



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

Human Resources:

Background Checks Process Has Improved, but Some Inefficiencies and Gaps Persist

OIG-A-2019-001 | November 1, 2018

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Memorandum

To: DJ Stadtler
Executive Vice President/Chief Administration Officer

From: Stephen Lord 
Assistant Inspector General, Audits

Date: November 1, 2018

Subject: *Human Resources: Background Checks Process Has Improved, but Some Inefficiencies and Gaps Persist (OIG-A-2019-001)*

The goal of Amtrak's (the company) background checks process is to ensure that prospective employees and contractor employees working in the company are qualified and do not pose safety or security risks to company operations. These checks include reviewing employees' criminal, education, and employment histories to ensure that they do not indicate potential problems. In fiscal year (FY) 2017, the company vendor—Accurate Background, Inc. (Accurate)—conducted background checks on 1,882 prospective employees and the company hired 1,293 employees from those checked.¹ In addition, the company relies on contractors to conduct background checks on their employees supporting company operations. This is an important step given that the company relies heavily on a contractor workforce of over 3,000 staff to support critical functions such as information technology (IT) and engineering services.²

In July 2012, we reported on significant management control weaknesses in the company's background checks process for the employees it hires, which the company took actions to address.³ The purpose of this review is to provide an update on the company's background checks process. Our objective is to assess the efficiency and effectiveness of this process for company employees and contractor employees working in the company.

¹ The company does not hire all prospective employees subject to its background check process. It rejects some of these prospective employees because of the results of their background checks or drug tests, among other reasons.

² The company is in the process of developing a more accurate headcount of contractor employees.

³ *Human Capital Management: Weaknesses in Hiring Practices Result in Waste and Operational Risk* (OIG-A-2012-014), July 19, 2012.

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As part of this review, we assessed employees hired during FY 2017 to determine the extent to which the company completed their background checks before they started working. We interviewed company officials responsible for overseeing the process. In addition, we selected random samples of checks that Accurate did not complete and sent back to the company to resolve in FY 2017 and assessed the reasons Accurate returned the checks. Because we used a random sample, we could extrapolate our results and estimate how frequently the reasons we identified may have occurred within the total number of returned checks. For contractor employees working in the company, we selected the five contractors with the most employees in the company and assessed the contractors' efforts to ensure that their employees were subject to background checks in accordance with company policy.⁴ For further details on our methodology, see Appendix A.

SUMMARY OF RESULTS

Since our last review, the company has strengthened the efficiency and effectiveness of its background checks process but has opportunities to further enhance the process by taking the following actions:

- holding the vendor that conducts the company's background checks accountable for complying with established guidance
- clarifying which department is responsible for ensuring that contractors have completed the required background checks on employees they provide to the company, and ensuring that these checks meet company standards, and that the contractors use approved vendors for the checks

Specifically, our analysis of the background checks process shows:

- **Background checks are generally completed before new employees start work.** In response to our 2012 review, the company centralized oversight of the process and provided training to better ensure that background checks are completed before new employees start work. As a result, only 7 of the 1,293 new employees the company hired in FY 2017 started working before their background checks were completed, and the 7 were completed within several days after the employees started work. In six of these cases, the checks showed no issues of concern; in one case, the company found that the employee had a criminal

⁴ The five contractors are IBM, Aramark, VIA Rail Canada, Deloitte, and Alstom.

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conviction for driving under the influence of alcohol. However, the company did not consider this to be a disqualifying offense because the employee's position as coach cleaner did not require operating a vehicle or equipment. These results compare favorably to our 2012 review of background checks for 50 employees, which found that most—46 checks—were incomplete or were not returned to the company before the employees started work.

