



OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

SAFETY AND SECURITY:

Company Faces Impediments Identifying and Managing
Private Security Contractors

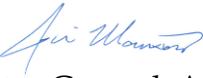
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Memorandum

To: Steve Predmore
Executive Vice President/Chief Safety Officer

From: James Morrison 
Assistant Inspector General, Audits

Date: June 23, 2023

Subject: *Safety and Security: Company Faces Impediments Identifying and Managing Private Security Contractors (OIG-MAR-2023-009)*

Amtrak (the company) has identified as a top priority the safety and security of its millions of customers traveling to more than 500 destinations, along with the employees who serve them. The Amtrak Police Department (APD) is a key contributor to this effort with a force of about 410 sworn police officers¹ supplemented by private security contractors at stations and yards throughout the country. The company plans to consolidate these private security services under a new nationwide contract that APD would administer with an anticipated award date of July 2023. One of the company's primary goals for this consolidation is to improve APD's ability to coordinate with the company's private security services and control some of them, particularly in an emergency. We reported in June 2020, however, that APD did not have full visibility over these contractors because various end-user departments can independently seek agreements for their services.² Our initial objective was to assess the effectiveness of the company's oversight and coordination of its private security contractors; however, during our initial audit work, we found that the company continues to face impediments identifying them. Because this could hinder the company's consolidation efforts, we are reporting our observations now to inform this effort.

¹ Under 49 U.S.C. § 28101(a), a sworn officer is an officer who is directly employed by a rail carrier and certified or commissioned as a police officer under the laws of a state and may enforce the laws of any jurisdiction in which the rail carrier owns property, to the extent of the authority certified or commissioned under that jurisdiction. In addition, Amtrak may directly employ or contract with rail police to provide security for rail passengers and Amtrak property. Rail police directly employed by or contracted by Amtrak who have complied with a state law establishing requirements applicable to rail police or individuals employed in a similar position may be directly employed or contracted without regard to the laws of another state containing those requirements.

² *Safety and Security: Management of the Police Department Has Recently Improved, but Foundational Decisions Are Needed on its Role and Priorities (OIG-A-2020-012)*, July 1, 2020.

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Our scope focused on private security services at company stations and yards from fiscal year (FY) 2020 through FY 2022.³ To accomplish our work, we reviewed company policies and procedures and interviewed APD officials and officials in the Procurement, Finance, Human Resources, and Law departments who are involved in the procurement and management of private security contractors. To attempt to identify the private security contracts the company has in place, we reviewed data from the following four sources:

- purchase order activity in Ariba on Demand
- payment requests in Concur and eTrax
- payment card activity in Concur
- general ledger account entries in SAP⁴

We conducted our work in accordance with standards we developed for alternative products. For additional details on our scope and methodology, see Appendix A.

SUMMARY OF RESULTS

The company continues to face impediments identifying all of its private security contractors,⁵ which could pose risks to effectively managing these services. During its efforts to consolidate these contracts, APD—with assistance from the Procurement department⁶—identified nine private security contractors companywide. We identified an additional 17 contractors, however, that the departments were unaware of.

Two factors impact the company's efforts:

- It has neither a companywide contract repository nor an alternative process to identify these contractors.

³ Our scope did not include security services contracted by third parties, such as the contractors hired by a building owner where the company leases space.

⁴ Ariba on Demand is the company's electronic procurement system, Concur and eTrax are the company's current and legacy payment systems, and SAP is the Enterprise Resource Planning software the company uses to process data from various business areas, including Accounting and Procurement.

⁵ In this report, we refer to individuals or companies that provide security services as contractors. Some of these contractors were hired via contracts, and others were hired via purchase orders or payment requests.

⁶ The Procurement department is responsible for soliciting, reviewing, and awarding contract agreements with external suppliers to provide various goods and services to the company.

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- It has not determined which department or individual, if any, should be responsible for evaluating and approving the requests of end-user departments for private security services.

As a result, the company does not know if it has identified all of its private security contractors. Absent a comprehensive inventory, consolidation efforts will be difficult, which may impede APD's ability to coordinate with or control these contractors when needed. Additionally, if the company does not identify all of its private security contracts, it risks contractors duplicating efforts. Further, if end-users hire security contractors that do not meet company standards, the company could be exposed to liability risks. Therefore, the company should consider developing an alternative process to identify all future private security contractors and determine which department or individual, if any, will be responsible for evaluating and approving the requests of end-users for these services.

