



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

SEMIANNUAL REPORT to the United States Congress

April 1, 2016–September 30, 2016
Report # 54





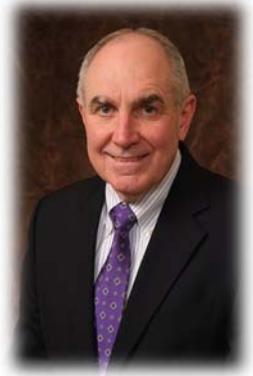
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From the Inspector General



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION



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, 2016, pursuant to the Inspector General Act of 1978, as amended.

In September, Joe Boardman stepped down from his position as Amtrak President and Chief Executive Officer (CEO). During his eight years at the helm, Amtrak delivered record ridership, introduced a series of safety initiatives, and began to modernize its fleet. I commend Joe for his dedication to Amtrak and its employees. Also, I look forward to a continued positive working relationship with Amtrak's new President and CEO, Charles "Wick" Moorman.

Throughout this semiannual period, our work continued to focus on high-impact areas aimed at improving the effectiveness and efficiency of Amtrak programs and operations. Notably, we delivered two Congressionally-mandated audits: one assessing the company's passenger boarding procedures; and, the other on the extent to which Amtrak competitively awarded contracts under the Americans with Disabilities Act. We also reported on opportunities to improve the company's video surveillance systems network and identified opportunities to put funds to better use on a technical support services contract. Further, our investigative efforts continued to identify and deter fraud, waste, and abuse. We addressed issues involving a contractor who was defrauding Amtrak, as well as employee fraud related to overtime hours and relocation expenses, theft, and computer misuse—including viewing sexually explicit material.

In the months ahead, we will continue to focus on issues of importance to Amtrak management, the Board of Directors, Congress, and the public, including updating our prior work on top management and performance challenges. We trust that you will find this report and our forthcoming reports informative.

A handwritten signature in blue ink that reads "Tom Howard". The signature is written in a cursive, flowing style.

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

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.¹

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

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

Governance. This includes a system of management controls—including policies, processes, and people—which serves the needs of shareholders and other stakeholders by directing and controlling management activities with good business savvy, objectivity, accountability, and integrity.

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

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.

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

¹ For complete definitions of these focus areas, see *Annual Audit, Inspection, and Evaluation Plan Fiscal Year 2014*. https://www.amtrakoig.gov/sites/default/files/reports/fy2014_final_audit_and_evaluation_plan.pdf.



Significant Activities: Audits and Investigations

Train Operations and Business Management

Train Operations: Adopting Leading Practices Could Improve Passenger Boarding Experience

(Report No.OIG-A-2016-011, September 7, 2016)

The Fixing America’s Surface Transportation Act (FAST Act) requires the Amtrak Office of Inspector General (OIG) to evaluate Amtrak’s (the company) boarding procedures at the company’s busiest stations, compare them to procedures used by commuter and international intercity passenger railroads and transit systems, and make recommendations for improvement. Further, Congress tasked us with reviewing the company’s procedures for bicycle boarding.

The company’s approach to boarding is a mix of station-specific procedures that reflect each station’s physical space, passenger volume, boarding times, and passenger type. However, these procedures lack the benefit of a company-wide boarding strategy. Although successful in some locations, we found evidence of passenger frustration, anxiety, and confusion in others, undermining the company’s strategic goal of acquiring and retaining satisfied customers.

We identified leading practices—through audit work conducted both domestically and abroad—that could improve the company’s boarding process. Although we recognize that individual station characteristics prevent the application of a one-size-fits-all approach, these practices focus on three general areas: (1) maximizing the use of physical facilities, (2) establishing customer-friendly processes, and (3) communicating clearly with passengers. We also found that instituting and maintaining leading boarding practices requires a commitment to continuous improvement. Specifically,

conducting extensive qualitative and quantitative analyses—such as pedestrian flow modeling, and customer surveys—are vital steps in this pursuit.

We found that these leading practices are in place to varying degrees at the company's 20 busiest stations; however, opportunities exist to apply them more consistently to improve the passenger boarding experience. Our observations are as follows:

- **Leading practices are in place to varying degrees in the company's busiest stations.** In Chicago Union Station, for example, station managers have sought solutions to crowded facilities by making better use of available space. In New York Penn Station, a pilot program to board trains early improved customer satisfaction scores, and managers at Albany-Rensselaer Station have encouraged Customer Service Representatives (CSRs) to proactively seek out passengers who need help.
- **Opportunities exist to better implement leading practices at all 20 stations included in our review.** These practices include sequencing boarding announcements, making train information more readable, and positioning staff in visible and accessible locations. In New York Penn Station and Washington Union Station, the company's two busiest stations, we observed passengers anxious and frustrated by confusing processes, such as long, unmanaged queues. Similarly, we observed passenger confusion at some smaller stations where signage is incomplete or overly complicated, such as Emeryville, California, and Portland, Oregon. Implementing some of the leading practices may require additional resources, but many can be achieved at no or low cost through better utilization of existing resources. For example, in Sacramento, California, we observed a community volunteer strategically located to help passengers interpret confusing directional signs to the platforms.

