

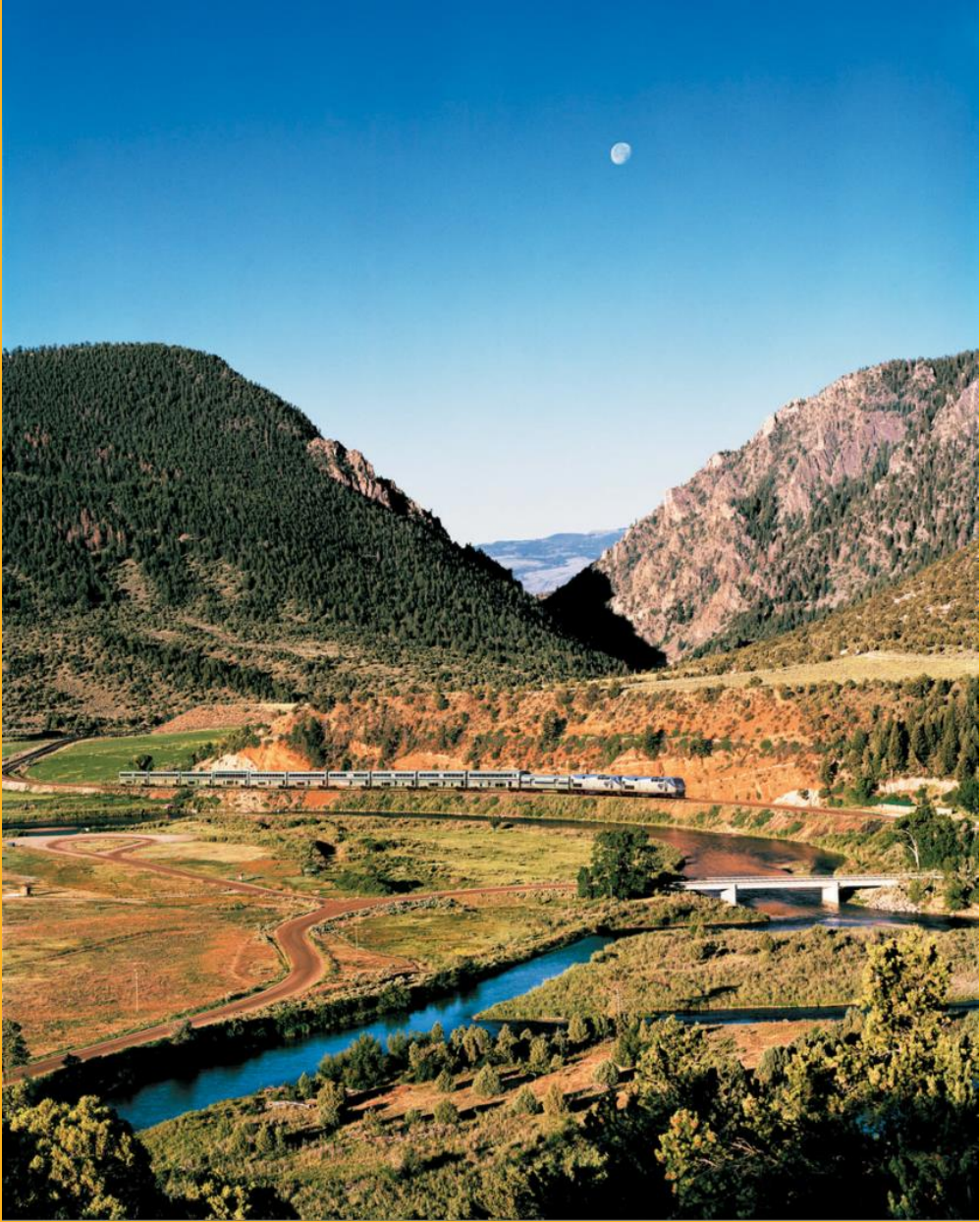


**AMTRAK** | Office of  
Inspector General  
[www.amtrakoig.gov](http://www.amtrakoig.gov)

# SEMIANNUAL REPORT to the United States Congress

April 1, 2014–September 30, 2014  
Report # 50





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## From the Inspector General



### National Railroad Passenger Corporation Office of Inspector General

I am pleased to submit our latest *Semiannual Report to the United States Congress*. This report highlights the activities of our office for the six months ending September 30, 2014, pursuant to the Inspector General Act of 1978, as amended.

Throughout this semiannual period, our audit work addressed issues intended to improve the efficiency and effectiveness of Amtrak's programs and operations. We issued our first ever report on top management and performance challenges facing the company. The challenges we identified are rooted in long-standing and complex issues that will take continuous attention over several years to effectively address. We also reported on opportunities for the company to improve its effectiveness and efficiency in a number of areas, including managing capital projects, implementing the Americans with Disabilities program, and conducting procurement activities.