- **Criminal history reviews have been strengthened.** The company has also improved its process for resolving questions about the criminal histories of prospective employees—another weakness we identified in our 2012 report. The company centralized responsibility for resolving these questions in the Human Resources department (HR) and developed criteria to guide these decisions, such as the nature of the offense. When there is still uncertainty, the company now uses one review panel instead of two to make a final determination of employment suitability, which provides more consistency. In FY 2017, Accurate sent 186 of the 1,882 checks it conducted back to the company to complete because of unresolved questions about criminal histories. After conducting additional reviews, the company rescinded offers to 19 prospective employees in this group.
- **Education and employment history reviews are inefficient.** In FY 2017, Accurate did not complete a significant number of background checks and instead returned them to the company to resolve because of (1) limitations in its contract with the company and (2) weaknesses in the company's oversight of Accurate. As a result, the company spent resources resolving questions the vendor could have readily resolved. In FY 2017, Accurate referred 478 of the 1,882 checks it conducted back to the company to complete because of discrepancies in education histories and referred 543 for discrepancies in employment histories.⁵ This generally occurred for two reasons. First, the company's contract with Accurate limited the amount of education and number of employers that Accurate could check. Company managers said they plan to revise these provisions in the new contract the company plans to let for a background checks vendor. Second, company managers did not take steps to ensure that Accurate complies with company guidance on how to resolve

⁵ Accurate could have returned a check to the company for multiple reasons, including discrepancies in the education and employment information provided by a potential employee.

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relatively minor discrepancies. As a result, the company continues to spend unnecessary resources on its background checks process.

- **The company does not ensure that contractors conduct background checks.** The company did not comply with its policies for ensuring that contractors conduct the required background checks on their employees working in the company. These policies require contractors to certify in writing that they have completed background checks on the employees they provide to the company. Further, the policies require the company to conduct independent audits to verify that contractors conduct these checks, and that contractors use a company-approved vendor to ensure that checks meet company standards. At the completion of our audit work, the company had not complied with these policies because, despite initial efforts, it has not identified which departments are responsible for completing each of these steps. In addition, company officials said they were considering revising the policy on using an approved vendor list but had not reached an internal consensus on the path forward.⁶ As a result, the company lacks assurances that contractor employees working in the company do not pose a risk to company operations; many employees provided by contractors have access to mission-critical or sensitive information and assets.

We recommend that the company strengthen its oversight of the background checks process by ensuring that its vendor follows company guidance for resolving questions about the education and employment histories of prospective employees. In addition, we recommend that the company address background check vulnerabilities in its contractor workforce by clarifying which department is responsible for the following activities, and ensuring that the departments are initiating implementation:

- ensuring that contractors self-certify that they completed checks of their employees working in the company
- auditing contractors' compliance with the requirement to conduct checks

Finally, we recommend that the company clarify its policy requiring the company to develop a list of approved vendors that contractors can use to conduct checks and initiate implementation.

⁶ We have identified long-standing challenges in the company's management and oversight of contracts, see *Amtrak: Top Management and Performance Challenges—Fiscal Years 2017 and 2018* (OIG-SP-2017-009), March 29, 2017.

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In commenting on a draft of this report, the Executive Vice President/Chief Administration Officer agreed with our recommendations and described actions the company is taking, or plans to take, to address them. The company identified steps it plans to take to hold the vendor more accountable in resolving questions about the education and employment histories of prospective employees and completing checks. The company also identified the departments responsible for obtaining contractor certifications of completed checks, clarified the processes it will use to do so, and outlined how it will audit contractor compliance with company requirements for background checks. The company also stated that it will not require contractors to use vendors from a pre-approved list and will delete this requirement from its policy. The company expects to complete these actions by November 2019. For management's complete response, see Appendix B.

BACKGROUND

When the company makes an employment offer, the prospective employee must successfully pass a background check. The Employee Service Center in the Human Resources (HR) department is responsible for overseeing this process. After the company makes a conditional offer of employment, prospective employees who accept it must provide certain information, such as their education history, employment history, and any criminal violations.

Company policies⁷ for performing background checks include verifying the prospective employees' education and employment histories. The policies also include searching various law enforcement databases to obtain information about prospective employees' criminal histories, which the company must assess when determining their suitability for employment. In addition, for certain positions, company policy may call for a review of the prospective employee's consumer credit report.

Amtrak contracts with Accurate to verify the education and employment information and to check criminal history databases. Amtrak also provides guidance⁸ to Accurate on how to conduct these checks. For example, Accurate is to contact schools, colleges, and prior employers and to review relevant databases—such as county criminal databases and sex offender registries. The April 2016 guidance also directs Accurate how to

⁷ Amtrak Policies 7.40.3, Employee and Independent Contractor Background Checks, and 7.7.5, Employment, Promotion and Reassignment.

⁸ Amtrak Human Capital Management April 2016 - Risk Reduction Technology Adjudication Matrix.