Successfully implementing additional leading practices at the 20 busiest stations will require the company to overcome the following challenges:

- **Lack of a senior accountable official and a company-wide boarding strategy limits the company's ability to improve passenger boarding.** Without a senior accountable official, the management of boarding processes is decentralized,

Significant Activities

resulting in uneven attention to boarding issues across the company. Some station managers actively pursue improvements, but problematic conditions persist at other stations without redress. In addition, solutions that require coordinated efforts—such as between terminal, station, and onboard crew managers, or between Amtrak and other transportation providers—can be overlooked because no senior accountable official is facilitating that coordination or working in accordance with a company-wide boarding strategy.

- **Other factors may also limit the company’s ability to adopt leading practices, and some of these factors are outside the company’s control.** The company does not fully own 14 of its 20 busiest stations, which limits its ability to change signage or use the space differently. Further, about one-third of all stations the company serves are listed on the National Register of Historic Places, and any proposed changes—such as adding signage or removing decorative features—may require extensive approvals. We also observed that some employees resist assuming different responsibilities and embracing new processes that could improve the customer experience.

In addition, we found that the company is planning or developing several programs that could directly or indirectly affect the passenger boarding process, including assigned seating, priority boarding, mobile CSRs, and expanded bicycle service. These efforts are still in various stages of planning, and some are complicated undertakings that will require extensive and continued coordination across departments. Without a company-wide strategy to guide these efforts and a senior accountable official to manage them, the company could duplicate other ongoing efforts to improve the boarding process or limit their intended benefits.

We recommended that a senior accountable official, most likely in the Operations department, be designated to lead a company-wide effort to enhance the boarding process to improve the customer experience. Further, that official should be tasked with developing a documented strategy to guide the company-wide effort utilizing the leading practices identified in this report. We provided a draft of the report to Amtrak for comment and the company’s Executive Vice President/Chief Operations Officer, agreed with our recommendations. Section 11213(b) of the FAST Act requires that

within six months of our report the Board of Directors consider our recommendations for implementation at appropriate locations across the company's system.

Queues Develop Due to Poorly Sequenced Boarding, Boston South Station



Source: Amtrak Office of Inspector General

Ongoing Work—Train Operations and Business Management

Review of the Operations Foundation Program. The objective of this audit is to review the program's scope, estimated cost, implementation plan, progress, and oversight processes.

Positive Train Control Follow-up. The objective of this is to assess the ongoing efforts to implement PTC since our June 19, 2015 interim report on Positive Train Control, OIG-A-2015-013.

Management of Diesel Fuels. Our objective is to assess the efficiency and effectiveness of the company's purchasing, testing, and distribution of diesel fuel.

Significant Activities

Asset Management

Fuel Card Misuse

April 2016 (Investigations)

We initiated an investigation into allegations that an Amtrak Engineering and Traction Lineman was misusing a government fleet fuel card assigned to an Amtrak-leased vehicle to purchase fuel for his personal vehicles. The investigation disclosed that between April 29, 2015 and November 3, 2015, the employee used the fuel card to purchase fuel for two of his personal vehicles. The approximate loss associated with alleged misuse of the fleet card is \$5,776. On November 3, 2015, the employee retired and is ineligible for rehire. On April 26, 2016, the employee was issued a summons to appear at the Anne Arundel County, Maryland court for theft charges. Further judicial proceedings are pending.

Ongoing Work—Asset Management

Review of Baltimore Penn Station Redevelopment Issues. Our objective is to assess the company's readiness to undertake and oversee a master development procurement approach to redevelop Baltimore Penn Station. In a January 19, 2016 letter, members of the Maryland congressional delegation requested that we clarify the opinions expressed in an October 20, 2015 letter to Senator Barbara A. Mikulski and share our views with the company's leadership.

Governance

Governance: Quality Control Review of Amtrak's Single Audit for Fiscal Year 2014

(Report No. OIG-A-2016-007, May 18, 2016)

The company contracted with the independent certified public accounting firm of Ernst & Young LLP to audit its consolidated financial statements as of September 30, 2014, and for the year then ended, and to provide a report on internal control over financial reporting and compliance with laws and regulations and other matters. The contract

also required Ernst & Young to perform a Single Audit of the company's federal grants for the year ended September 30, 2014, in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the company receives federal funding, it must obtain an audit performed in accordance with generally accepted government auditing standards. The objective of the Single Audit was to test internal control over compliance with major federal program requirements and determine whether the company complied with the laws, regulations, and provisions of contracts or grant agreements that may have a direct and material effect on its major federal programs.