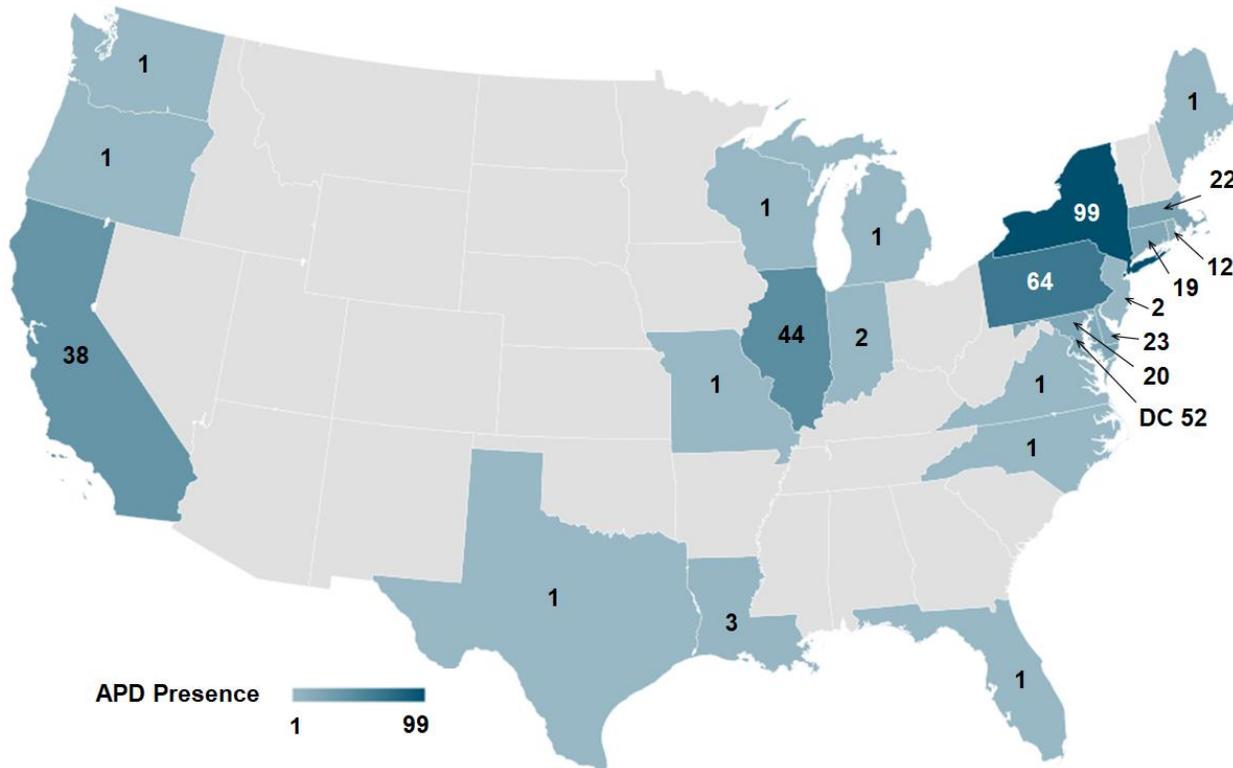
In commenting on a draft of our report, the Executive Vice President/Chief Safety Officer agreed with our considerations for management and outlined actions the company plans to take to address them.

BACKGROUND

APD has about 410 sworn police officers. The company plans to expand APD to 431 officers by the end of this fiscal year, with priority given to increasing APD's presence in Seattle, Washington; Portland, Oregon; and various locations in California and Michigan. Figure 1 shows APD's sworn officer presence by state, as of the end of FY 2022.

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Figure 1. Number of APD Sworn Police Officers as of the End of FY 2022



Source: Amtrak Office of Inspector General (OIG) analysis of company data

The company also relies on private security contractors for tasks that do not require an APD sworn officer, allowing it to better leverage APD’s capabilities in situations that require more advanced skills or greater authority. For example, end-user departments such as Mechanical and Transportation sometimes hire private security contractors to assist with perimeter and internal security patrols, check personal identification, and screen employee badges at access points. The Procurement department helps APD and other end-user departments⁷ acquire these services.