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resolve common discrepancies between this information and what Accurate is able to verify, and to report its results back to the company. If Accurate is unable to verify any of the information the prospective employee provides, it is to send the check back to the company, which then takes responsibility for reviewing and verifying the information and makes the final employment suitability determination.

Contractors who have employees working for the company are responsible for completing background checks on these employees. Checks must include a verification of an employee's immigration status and that the person has no disqualifying criminal history. Company policy⁹ requires contractors to certify in writing that they have completed the required check on each employee they provide to the company,¹⁰ conduct random audits of contractors to ensure that they are complying with these requirements, and use company-approved vendors to conduct the checks.

BACKGROUND CHECKS PROCESS FOR COMPANY EMPLOYEES HAS IMPROVED BUT IS STILL INEFFICIENT FOR VERIFYING EDUCATION AND EMPLOYMENT HISTORIES

Since our 2012 report, the company improved its background checks process to better ensure these checks are completed before new employees begin working for the company and that reviews of criminal histories are more consistent. However, we identified several inefficiencies in the company's process for verifying education and employment histories, which cost the company resources and poses risks.

Background Checks Are Completed Before New Employees Start Work

The company has improved its controls to address the weaknesses we identified in our 2012 report cited above. In response to that report, HR appointed a lead person to monitor compliance with the policy that checks must be completed before new employees start work, provided training for staff involved in the hiring process, and stipulated that all of its staff use the same vendor for conducting checks. And in early 2017, HR consolidated oversight of the hiring process and transferred all monitoring responsibilities to the Employee Service Center, including oversight of compliance with this policy, to provide more consistency.

⁹ Amtrak Policy 7.39.2 Contractor Background Check.

¹⁰ Amtrak Background Check Verification Form NRPC 3409.

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As a result, the company better ensures that background checks are completed before new employees start work, reducing the risk to company operations. Our analysis showed that only 7 of the 1,293 employees the company hired in FY 2017 began work before their background checks were completed, and all 7 were completed within several days after the employees started work. Furthermore, for 6 of the 7 employees, the checks indicated no issues of concern. For the remaining employee, the check identified a conviction for driving under the influence of alcohol. Because the new employee's position as a coach cleaner did not require operating a vehicle or equipment, the company determined that the conviction was not serious enough to justify rescinding the employment offer.

These results represent a significant improvement since our 2012 report when we reviewed background checks for 50 employees and found that 46 were incomplete or were not returned to the company before the employees started work. This posed the risk that employees with criminal histories or other issues in their background could work in positions that are sensitive or critical to company operations.¹¹

Process for Resolving Criminal History Checks Strengthened

The company also has improved its process for resolving questions about the criminal histories of prospective employees—a weakness we identified in our 2012 report. In that report, we found 5 cases in our sample of 50 in which company recruiters hired prospective employees even though the vendor's background check report raised questions about their criminal histories.

Currently, if Accurate finds an indication of criminal history, the company's guidance directs Accurate to return the case to the Employee Service Center, which determines the person's suitability for employment. To make these determinations, the Employee Service Center uses an established process with criteria, such as the type of position being filled and the nature of the offense. If the Employee Service Center cannot make a determination, it uses a panel to do so. HR chairs the panel and provides several members, as does the Law department. The panel also uses a process and a set of criteria to guide its decisions. In prior years, the company had been using two panels—

¹¹ For example, we identified several instances in which an employee with an older criminal conviction, including a murder in one case, had not disclosed this during the background check, and the company later identified the convictions and ensured that employment was terminated.

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one for prospective agreement employees and one for prospective non-agreement employees¹²— which led to inconsistent decisions and other problems. To help resolve this, the company consolidated criminal history adjudication into one panel in January 2016.

In FY 2017, Accurate sent 186 of the 1,882 checks it conducted back to the company to complete because of unresolved criminal histories. After conducting additional review, the company rescinded offers of employment to 19 potential employees with these checks. The Employee Service Center rescinded 10 offers, and the panel rescinded 9 offers.

Process for Verifying Education and Employment Histories is Inefficient

During FY 2017, Accurate did not complete a significant number of background checks because of questions or discrepancies about the education and employment histories of potential employees and returned these checks to the company to resolve. In examining these cases, we found that the company structured provisions in Accurate's contract limit its ability to thoroughly verify these histories. In other cases, the company did not effectively oversee Accurate to ensure that it consistently completed these checks. Consequently, Accurate relied on the company to resolve minor discrepancies it should have been able to resolve. Thus, the company used resources to complete background checks it paid Accurate to complete.