Our investigative activities continued to prevent and deter fraud, waste, and abuse through an active outreach program and to hold accountable those who sought to harm Amtrak's programs and operations. We addressed issues related to theft, fraudulent practices, and employee integrity/misconduct.

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

**Tom Howard**  
**Inspector General**

# 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 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*).<sup>1</sup>

## Focus Areas

We concentrate our audit and investigative work on seven focus areas. Depending on the work completed during a semiannual period, we may report on issues in one or more of the focus areas listed below.<sup>2</sup>

**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.

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

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

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

**Asset Management.** These activities relate to the utilization and maintenance of assets, including trainsets, support equipment, inventory, and real property.

**Safety and Security.** These programs and activities relate to the safety and security of assets, employees, and the train-riding public.

**Information Technology.** Management of information encompasses processes, policies, and procedures to acquire and use information tools to improve labor and asset productivity and deliver safe and reliable customer service.

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<sup>1</sup> OIG-SP-2013-2017, *Strategic Plan Fiscal Years 2013-2017*,  
[http://www.amtrakoig.gov/sites/default/files/reports/strategic\\_plan2.pdf](http://www.amtrakoig.gov/sites/default/files/reports/strategic_plan2.pdf)

<sup>2</sup> For complete definitions of these focus areas, see *Annual Audit, Inspection, and Evaluation Plan Fiscal Year 2014*.  
[http://www.amtrakoig.gov/sites/default/files/reports/fy2014\\_final\\_audit\\_and\\_evaluation\\_plan.pdf](http://www.amtrakoig.gov/sites/default/files/reports/fy2014_final_audit_and_evaluation_plan.pdf).



# Significant Activities: Audits, Evaluations, and Investigations

During this reporting period, we issued our first report identifying significant management challenges facing Amtrak, seven audit reports, and we provided seven investigative summaries to management. During the next six months, we expect to complete work in a number of our work focus areas. (All our issued products are on our website, [www.amtrakoig.gov](http://www.amtrakoig.gov).)

### **September 29, 2014, Amtrak: Top Management and Performance Challenges** (*Special Project Report No. OIG-SP-2014-012, September 29, 2014*)

This is our first report assessing the top management and performance challenges facing 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, we have prepared this report to provide similar benefits.

The company has made significant progress implementing its 2011 strategic plan and accomplishing positive results; however, a number of challenges remain to be addressed. In recent years, key areas of progress include reducing the adjusted net operating loss from \$446 million to \$355 million, lowering the debt by \$1.4 billion, and



increasing annual ridership by more than 12 percent to nearly 32 million riders. These accomplishments provide a solid foundation for pursuing the various improvement initiatives identified in the company's update to its strategic plan.

The challenges we identified are rooted in long-standing and complex issues that will take continuous attention over several years to effectively address. In our view, the most significant challenges are in six areas:

- Sustaining commitment to improving governance
- Enhancing financial performance in a public/private environment
- Improving train operations and asset management
- Improving acquisitions and procurement
- Using information technology to improve business operations
- Improving human capital management

We noted that the company had various initiatives underway to address issues related to these challenges. As we stated during congressional testimony in 2012, a key to improving the efficiency and effectiveness of the company's operations and service is sustaining and fully implementing its ongoing strategic initiatives. Such a sustained focus should, in turn, reduce the amount of federal funds the company needs.

## Governance

### **Governance: Opportunities Exist to Improve the Travel Card Program and Reduce Risks**

*(Audit Report No. OIG-A-2014-005, April 18, 2014)*

We identified opportunities to improve the travel card program's controls and cost-effectiveness. The travel card program is not cost-effective because it is significantly under-enrolled and under-utilized. Amtrak does not require the use of travel cards for business trips; as a result, only 419 employees (33 percent) with multiple business trips had travel cards. Also, these cardholders charged only 33 percent of their business

## Significant Activities

travel expenses to the travel cards. As a result of the underutilization and delayed payments by employees, the corporation received reduced rebates on \$1.3 million charged on the card for 2012.

Our review of best practices showed that many organizations address control and cost-effectiveness issues by shifting hotel and car rental bookings from individual cards to centralized corporate charge cards. Replacing individual cards with centralized corporate cards could increase rebates and reduce operating cost and risks.

We recommended and the Chief Financial Officer agreed to evaluate travel card program alternatives, recover unpaid balances, and monitor employee travel expenses using data analytics.

### **Insurance Fraud**

*April 2014 (Investigations)*

A man who claimed to be picking up a passenger at Amtrak's train station in Providence, Rhode Island, requested reimbursement of \$6,380 in medical bills. He stated that the bills were incurred as a result of a fall at the station. A video surveillance camera showed the man staging the accident by pouring water on the floor and then returning to slip on the wet floor. The man, who had a long criminal record, was arrested on April 4, and charged with insurance fraud and attempted larceny in Rhode Island Superior Court. He pled guilty to one count of insurance fraud and was sentenced to one year of incarceration, which was suspended, and he was placed on one year probation.