⁷ There are four methods available for end-user departments to procure private security services: (1) contracts via Ariba on Demand, (2) purchase orders via Ariba on Demand, (3) payment requests via Concur and eTrax, and (4) and procurement cards through Concur.

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TWO FACTORS IMPACT EFFORTS TO CONSOLIDATE AND MANAGE PRIVATE SECURITY CONTRACTS

The company's visibility into its private security contracts remains limited. During its effort to consolidate private security contractors, APD—with assistance from the Procurement department—identified nine private security contractors, including some that end-user departments funded.⁸ APD initiated this effort to assist with the company's goal of consolidating these resources and improving APD's ability to coordinate with or control them when needed. When we analyzed the four financial and procurement systems that end-user departments use to procure private security contracts,⁹ however, we identified another 17 contractors that APD and the Procurement department were unaware of. These 17 contractors performed security services valued at \$1.7 million from FY 2020 through FY 2022.

The following two factors impact the company's efforts to efficiently consolidate and manage private security contracts.

No alternative process to identify contracts. The primary impediment is that the company does not have a fully functioning contract repository—an issue we have reported on twice over the past five years.¹⁰ This limitation hinders the company's ability to identify and manage private security contractors. Similarly, this limitation prevented our office from confirming that we identified all of the company's private security contractors. In the absence of this capability, the company does not have any

⁸ These 9 private security contractors operated at 17 locations. Seven locations were funded by APD, and 10 were funded by end-user departments. Some of these contractors provided security services in multiple locations in the same city, including New York City and Washington, D.C.

⁹ We analyzed Ariba on Demand, Concur, eTrax, and SAP. A senior Procurement department official said that, without a centralized system, he estimated the consolidated agreement would capture only 60-70 percent of the company's private security needs even if the company consolidated all known security contractors under a single contract.

¹⁰ In 2018, we reported that the absence of a contract management system was exposing the company to financial and legal risks. In response, the company said it planned to use Ariba on Demand as its contract repository. See *Acquisition and Procurement: Contracts Included Key Provisions to Reduce Risks, but the Company Lacks an Efficient and Effective Contract Management System* (OIG-A-2018-003), February 22, 2018. In 2022, we reported that Ariba on Demand was not operating as a fully functioning contract repository. We proposed that the company consider whether this system had the capabilities to fulfill its needs for an automated repository for all Procurement contracts and supporting documentation. In response, the company agreed that Ariba on Demand could not fulfill its needs and stated that it planned to use SharePoint as its contract repository system. See *Acquisition and Procurement: Company's Electronic Procurement System Limits Effective Contract Oversight* (OIG-MAR-2022-013), August 16, 2022.

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other process to easily and efficiently identify private security contracts, which will hinder its efforts to consolidate and manage them.

Without full visibility over these contracts, the company may also miss opportunities to avoid duplication of efforts. For example, in November 2022, we identified two private security contractors operating in New Orleans, Louisiana, in addition to APD. Neither the company nor our office were able to determine which end-user department hired the contractors. Without the contracts or supporting documentation, we could not confirm whether they were duplicating one another's efforts and causing the company to incur unnecessary costs.

No central authority for evaluating and approving requests for contractors. The company's ongoing impediments identifying its contractors overall are exacerbated with private security contracts because the company has not determined which department or individual, if any, should be responsible for evaluating and approving the requests of end-user departments for these services. These practices differ from those the company uses to procure contractors for other sensitive and potentially high-risk areas. For example, company policy¹¹ requires the Law department to review and approve any requests for legal services. This policy gives end-user departments the flexibility to identify their own needs and allows the Law department, which has the expertise in this area, to determine what legal services are appropriate (for example, in-house versus outside counsel) and to maintain visibility over these services and ensure that they meet company standards.

The absence of a central authority to review and approve security requests could also pose liability risks. Currently, end-user departments can independently determine the performance standards and enforcement mechanisms, if any, to include in their private security contacts. These determinations are not always consistent with company standards or with private- and public-sector practices.¹² This could expose the company to unnecessary liability, according to officials from APD and the Law department. For example, Procurement department officials were not able to locate records for 14 of the 17 additional contractors we identified. As a result, they could not confirm that these contractors had passed the company's required background checks.

¹¹ Amtrak Policy 1.12.4 Internal Delegations, October 24, 2022.