Contract Limitations in Verifying Education and Employment Histories

We identified two key contract provisions that hindered Accurate's ability to verify prospective employees' education and employment histories:

- **Contract terms limit the extent to which Accurate can verify education history.** In FY 2017, Accurate did not complete 478 background checks and returned them to the company because of discrepancies in prospective employees' education histories. We estimate that Accurate returned about 157 of these checks¹³ because

¹² Agreement employees are covered by collective bargaining agreements. Non-agreement employees are considered part of management and are not covered by separate agreements.

¹³ Based on our projection of the results we obtained from our random sample, we are 95 percent confident that Accurate did not complete and returned to the company between 86 and 220 of the 478 checks because of this contract limitation.

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of a contract provision that limited the extent to which Accurate could check these histories. This provision stipulates that the company will pay for Accurate to verify only one degree for each prospective employee and that Accurate should verify the highest degree earned. In response, Accurate structured its automated questionnaire to solicit information from prospective employees to align to this provision. Some prospective employees, however, report completing a number of college courses but not earning a college degree, and Accurate's questionnaire does not allow a prospective employee to list a second degree, such as a high school diploma. In these cases, Accurate is unable to complete the education verification and returns the check to the company to resolve.

- **Contract terms limit the extent to which Accurate can verify employment history.** The contract also provides that Accurate verify a prospective employee's last two employers. However, if the prospective employee changed jobs frequently, this might cover only a few months of employment history, according to the HR manager. Our review of leading practices found that companies typically want to assess a longer period of employment history to check for any potential issues and limit risks.

The HR manager told us the company structured the two contract provisions to control contract costs. However, as a result, the company must use its resources to complete checks that Accurate could have completed if it could have conducted more extensive checks. While we did not analyze the extent of these costs, the HR manager said that the company plans to revise the contract provisions to address these limitations as it lets a new contract for background checks in response to its upcoming request for proposals from potential vendors.

Limited Oversight of Accurate's Education and Employment History Checks

We identified the following gaps in the company's oversight of Accurate's efforts to verify education and employment histories that resulted in inefficiencies:

- **Weaknesses in verifying dates of education.** In FY 2017, Accurate returned 478 checks to the company because of discrepancies in the education histories of

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prospective employees. We estimate that Accurate returned about 81¹⁴ for relatively minor discrepancies that Accurate could have readily resolved if it complied with the company's April 2016 guidance to accept any discrepancies in the dates provided by prospective employees about their education history as long as Accurate confirms that the individual attended the schools listed. However, our analysis showed that the company did not always ensure that Accurate adhered to this guidance; as a result, the company had to complete these checks.

- **Weaknesses in verifying dates of employment.** In FY 2017, Accurate returned 543 checks because of discrepancies in the employment histories of prospective employees. We estimate that Accurate returned about 310¹⁵ for relatively minor discrepancies that it could have resolved if it complied with company guidance to accept discrepancies of up to 12 months in the dates of employment prospective employees report. For example, Accurate sent an employment verification check back to the company to resolve because the end date for a former job that the prospective employee listed and the former employer reported differed by only one month.

Because of these gaps in oversight, the company had to spend additional funds on work that it paid Accurate to perform. HR managers told us they were aware of the high number of background checks Accurate sent back to the company to resolve, but they did not assess why Accurate was not complying with the company's guidance or identify steps the company could take to address these issues.

COMPANY NOT IMPLEMENTING CONTROLS TO ENSURE CONTRACTORS COMPLETE REQUIRED CHECKS ON THEIR EMPLOYEES

The company did not comply with its policies for ensuring that all supporting contractor employees have completed background checks. The company's policy

¹⁴ Based on our projection of the results we obtained from our random sample, we are 95 percent confident that Accurate did not complete and returned to the company between 29 and 134 of the 478 checks because of this contract limitation.

¹⁵ Based on our projection of the results we obtained from our random sample, we are 95 percent confident that Accurate did not complete and returned to the company between 233 and 386 of the 543 checks because of these minor employment discrepancies.