### **Theft**

*May 2014 (Investigations)*

A Passenger Engineer Trainee inputted hours that he did not work into Amtrak's Paperless Time Ticket Computer System. As a result, the trainee was paid for 20 days he did not work. He was indicted in Cook County, Illinois, on one count of theft, one count of forgery, and one count of wire fraud. He was summoned to appear before the court where he pled guilty to one count of theft. He was sentenced under a conditional discharge, a newly enacted State of Illinois Second Chance Program, to 24-months'

probation, 30 hours of community service, ordered to make restitution to Amtrak of \$3,748 and to pay court fees of \$689. If he commits no criminal offense while on probation, the theft charge will be dismissed. Amtrak no longer employs this person.

### **Governance: Improved Policies, Practices, and Training Can Enhance Capital Project Management**

*(Audit Report No. OIG-A-2014-009, July 15, 2014)*

Overall, the company's management controls for project implementation are weak. This has contributed to ineffective and inefficient project implementation in the Engineering and Mechanical departments and creates a similar risk in other departments. There is an absence of policies, procedures, and training for project management. This condition, coupled with weaknesses we previously noted in justifying the need for capital investments, creates a high-risk environment for the effective stewardship over capital project resources. These weaknesses could ultimately affect the company's ability to meet its strategic goals—particularly the financial excellence goal.

Using a best practices comparative analysis methodology, we identified opportunities to improve capital project management activities in cost estimating, scheduling, and project oversight.

The Engineering department did not consistently employ best practices in managing projects. Three of the five projects we reviewed encountered overruns and delays that forced the company to reprogram funds between programs and departments, and to delay or forgo other projects. For example, a cost estimate did not accurately forecast project costs; personnel did not ensure that schedules were developed to accomplish a project's objectives; and the oversight of replacement projects was informal and inconsistent.

The Mechanical department's project management practices for equipment overhauls have similar weaknesses in cost estimating, scheduling, and project oversight. Data on the hours expended on overhauls from FY 2009 through FY 2012 shows that the department's project management practices have not improved the efficiency of overhauls: an overhaul completed during FY 2012 required up to 28 percent more average labor hours to complete than an overhaul completed in FY 2009.

## Significant Activities

We recommended and the President and Chief Executive Officer agreed to take actions to improve the company's capital project management practices including the development of company-wide policies and procedures for project management and a training program in project management.

### **Governance: Injury Claims Trend Data for Fiscal Years 2010 through 2013**

*(Management Advisory Review Report No. OIG-MAR-2014-008, July 17, 2014)*

As in any company providing passenger rail service, each year, employees, passengers, trespassers, invitees, and other persons are injured or claim injury while on Amtrak property, facilities or equipment. Although some injuries do not result in a claim against Amtrak, others do and those amounts are substantial. These claims create a financial risk that must be carefully managed.

The company's claims settlement and judgment payments totaled \$103.5 million for FY 2010 through FY 2013, with an estimated remaining liability of \$73.5 million. The company also incurred another \$39.4 million for medical costs, legal fees, consulting fees, surveillance costs, and other costs associated with these claims. This does not include company salary, benefit, travel, and facility costs—for the Law department's Tort Claims and Litigation group.

Our reporting objective was to analyze personal injury claims data to identify trends and patterns that could be useful in managing the claims process. We analyzed recorded incident data on 16,288 claims that occurred during FY 2010 through FY 2013. Our analysis showed various injury claim trends and patterns. We believe this data provides management with information that will be useful in managing the claims process and potentially reducing injuries.

### **Employee Submits Fraudulent Expense Reports**

*July 2014 (Investigations)*

An employee, who regularly traveled the trains as part of his job duties and responsibilities, submitted 211 meal checks totaling \$3,316 for expenses he did not incur. The employee was arrested in the District of Columbia, pled guilty to one count of misdemeanor fraud, and was sentenced to three years' unsupervised probation and

ordered to make restitution to Amtrak in the amount of \$3,316. Amtrak no longer employs this person.

### **Employee leaves Jobsite to Exercise**

*August 2014 (Investigations)*

We received an anonymous report that an employee consistently left the jobsite without authorization during the workday to exercise at a local health club facility. We compared a summary of the employee's attendance at the health club to Amtrak payroll records, as well as, jobsite sign-in/sign-out logs. We determined that the employee was absent during the workday on several occasions during a three-month period. As the result of a company hearing, Amtrak no longer employs this person.

