	—	—
9/20/2013	OIG-A-2013-018	Governance: Enhanced Controls Needed to Avoid Duplicate Payments	Governance	6,700,000	—	—
9/26/2013	OIG-A-2013-019	Governance: Most Procurement Card Controls are Effective, but Some Need to be Strengthened	Governance	—	—	—

Appendix 4

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
9/27/2013	OIG-E-2013-020	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	Governance	—	—	—
9/27/2013	OIG-E-2013-021	Asset Management: Amtrak is Preparing to Operate and Maintain New Locomotives, but Several Risks to Fully Achieving Intended Benefits Exist	Asset Management	—	—	14,004,029
Total				\$7,296,345	\$227,697	\$45,933,204

Ongoing Audit and Evaluation Projects

Project Status	Number of Projects
Audit and Evaluation Projects In-process, as of 4/1/2013	14
Projects Postponed or Canceled	1
Audit and Evaluation Projects Started Since 4/1/2013	9
Audit and Evaluation Reports Issued Since 4/1/2013	9
Audit and Evaluation Projects In-process, as of 9/30/2013	13

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
Railroad Invoice Review: SPCSL Report 1 of 4	506-2001/ August 3, 2001	\$125,957	\$—	\$—
Railroad Invoice Review: SPCSL Report 2 of 4	507-2001/ August 31, 2001	153,766	—	—
Railroad Invoice Review: SPCSL Report 3 of 4	508-2001/ September 12, 2001	140,377	—	—
Railroad Invoice Review: SPCSL Report 4 of 4	509-2001/ September 21, 2001	282,957	—	—
Information Security Review	107-2004 March 31, 2008	—	—	—
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	—	—	—

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
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	—	—	—
On-Time-Performance Incentives: Inaccurate Invoices Were Paid	OIG-A-2012-013 June 29, 2012	1,430,113	—	—
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	—	—	—
Amtrak Invoice Review: Undetected Errors Resulted in Overpayments	OIG-A-2012-019 September 5, 2012	3,473,737	—	—
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	—	—	—

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
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 (Southern Pacific)	OIG-A-2013-007 March 13, 2013	1,205,626	—	—
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	—	—
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	—
Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Union Pacific)	OIG-A-2013-011 March 28, 2013	2,338,860	—	—
TOTAL		\$24,800,653	\$9,247	\$—

Appendix 6

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	—	—

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	—	—
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.

Appendix 8 Peer Review Results

The *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P. L. 111–203, July 21, 2010) requires each OIG to 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 the prior reporting period, OIG’s 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.

OIG’s Office of Investigations was also the subject of a peer review during the prior reporting period 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 scheduled to conduct a CIGIE peer review of the Department of 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.

Acronyms and Abbreviations

ADA	American's with Disabilities Act
ARRA	American Recovery and Reinvestment Act of 2009
CIGIE	Counsel of Inspectors General on Integrity and Efficiency
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

Appendix 10 Reporting Requirements Index

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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, 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.

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

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