¹² These practices state that a department or member of an organization should have formal responsibility for oversight of security agreements and that the relationship with a security provider should be clearly structured in a formal contract with clear expectations.

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CONSIDERATIONS FOR MANAGEMENT

The Executive Vice President/Chief Safety Officer should consider taking the following actions to assist with the company's consolidation efforts:

1. In the absence of a contract repository, develop an alternative process in conjunction with the Procurement department to identify all future private security contractors.
2. Determine which department or individual, if any, will be responsible for evaluating and approving end-users' requests for private security services.

MANAGEMENT COMMENTS AND OIG ANALYSIS

In commenting on a draft of our report, the Executive Vice President/Chief Safety Officer agreed with our considerations for management and identified actions the company plans to take to address them. The company created a contract management and repository team tasked with developing or identifying the scope, stakeholders, and budget for a planned contract management tool. In the interim, the Procurement department plans to create a new method to identify and report on all future private security contractors. In addition, the company determined that APD will be responsible for evaluating and approving end-users' requests for private security services.

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APPENDIX A

Objective, Scope, and Methodology

This report provides our observations about impediments the company faces identifying and managing its private security contractors. Our initial objective was to assess the effectiveness of the company's oversight and coordination of its private security contractors. During our initial audit work, however, we found that the company continues to face impediments identifying all of its private security contractors; accordingly, we are raising these issues now to inform the company's consolidation efforts for its private security services. Our scope focused on private security services at company stations and yards from FY 2020 through FY 2022. Our scope did not include security services contracted by third parties, such as contractors hired by a building owner where the company leases space. We did not assess the adequacy of internal controls. We performed our work from November 2022 to May 2023 in Washington, D.C.

To determine whether the company has a process to identify its private security contractors, we researched company policies and procedures. We found none specifically related to private security. We also reviewed the company procurement manual to determine the policies related to procuring similar services, particularly for contracts, purchase orders, and payment requests. We also interviewed APD officials and officials in the Procurement, Finance, Human Resources, and Law departments who are involved in the procurement and management of private security contractors.

In the absence of a company process to identify private security contracts, we reviewed procurement and financial data from October 1, 2019, through October 31, 2022, to compile a list of potential contractors.

We conducted our work in accordance with standards we developed for alternative products.

Computer-processed Data

To identify potential private security contractors, we relied on computer-processed data from four company systems: purchase orders in Ariba on Demand, payment requests in Concur and eTrax, Procurement card activity in Concur, and general ledger account

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entries in SAP. We searched for potential contractors by using commodity codes, vendor and general ledger accounts, and company locations.

We then performed external searches to verify whether the contractors we identified provided private security services, as opposed to other security-related services. Finally, we discussed our results with APD and Procurement officials to determine whether they were aware of the private security contractors we identified. These officials confirmed that the contractors on the list provided private security services.

We cannot state with certainty that we identified all private security contracts. After performing external searches and reviewing the list with company officials, however, we found that the data were sufficiently reliable for our purposes to enable us to report on private security contracts.

Prior Reports

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

- *Acquisition and Procurement: Company's Electronic Procurement System Limits Effective Contract Oversight* (OIG-MAR-2022-013), August 16, 2022
- *Safety and Security: Management of the Police Department Has Recently Improved, but Foundational Decisions Are Needed on its Role and Priorities* (OIG-A-2020-012), July 1, 2020
- *Acquisition and Procurement: Contracts Included Key Provisions to Reduce Risks, but the Company Lacks an Efficient and Effective Contract Management System* (OIG-A-2018 003), February 22, 2018

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APPENDIX B

Abbreviations

APD	Amtrak Police Department
FY	Fiscal Year
OIG	Amtrak Office of Inspector General
the company	Amtrak

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APPENDIX C

OIG Team Members

J.J. Marzullo, Deputy Assistant Inspector General, Audits

Dorian Herring, Director

Alejandra Rodriguez, Senior Manager, Data Analytics

Joseph Zammarella, Senior Auditor, Lead

Gabriel Picinini, Senior Auditor

Alison O'Neill, Communications Analyst

Sid Schwartz, Contractor

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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Contact Information

Jim Morrison

Assistant Inspector General

Mail: Amtrak OIG
10 G Street NE, 3W-300
Washington, D.C. 20002
Phone: 202-906-4600