### **Public Law Board Upholds Dismissal of Amtrak Supervisor**

*August 2014 (Investigations)*

As previously reported, we conducted an investigation into allegations of overtime pay fraud by Mid-Atlantic Communications and Signal department employees and determined that multiple employees claimed and were paid at premium overtime rates for hours they did not work. We found a pervasive lack of supervision by responsible agreement covered (union) and management officials. As a result, four employees were taken out of service, one employee resigned, and three were dismissed. Recently, the American Railway Supervisors Association Transportation Communications Union/IAM filed a claim with the Public Law Board stating that Amtrak violated Rule 19 (discipline) of the Collective Bargaining Agreement, as well as due process, and demanded reinstatement of the supervisor with compensation for all lost wages and benefits totaling \$184,704. The Board upheld the dismissal based on our investigation.

### **Governance: Employee Time Charge Trend Data for Calendar Year 2013**

*(Management Advisory Review Report No. OIG-MAR-2014-011, September 26, 2014)*

We recently followed up on actions taken in response to recommendations from our previous report on the management of overtime (OIG-A-2013-009). During that follow-up work, we learned that company officials were questioning whether agreement employees may be reporting straight-time hours when they should be reporting overtime hours. Such practices could lead to inaccurate reporting on the use of

## Significant Activities

overtime. Therefore, we developed information on agreement employee time charge patterns for straight time. Our objective was to develop information on the extent to which agreement employees reported working 16 or more hours of straight time in a day—and the possible reasons why.

The Deputy Managing General Counsel informed us that the company is in the process of implementing our previous recommendation to develop corporate-wide policies and procedures for authorizing the use of overtime that address cost-effectiveness, operational efficiency, and safety. Therefore, we did not make any new recommendations. However, the report provided information for management to consider as it develops policies and procedures to manage the employee time charge process.

### Ongoing Work—Governance

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

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

**Review of Payment Terms and Discounts.** Our objective is to audit, using data analytics tools, procurement practices to determine whether there are opportunities to more economically procure goods and services.

**Review of Medical Healthcare Claims.** Our objectives of this audit are to use data analytics tools 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.

**Review of Payroll Processes.** Our objectives of this audit are to use data analytics tools 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.

## Human Capital Management

### **Safety Officer Fails to Disclose Criminal Convictions**

*July 2014 (Investigations)*

We received an anonymous report that a safety officer had an extensive criminal history with numerous felony convictions that were not disclosed to Amtrak on his application. We determined that the employee had felony convictions for robbery, theft, battery, and escape from custody. The employee voluntarily resigned.

### **Two Employees Forge Medical Forms**

*September 2014 (Investigations)*

We conducted two separate investigations on employees who reportedly forged "Treating Physician Medical Status Report Statement of Disability" forms. One employee, a customer service representative, submitted the form to allow the employee to return from a medical leave of absence. The employee admitted forging the form and voluntarily resigned. The second employee, an assistant passenger conductor, submitted the form to extend a medical leave of absence. The employee voluntarily resigned.

# Significant Activities

## Train Operations and Business Management

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

(Audit Report No. OIG-A-2014-010, August 4, 2014)

Since our September 2011 report, the Americans with Disabilities Act (ADA) program made limited progress achieving its goals, largely because of the lack of an effective program management structure and the absence of a written strategic plan establishing a vision, goals, and objectives, including estimates of costs and a timeframe for program completion. These weaknesses were similar to the ones we identified previously, which resulted from the lack of program accountability and decision-making authority.

For the program in Fiscal Year (FY) 2012 and FY 2013, we noted the following:

- Program accomplishments included completing numerous property surveys and facility assessments, and making three more stations compliant.



Accessible ramp at Amsterdam, New York.

- More than \$46 million of program funds (more than 46 percent) was spent on program management activities; however, best practices suggest that 30 percent is typically spent on such activities.



- Approximately \$6.5 million was spent on designs for projects that are not included in current construction plans.
- An undetermined amount of ADA funds was spent on state-of-good-repair work, not ADA-compliance work.

More recently, changes to the program's goals in FY 2014 have not been set forth in a written strategic plan that can be used to monitor progress and ensure accountability.

If the weaknesses persist, the program is likely to continue to see only limited progress in achieving its goals.

We recommended and the President and Chief Executive Officer agreed to take actions to help improve the effectiveness of the ADA program's management. Actions agreed to include making program structure changes and developing a strategic plan to guide program implementation.

## Ongoing Work—Train Operations and 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.

**Review of the New Jersey Raceway Project.** This audit focuses on New Jersey High-Speed Rail Improvement project to upgrade 23 miles of right-of-way between Trenton and New Brunswick, New Jersey. The objective of this audit is to assess the extent to which progress is being made in completing the New Jersey High-Speed Rail Improvement Program with a focus on cost, schedule, and performance.