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requires contractors to certify in writing that they have completed background checks on each of their employees working with the company. It also calls for the company (1) to audit contractors' compliance with the requirement to conduct checks, and (2) to provide contractors a list of approved vendors the contractors could use for these checks to ensure that they meet company standards. Because the company did not comply with these policies, it does not have reasonable assurance that contractors have completed background checks on their employees working in the company and that the checks meet company standards. This exposes the company to potential risks, especially for the many contractors working in safety or security-sensitive positions.

In September 2015, the company enacted a policy requiring contractors to submit a form for each employee certifying that the contractor has completed a background check on the employee before that person starts work for the company. However, as of September 2018, the company had not implemented this control because it had not determined which department should be responsible for informing contractors of this requirement and ensuring that they submit their certification forms. Representatives we interviewed from all five of the contractors in our review—IBM, Aramark, VIA Rail Canada, Deloitte, and Alstom—stated that they check their employees' backgrounds prior to their commencing work for the company; however, none of them submitted the required certification forms to company officials for verification purposes. These representatives told us that either they were not aware of the requirement or they did not know where to send the certification form.

During our audit, when a senior HR manager learned of this lapse, the manager said HR would work with the Procurement department to identify which department would be responsible for informing contractors of this requirement and holding them to it. However, a senior Procurement manager expressed concerns that the department does not have the resources to take on this responsibility for such a large volume of work. Without certifications that contractors have conducted the required checks, the company cannot ensure that supporting contractor employees do not pose safety and security threats.

Company policy also requires Emergency Management and Corporate Security (EMCS) to conduct random audits of contractors to ensure that they have completed background checks on their employees they provide to the company using approved vendors, but this office has not conducted these audits. In October 2015, EMCS managers reported to the Controls group in the Finance department that EMCS did not have the resources to conduct the required audits in addition to carrying out its other

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assigned responsibilities. In January 2016, the company convened a cross-departmental working group to address the concerns EMCS raised. However, as of September 2018, the company has not resolved this issue. Furthermore, effective August 20, 2018, the company announced that EMCS would merge with the Amtrak Police department and report to the Chief of Police, leaving the issue of audit responsibility unresolved. Without audits of contractors, the company cannot ensure that they conduct the required background checks on their employees working in the company, posing risks to company operations.

In addition, the company's policy requires contractors to use a company-approved vendor to conduct background checks to help ensure that the checks meet company standards and are as rigorous as those for company employees. However, as of September 2018, the company had not developed a list of approved vendors and has not assigned a department the responsibility for developing and subsequently implementing this list. In discussing our draft report with company officials at the completion of our audit, Managers from the HR and Procurement departments stated that the company plans to revise its current policy but has not reached a consensus on how to do this. Until the company resolves how to revise this policy, the company cannot confirm the reliability and quality of vendors conducting background checks on supporting contractor employees.

CONCLUSIONS

The company has improved its process for conducting background checks so that almost all employees hired in FY 2017 began work after their checks were completed, and its process for reviewing the criminal histories of job applicants was more consistent. In addition, the company plans to improve its process for verifying prospective employees' education and employment histories as part of a new contract competition. This would help the company reduce costs and risks. However, the current process does not ensure that vendors are proactively resolving minor discrepancies in prospective employees' education and employment histories in accordance with company guidance; thus, the company is using resources to resolve issues it is paying the vendor to resolve.

Furthermore, the company will continue to be exposed to potential risks from employees that contractors provide to the company until it establishes controls for contractors to self-certify they have completed checks on their employees working for the company, confirms this through random audits of these contractors, and clarifies

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its policy requiring that the company establish an approved vendor list for contractors to use when conducting these checks.

RECOMMENDATIONS

To provide for a more effective and efficient background checks process, we recommend that the Executive Vice President/Chief Administration Officer take the following actions:

1. Direct the Human Resources department to ensure that the vendor responsible for conducting background checks adheres to company guidance for resolving questions about the education and employment histories of prospective employees.
2. Determine which department will be responsible for ensuring that contractors self-certify they have completed background checks on their employees working for the company, monitor that the department initiates action, and update company policy accordingly.
3. Determine which department will be responsible for conducting the random audits of contractors to ensure that they are completing checks that meet company standards and monitor that the department initiates action.
4. Clarify the policy requiring the company to develop a list of approved vendors that contractors can use to conduct checks and initiate implementation.