# Significant Activities

## Acquisition and Procurement

### Acquisition and Procurement: Closer Alignment with Best Practices Can Improve Effectiveness

*(Audit Report No. OIG-A-2014-006, May 6, 2014)*

When comparing Procurement department processes and best practices, we identified 16 opportunities for improvement in 4 major areas. Some high-level examples are:

- **Organizational alignment and leadership.** Best practices have Procurement departments aligned to play a strategic role in procurement processes. Amtrak's Procurement department supports the user departments during the procurement process, but does not play a strategic role.
- **Policies and processes.** The company has documented policies and procedures that provide guidance for procurement processes. However, unlike the best practices of leading organizations, Amtrak's procurement policies and processes do not incorporate strategic planning and activities.
- **Human capital.** At the strategic level, the company has started a new program to improve its human capital management that reflects private industry best practices. Improving the capabilities and capacities of Procurement staff through this program will largely depend on a sustained management commitment.
- **Knowledge and information management.** Best practices for procurement knowledge and information systems ensure accurate reporting and reliable data. Our prior reviews have identified issues with information system data accuracy.

These opportunities for improvement exist because Amtrak has used the Procurement department in a support function, has not provided the department with strategic direction, and has not focused on a company-wide approach to strategic procurement. As a result, the Procurement department's capabilities have been limited, and the company may not be acquiring the highest quality goods at the best prices.

We recommended that the President and Chief Executive Officer consider realigning the organizational responsibility for procurement activities consistent with best

practices. Once organizational responsibility is decided, direct the executive responsible for procurement activities to develop a plan that provides strategic direction and focus to the Procurement department to improve its operations based on the best practices discussed in our report. The President and Chief Executive Officer agreed to provide such a plan.

### Ongoing Work—Acquisition and Procurement



Ongoing construction for the Gateway Program.

**Survey of Issues Related to the Northeast Corridor Infrastructure Projects.** The successful accomplishment of Northeast Corridor (NEC) ongoing infrastructure projects (Gateway Program) in an effective and efficient manner is of high priority to the company, the Board of Directors, Congress, and other stakeholders.

We are auditing projects one and two of the Gateway Program. Our overall survey objective is to stay apprised of NEC infrastructure planning and implementation issues. Our specific audit objective is to provide an updated assessment on progress and risk on the two Gateway Program tunnel projects.

**Review of the Acela Spare Parts Contract Oversight and Implementation.** Spare parts for the Acela fleet are provided through a contract between Amtrak and the Alstom Corporation. The objective of this audit is to assess the adequacy of contract oversight, administration and contractor performance for the contract. We will focus on the company's oversight of contractor cost, schedule, and performance.

# Significant Activities

## Asset Management

### **Asset Management: Amtrak Followed Sound Practices in Developing a Preliminary Business Case for Procuring Next-Generation High-Speed Trainsets and Could Enhance its Final Case with Further Analysis**

*(Evaluation Report No. OIG-E-2014-007, May 29, 2014)*

We found that the company generally followed sound business practices in developing a preliminary business case to support its request for proposals for next-generation high-speed trainsets. The business case was adequate for soliciting proposals from potential manufacturers.

According to the acquisition team leader, the preliminary business case was intended to be a high-level analysis. After receiving additional information from bidders, the team plans to develop a more detailed business case prior to seeking approval to purchase new equipment. Therefore, we have identified several opportunities to enhance the final business case, which the acquisition team has agreed to address, including:

- **High-level forecasts.** We identified opportunities to improve the company's forecasts of projected ridership, potential capacity constraints, maintenance and overhaul costs, and required infrastructure investments. A more refined analysis in these areas could enhance the final business case and minimize the company's risk in procuring new trainsets.
- **Operational challenges.** The business case assumes that the company can add daily round trips between Washington and New York during peak hours to further increase ridership and revenue. However, the preliminary business case did not address the facility modifications and scheduling issues associated with adding trips during peak hours.
- **Integration of regional equipment needs.** The financial projections in the business case for the NEC business line rely on revenue generated from both high-speed and regional service. However, the equipment in regional service is old and, according to Amtrak, needs to be replaced or refurbished. The preliminary business case did not identify how these needs will be addressed, or

the impact that aging regional equipment could have on future maintenance costs and revenue growth.

We recommended, and Amtrak management agreed, that as the final business case is developed, the issues discussed in our report related to forecasts, preferred alternatives, and integrated planning will be addressed appropriately.

### Ongoing Work—Asset Management

**Review of Fleet Utilization Decision-Making Process.** The objective of this evaluation is to assess the extent to which the company is using a process for making fleet utilization decisions that consistently follows sound business practices.

**Review of Real Property Costs and Revenue.** The objective of this audit is to determine whether opportunities exist to reduce costs and increase revenues from the use of real property assets.

## Safety and Security

### Ongoing Work—Safety and Security

**Review of the Safe-2-Safer Program Implementation.** The objectives of this evaluation are to evaluate the extent to which Safe-2-Safer program goals are being met and to determine whether opportunities exist to improve program implementation and the company's overall efforts to improve safety.

**Review of Police Department Work force Planning Processes.** The objective of this audit is to determine whether the police department's workforce planning process could be improved by utilizing best practices.

# Significant Activities

## Information Technology

### Ongoing Work—Information Technology

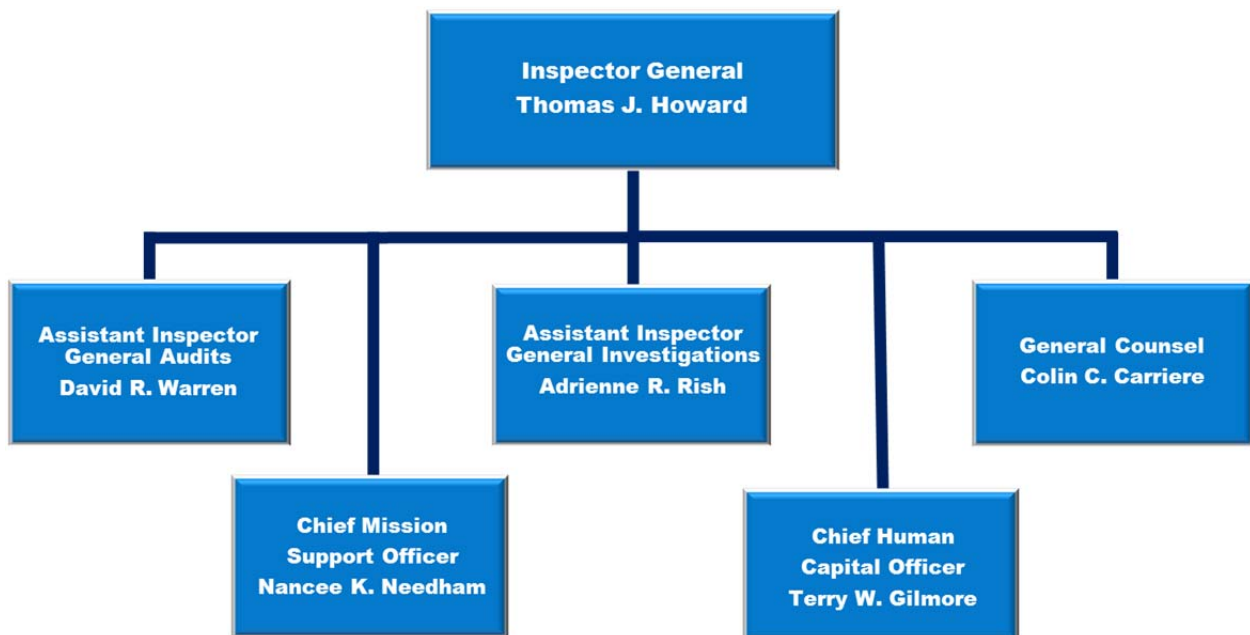
**Review of Reservation Ecosystem Next Generation Program.** The objective of this audit is to determine to what extent the Reservation Ecosystem Next Generation Program has met its goal of modernizing the reservation system.



## OIG Organization

# OIG Organization

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



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



**Audits.** This office conducts independent and objective performance and financial audits across the spectrum of 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.



Audit team visits Gateway Program site.

**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 management for administrative action. It also develops recommendations to reduce vulnerability to criminal activity.

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

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

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



## Appendix 1 Fiscal Year 2014 Performance Measures (4/1/2014 – 9/30/2014)

<b>Audit/Evaluation Results</b>	
Products Issued	8
Recoveries (Audits)	\$1,422,316

<b>Advisory Functions</b>	
FOIA <sup>a</sup> Requests Received	15
FOIA Requests Processed	7
Referred to Amtrak	7
Response Pending	1
FOIA Appeals Received	—
FOIA Appeals Processed	—
Legislation Reviewed	—
Regulations Reviewed	—
Outside Agency Consultation	2

<b>Investigative Results</b>	
<b>Financial Impact</b>	
Recoveries/Restitution	\$8,464.63
<b>Cases Opened</b>	
Major Misconduct and General Crimes	6
Claims Fraud	2
Healthcare Fraud	2
Contract and Procurement Fraud	3
<b>Judicial and Administrative Actions</b>	
Arrests	11
Indictments	11
Convictions	3
Criminal Referrals	11
Criminal Referrals Declined	2
Administrative Actions	9
<b>Investigative Workload</b>	
Investigations Opened	13
Investigations Closed	23
<b>Hotline Contacts/Referrals</b>	
Sent to Amtrak Management	119
Investigation Opened	—
Customer Complaints	68
No Action Warranted	2

<sup>a</sup> Freedom of Information Act.