MANAGEMENT COMMENTS AND OIG ANALYSIS

In commenting on a draft of this report, the company's Executive Vice President/Chief Administration Officer agreed with our recommendations and identified actions the company is taking or plans to take to address the intent of our recommendations, as well as the planned completion dates for these actions. In addition, we updated the draft report, where appropriate, to incorporate technical comments the company provided.

The company's actions to address each recommendation are summarized below.

Recommendation 1: Management agrees with our recommendation to ensure that the vendor responsible for conducting background checks adheres to company guidance for resolving questions about the education and employment histories of prospective employees. Management stated that the company will implement service level

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agreements with the vendor to ensure it adheres to the company's contract for background checks. In addition, the company will require the contracted vendor to provide a monthly report of their unresolved prospective employee background requests. The company will then meet monthly with the vendor to ensure the contractor is resolving these checks. The target completion date for these actions is June 1, 2019.

Recommendation 2: Management agrees with our recommendation to determine which department will be responsible for ensuring that contractors self-certify they have completed background checks on their employees working for the company, monitor that the department initiates action, and update company policy accordingly. Management stated that the Procurement and Law Departments would design a Contractor Background Check Certification Form that they will issue to, and collect from, contractors. In addition, HR will update the Contractor Background Checks policy to reflect these steps. The target completion date for these actions is December 31, 2018.

Recommendation 3: Management agrees with our recommendation to determine which department will be responsible for conducting the random audits of contractors to ensure that they are completing checks that meet company standards and monitor that the department initiates action. Management stated that HR will be responsible for conducting these random audits of contractors. The company will review HR's compliance with this requirement in November 2019 and then annually.

Recommendation 4: Management agrees with our recommendation to clarify its policy requiring the company to develop a list of approved vendors that contractors can use to conduct checks and initiate implementation. Management stated that HR will update the Contractor Background Checks policy to remove the requirement for an approved vendor list and add instead the company's minimum requirements for background checks. The target completion date for these actions is December 31, 2018.

For management's complete response, see Appendix B

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APPENDIX A**Objective, Scope and Methodology**

This report provides the results of our audit of the company's background checks process for its employees and contractor employees. Our objective is to assess the efficiency and effectiveness of this process for company employees and supporting contractor employees. The scope of our work covered the company's policies and procedures in place for background checks as well as the actual checks completed in FY 2017.¹⁶ We performed our audit work from October 2017 through September 2018 in Philadelphia, Pennsylvania; Wilmington, Delaware; and Washington, D.C.

To assess the efficiency and effectiveness of the company's background checks process governing company employees, we reviewed the company's policies and procedures for this process. We also interviewed senior officials and employees in the HR, Procurement, EMCS, and Law departments to better understand the company's process. In addition, we reviewed the April 2016 guidance the company provides to Accurate, the vendor that performs background checks on company employees, to determine the extent to which the guidance is sufficient to help Accurate search criminal histories and verify education and employment information prospective employees submit. We also examined other companies' guidelines for conducting employee background checks and compared these practices to the company's guidelines to determine the extent the company followed common practices.

To determine the extent to which background checks were completed on employees prior to the start of employment, we used Audit Command Language (ACL), our data analytics tool, to compare the employees' start dates recorded in the company's SAP Employee Master file to the background check completion dates recorded in Accurate's system.

To estimate the number of background checks that Accurate (the vendor) did not complete and returned to the company to resolve for specific reasons, we analyzed FY 2017 company background check data. That data showed the vendor returned 793 of the 1,882 checks because of reasons related to the education information provided by

¹⁶ We did not include employees of the Amtrak Police department because it has a different background check process than the rest of the company.

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prospective employees and 838 for reasons related to employment information (some were returned for both reasons).