## Appendix 2

# Appendix 2 Audit and Evaluation Products (4/1/2014 – 9/30/2014)

Listing of Issued Audit/Evaluation Reports						
Date Issued	Report Number	Report Title	Focus Area	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
4/18/2014	OIG-A-2014-005	Governance: Opportunities Exist to Improve the Travel Card Program and Reduce Risks	Governance	\$—	\$—	\$—
5/6/2014	OIG-A-2014-006	Acquisition and Procurement: Closer Alignment with Best Practices Can Improve Effectiveness	Acquisition and Procurement	—	—	—
5/29/2014	OIG-E-2014-007	Asset Management: Amtrak Followed Sound Practices in Developing a Preliminary Business Case for Procuring Next-Generation High-Speed Trainsets and Could Enhance its Final Case with Further Analysis	Asset Management	—	—	—
7/15/2014	OIG-A-2014-009	Governance: Improved Policies, Practices, and Training Can Enhance Capital Project Management	Governance	—	—	—
7/17/2014	OIG-MAR-2014-008	Governance: Injury Claims Trend Data for Fiscal Years 2010 through 2013	Governance	—	—	—
8/4/2014	OIG-A-2014-010	Train Operations and Business Management: Addressing Management Weaknesses Is Key to Enhancing the Americans with Disabilities Program	Train Operations and Business Management	—	—	—
9/26/2014	OIG-MAR-2014-011	Governance: Employee Time Charges Trend Data for Calendar Year 2013	Governance	—	—	—

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
9/29/2014	OIG-SP-2014-012	Amtrak: Top Management and Performance Challenges	Governance	—	—	—
<b>Total</b>				<b>\$—</b>	<b>\$—</b>	<b>\$—</b>

Ongoing Audit and Evaluation Projects	
Project Status	Number of Projects
Audit, Evaluation, and Other Projects In-process, as of 4/1/2014	16
Projects Postponed or Canceled	1
Research Projects Completed and Closed	1
Audit Projects Started Since 4/1/2014	8
Audit, Evaluation, and Other Reports Issued Since 4/1/2014	8
Audit and Evaluation Projects In-process, as of 9/30/2014	14

## Appendix 3

### Appendix 3 Recommendations for Which Corrective Action Not Complete (Audits)

<b>Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed</b>				
<b>Audit Report</b>	<b>Report Number/Date</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>	<b>Funds to be Put to Better Use</b>
<b>Strategic Asset Management Program Controls Design Is Generally Sound, But Improvements Can Be Made</b>	105-2010/ January 14, 2011	—	—	—
<b>On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Long-standing Weaknesses in Amtrak's Invoice-Review Process</b>	403-2010/ April 21, 2011	519,932	—	—
<b>Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant</b>	109-2010/ September 29, 2011	—	—	—
<b>Wireless Network Security: Internal Controls Can Be Improved</b>	OIG-A-2012-003/ December 7, 2011	—	—	—
<b>Amtrak Corporate Governance: Implementing a Risk Management Framework is Essential to Achieving Amtrak's Strategic Goals</b>	OIG-A-2012-007/ March 30, 2012	—	—	—
<b>Human Capital Management: Weaknesses in Hiring Practices Result in Waste and Operational Risk</b>	OIG-A-2012-014 July 19, 2012	—	—	—

<b>Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed</b>				
<b>Audit Report</b>	<b>Report Number/Date</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>	<b>Funds to be Put to Better Use</b>
<b>Claims Program: Use of Best Practices Would Strengthen Management Controls</b>	OIG-A-2012-016 August 14, 2012	—	—	—
<b>Food and Beverage Service: Initiatives to Help Reduce Direct Operating Losses Can Be Enhanced by Overall Plan</b>	OIG-A-2012-020 September 7, 2012	—	—	—
<b>American Recovery and Reinvestment Act: Some Questioned Invoice Charges and Minimal Benefit from Duplicative Invoice-Review Process</b>	OIG-A-2012-021 September 21, 2012	—	—	—
<b>Amtrak Invoice Review: Undetected Inaccuracies Resulted in Overpayments (BNSF)</b>	OIG-A-2013-006 February 15, 2013	2,115,440	—	—
<b>Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (BNSF)</b>	OIG-A-2013-008 March 26, 2013	1,437,311	—	—
<b>Management of Overtime: Best Practice Control Can Help in Developing Needed Policies and Procedures</b>	OIG-A-2013-009 March 26, 2013	—	—	—
<b>Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Metro North)</b>	OIG-A-2013-010 March 27, 2013	1,223,028	—	—
<b>Information Technology: Opportunities Exist to Improve Services, Economies, and Contract Performance</b>	OIG-A-2013-013 April 16, 2013	—	—	31,400,000

## Appendix 3

<b>Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed</b>				
<b>Audit Report</b>	<b>Report Number/Date</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>	<b>Funds to be Put to Better Use</b>
<b>Real Property Management: Applying Best Practices Can Improve Real Property Inventory Management Information</b>	OIG-A-2013-015 June 12, 2013	—	—	—
<b>American Recovery and Reinvestment Act: Opportunities Exist to Recover Funds and Reduce Future Costs by Improving Procurement Policies</b>	OIG-A-2013-016 July 29, 2013	596,345	—	529,175
<b>Governance: Enhanced Controls Needed to Avoid Duplicate Payments</b>	OIG-A-2013-018 September 20, 2013	6,700,000	—	—
<b>Governance: Most Procurement Card Controls are Effective, but Some Need to be Strengthened</b>	OIG-A-2013-019 September 26, 2013	—	—	—
<b>Food and Beverage Service: Potential Opportunities to Reduce Losses</b>	OIG-A-2014-001 October 31, 2013	—	—	175,200,000 <sup>a</sup>
<b>Passenger Rail Investment and Improvement Act of 2008: Accomplishments and Requirements that Deserve Consideration for Future Authorizing Legislation</b>	OIG-A-2014-003 January 9, 2014	—	—	—
<b>TOTAL</b>		<b>\$12,592,056</b>	<b>\$—</b>	<b>\$207,129,175</b>

<sup>a</sup> \$58.4 million annually, projected over three years.



## Appendix 4 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 <sup>a</sup>	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 <sup>b</sup>	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	—	—
Mechanical Maintenance: Improved Practices Have Significantly Enhanced Acela Equipment Performance and Could Benefit Performance of Equipment Company-wide <sup>c</sup>	OIG-E-2012-008 May 21, 2012	—	—

## Appendix 4

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

Evaluation Report	Report Number/ Date	Estimated Annual Savings <sup>a</sup>	Estimated Annual Savings Already Achieved
<b>Strategic Asset Management Program: Opportunities to Improve Implementation and Lessons Learned</b>	OIG-E-2012-012 May 31, 2012	—	—
<b>Railroad Safety: Amtrak is Not Adequately Addressing Rising Drug and Alcohol Use by Employees in Safety-Sensitive Positions</b>	OIG-E-2012-023 September 27, 2012	—	—
<b>Railroad Safety: Amtrak Has Made Progress in Implementing Positive Train Control, but Significant Challenges Remain</b>	OIG-E-2013-003 December 20, 2012	—	—
<b>Asset Management: Integrating Sound Business Practices into its Fleet Planning Process Could Save Amtrak Hundreds of Millions of Dollars on Equipment Procurements</b>	OIG-E-2013-014 May 28, 2013	—	—
<b>American Recovery and Reinvestment Act: Amtrak Has Taken Positive Steps to Safeguard Funds Used for Concrete Tie Replacement Program</b>	OIG-E-2013-017 September 19, 2013	—	—
<b>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</b>	OIG-E-2013-020 September 27, 2013	—	—

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

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

<sup>a</sup> Estimated savings based on benchmarking against other organizations.

<sup>b</sup> 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.

<sup>c</sup> Not included in the total amount is 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 5      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 6 Peer Review Results

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

During FY 2013, our Office of Audits was the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review by the Tennessee Valley Authority OIG. That office 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, the office provided a “pass” rating and made no recommendations. The report was released on February 14, 2013. There are no outstanding recommendations from any peer review of the OIG conducted by another OIG that have not been fully implemented.

Our Office of Investigations was also the subject of a peer review during FY 2013 by the Nuclear Regulatory Commission OIG. That office 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.

In April, we completed a CIGIE peer review of the Department of the Interior OIG’s audit organization for the year ending September 30, 2013. We issued a “pass” opinion because the Department of the Interior OIG system of quality control was adequately designed and functioning as prescribed. The findings we identified during our review did not rise to the level of a deficiency or significant deficiency. However, we did identify areas with findings relating to the quality control system, independence, planning, audit documentation, competence, and reporting. Since we completed our review, the Department of the Interior OIG revised its audit staff policy manual to incorporate these recommendations.

# Appendix 7 Glossary of Terms, Acronyms, and Abbreviations<sup>3</sup>

**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.

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<sup>3</sup> All definitions are from the Inspector General Act of 1978, as amended.

## Acronyms and Abbreviations

<b>ADA</b>	Americans with Disabilities Act
<b>CIGIE</b>	Counsel of Inspectors General on Integrity and Efficiency
<b>FY</b>	Fiscal Year
<b>IPA</b>	Independent Public Accountants
<b>NEC</b>	Northeast Corridor
<b>OIG</b>	Office of Inspector General

## Appendix 8

# Appendix 8 Reporting Requirements Index

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## OIG MISSION AND CONTACT INFORMATION

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### **Mission**

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

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### **Obtaining Copies of Reports and Testimony**

Available at our website: [www.amtrakoig.gov](http://www.amtrakoig.gov).

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### **Reporting Fraud, Waste, and Abuse**

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

Web: [www.amtrakoig.gov/hotline](http://www.amtrakoig.gov/hotline)

Phone: 800-468-5469

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