- **Education Reasons.** We reviewed the reasons why the vendor returned the 793 checks and determined that it returned 478 for discrepancies between the information prospective employees provided in their education history and the information in the source the vendor used to validate this information. (The vendor returned the remaining 315 checks because it could not verify the information provided, such as the vendor could not reach a contact at a school identified). We then selected a random sample of 60 checks from the 478 returned checks and determined that the vendor returned 41 of this sample for discrepancies in education history. We determined that this random sample provided a sufficient number of cases to allow us to project our results to the population of 478 checks and develop a reasonably precise estimate of the number of checks returned for specific reasons. The most frequent reasons for discrepancies in the 41 checks were related to the information provided on the highest educational degree earned and the dates of education completed. We then calculated the percent of the 41 checks returned for each of these two reasons and applied the two percentages to the population of 478 checks to estimate the number of checks the vendor returned for each reason in FY 2017.
- **Employment Reasons.** Similarly, we reviewed the reasons why the vendor returned the 838 checks and determined that it returned 543 for discrepancies in employment information and 295 because the vendor could not verify the information. We then selected a random sample of 60 checks from the 543 returned checks and determined that the vendor returned 46 of this sample for minor discrepancies in information about the dates of employment. We determined that this random sample provided a sufficient number of cases to allow us to project our results to the population of 543 checks and develop a reasonably precise estimate of the number of checks the vendor returned for discrepancies in employment dates in FY 2017.

To account for any potential variation between our sample and the other random samples we could potentially have selected, we calculated a lower and upper bound number of checks for each population at the 95 percent confidence level. This means that if we drew 100 random samples from each of the two populations, we would expect that, for 95 of the 100 samples in each population, the actual number of checks

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returned for a particular reason would fall between the lower and upper bound number of checks we calculated.

To assess the efficiency and effectiveness of the company's background check process governing employees that contractors provide to the company, we reviewed the company's policies and procedures for this process. We also interviewed senior officials and employees in the HR, Finance Internal Control, Procurement, EMCS and Law departments to better understand their roles in implementing and overseeing the company's process and controls over the background checks for contractor employees working in the company. We used our data analytics tool to identify the five contractors who provided the most employees to the company during FYs 2016 and 2017—IBM, Aramark, VIA Rail Canada, Deloitte, and Alstom. We interviewed key representatives of these companies to determine how they certify to the company that they perform background checks of their employees working in the company. We also interviewed key employees in the Procurement department responsible for managing the company's contracts with these five contractors to assess the extent to which the company monitors their compliance with the company's background check policy. In addition, we examined other companies' guidelines for conducting background checks on contractor employees working for the company and compared these practices to the company's process and controls.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

We reviewed the company's management controls governing background checks for company employees and supporting contractor employees. For company employees, we focused on the company's controls for ensuring that background checks are completed before employees start work. We also assessed the extent to which the company ensures Accurate's adherence to the company's guidance for resolving discrepancies in prospective employees' educational and employment histories. For the contractor employees working in the company, we focused on the company's controls related to ensuring contractors comply with the company's requirements. We limited

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our conclusions and recommendations to controls in those areas. We did not review the company's or any of the departments' overall system of controls.

Computer-Processed Data

We received employee information for FY 2016 and FY 2017 from the HR department based on data from the company's Recruitment Management System and SAP Employee Master files. We were able to validate the Recruitment Management System data by tracing a sample to source documents. To validate the company's SAP data, we used ACL, a data analysis software tool, and developed a query to verify the completeness of the company's SAP data. Based on these analyses, we determined that these data were reliable for our purposes of defining an employee population hired during our review period and identifying the five contractors with the most employees in the company.

We also received employee background check data for FY 2016 through the first quarter of FY 2018 from Accurate—the vendor who conducts background checks on company employees—because its data is reported to the company by calendar year. To assess the reliability of these data, we reviewed independent auditors' control reports about the Accurate system control environment. Based on the information these reports, we determined that the data in the system were reliable for our purposes.

Prior Audit Reports

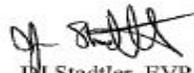
In conducting our analysis, we reviewed and used information from the following Amtrak OIG report:

Human Capital Management: Weaknesses in Hiring Practices Result in Waste and Operational Risk (OIG-A-2012-014), July 19, 2012.

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APPENDIX B

Management Comments

NATIONAL RAILROAD PASSENGER CORPORATION	
<h1 style="font-size: 2em; margin: 0;">Memo</h1>	
Date	October 25, 2018
From	 J. Stadler, EVP CAO
To	Stephen Lord, Assistant Inspector General, Audits
Department	Administration
cc	Eleanor Acheson, EVP General Counsel Bill Feidt, EVP CFO Stephen Gardner, EVP CCO Tim Griffin, EVP CMO Carol Hanna, VP Controller Kenneth Hylander, EVP CSO Robin McDonough, VP HR Denyse Nelson-Burney, AVP Total Rewards & HR Compliance Mark Richards, Sr. Director Risk & Controls Scot Naparstek, EVP COO
Subject	DRAFT: Management Response to <i>Human Resources: Background Checks Process Has Improved, but Some Inefficiencies and Gaps Persist</i> (Draft Audit Report for Project No. 014-2017)
<p>This memorandum provides Amtrak's response to the audit report for Project No. 014-2017 entitled, "<i>Human Resources: Background Checks Process Has Improved, but Some Inefficiencies and Gaps Persist</i>". Management appreciates the opportunity to respond to the OIG recommendations. As indicated in our responses, we agree with each of the OIG recommendations and will initiate actions to address each in a timely manner.</p> <p><u>Recommendation 1:</u> Direct the Human Resources department to ensure that the vendor responsible for conducting background checks adheres to company guidance for resolving questions about the education and employment histories of prospective employees.</p> <p><u>Management Response/Action Plan:</u> Management agrees with this recommendation. Amtrak will require contracted vendor to provide a monthly report of all prospective employee background requests that the contracted vendor moved to Needs Review. Representatives from the HR Employee Service Center and contracted vendor will meet monthly to review this report and discuss opportunities for improvement and to ensure the contracted vendor is resolving background investigations as agreed to (specifically</p>	
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education and employment histories). In addition, Amtrak will return to the contracted vendor any reports that should have been resolved as well as implement SLAs to ensure contract adherence.

Responsible Amtrak Official(s): Amy Beachell, Sr. Director of Talent Acquisition and HR Employee Service Center

Target Completion Date: June 1, 2019

Recommendation 2:

Determine which department will be responsible for ensuring that contractors self-certify they have completed background checks on their employees working for the company, monitor that the department initiates action, and update company policy accordingly.

Management Response/Action Plan: Management agrees with this recommendation.

- a. ***Contractor Self-Certification:*** The Procurement Department will partner with the Law Department to design a Contractor Background Check Certification Form that will be issued and collected with the relevant solicitations and subsequent contracts.

Responsible Amtrak Official: Michael Alexis, Deputy Strategic Acquisition and Contracts / Vincent Brotski, Deputy General Counsel & Corp Secretary

Target Completion Date: 12/31/18

- b. ***Policy Update:*** HR will update P/I 7.39.2, Contractor Background Checks, in order to require the fully certified form be completed for all contractors on a go forward basis.

Responsible Amtrak Official: Denyse Nelson-Burney, AVP Total Rewards and Compliance

Target Completion Date: 12/31/18

Recommendation 3:

Determine which department will be responsible for conducting the random audits of contractors to ensure that they are completing checks that meet company standards and monitor that the department initiates action.

Management Response/Action Plan: Management agrees with this recommendation. HR will be responsible for conducting random audits of contractors to ensure they are completing checks that meet company standards. Specifically, HR's Compliance group will perform an annual review at the end of each fiscal year as part of their annual compliance review.

Responsible Amtrak Official: Denyse Nelson-Burney, AVP Total Rewards and Compliance

Target Completion Date: The first compliance review will be completed in November 2019 and each subsequent November thereafter. Management believes that the action plan outlined in Recommendation #1 will help to improve the quality standard of the background checks in the interim.

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Recommendation 4:

Clarify policy requiring the company to develop a list of approved vendors that contractors can use to conduct checks and initiate implementation.

Management Response/Action Plan: Management agrees with this recommendation. HR will update P/I 7.39.2, Contractor Background Checks, to remove the requirement for the company to develop a list of approved vendors that contractor can use to conduct background checks. HR will add instead the minimum requirements for background checks.

Responsible Amtrak Official(s): Denyse Nelson-Burney, AVP Total Rewards and Compliance

Target Completion Date: 12/31/18

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APPENDIX C

Acronyms and Abbreviations

Accurate	Accurate Background, Incorporated
EMCS	Emergency Management and Corporate Security
FY	fiscal year
HR	Human Resources
OIG	Amtrak Office of Inspector General
the company	Amtrak

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APPENDIX D

OIG Team Members

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OIG MISSION AND CONTACT INFORMATION

Mission

The Amtrak OIG's mission is to provide independent, objective oversight of Amtrak's programs and operations through audits 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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