As required by the Inspector General Act of 1978, we monitored the audit activities of Ernst & Young to help ensure audit quality and compliance with auditing standards. Our review disclosed no instances in which Ernst & Young did not comply, in all material respects, with generally accepted government auditing standards and OMB Circular A-133 requirements.

Viewing Sexually Explicit Material

May 2016 (Investigations)

In May 2016, we received an allegation that an executive was violating computer use policies by viewing sexually explicit images on his company issued computer. Our review confirmed the allegation. Contrary to company policy, the employee viewed sexually explicit material using a personally-owned USB storage device connected to his company-issued laptop. During our investigation, we documented nine occasions between July 7 and July 31, 2016, on which he viewed this material on his computer. The employee confessed to the allegation, and the company ended his employment.

Theft/Embezzlement

May 2016 (Investigations)

In March 2015, we received an allegation that an Assistant Superintendent received double payments for relocation expenses. Our investigation determined that contrary to company policy, the Assistant Superintendent received double-reimbursement for temporary living expenses on three company-funded relocations that occurred in 2011, 2012, and 2014. On each relocation, the employee improperly used the company's

Significant Activities

Corporate Lodging Consultants (CLC) card to pay for his temporary living expenses after receiving lump-sum payments to cover his temporary living expenses. The employee received a total of \$20,000 in advance lump-sum payments, for all three locations, while he also used the company's CLC card to stay in corporate lodging during all three relocations, totaling over \$13,000. We also determined that the employees' supervisor, the Superintendent of the Region, failed to properly address the double payment issue when it was brought to his attention. Both individuals were removed from their positions for failure to follow company policy.

Forgery

May 2016 (Investigations)

On May 17, 2016, a former Amtrak mechanical inspector pleaded guilty in Marion Superior Court, Indiana, to one count of forgery and was sentenced to serve 365 days of home detention followed by 180 days of probation. The former employee was also ordered to pay \$678 in restitution to Amtrak. The employee submitted false documentation to serve as proof that he served on jury duty on three separate dates. We found that he did not serve jury duty on these dates, and that he forged the signature affixed to a document purported to be from the Madison County Circuit Court, Indiana.

Falsification of Records

June 2016 (Investigations)

On April 28, 2016, an Amtrak train director was arrested for violating the Sex Offender Registration Act in Illinois when he failed to register after moving from another state. On June 6, 2016, the employee was indicted by a grand jury in the Cook County Circuit Court for failing to register in person with the Chicago Police Department within three days of establishing a residence or temporary domicile there, and for

knowingly or willfully giving false material information by registering an address where he did not actually live. Judicial proceedings are pending.

Governance: Controls to Avoid Duplicate Medical Payments of Agreement Employees Appear Generally Effective, but Some Payment Errors Still Occur

(Report No. OIG-A-2016-009, July 15, 2016)

Our review of \$911.4 million in medical payments over the four year period of calendar year 2011 through 2014 identified \$4.3 million—about 0.5 percent—as potentially duplicate. While a relatively small percentage, this amount is significant given the company’s ongoing efforts to reduce costs and achieve greater operational efficiencies. The company may be able to achieve cost-savings by researching these potentially duplicate payments and seeking the recovery of overpayments where appropriate.

To prevent and detect duplicate payments for medical services, the Human Capital department relies on automated and manual controls used by the third-party claim administrators. While we found that administrators’ controls appear generally effective in detecting duplicate medical payments, we also found that payment errors can still occur and go undetected. Further, the Human Capital department has not independently validated whether administrators’ controls are adequate in preventing improper disbursements— such as duplicate payments—since 2011. Finally, best practices for the private and public sectors state that ongoing monitoring, separate evaluations, or a combination of the two, are useful in providing additional assurance of the operating effectiveness of key management control processes.

We recommended that the company review the potentially duplicate payments that we identified, if cost-effective, to recover additional company funds; and take additional actions to proactively review paid claims for detecting potential duplicates. In commenting on a draft of the report, the company’s Executive Vice President/Chief Human Capital Officer agreed with two of our recommendations and partially agreed with one. He also cited proposed actions that, if fully implemented, might help meet the intent of the recommendations.

Significant Activities

Contract Fraud

July 2016 (Investigations)

On July 12, 2016, a part owner of Bayway Lumber (Bayway), a Linden, New Jersey, company that sold commercial and industrial products to numerous public and private entities, was sentenced to 48 months in prison for his role in a scheme to defraud customers out of \$708,386. From 2007 to November 2015, the Bayway employee conspired with others to defraud certain customers by engaging in fraudulent business practices, including overbilling, charging for more expensive items or larger quantities of items, and providing free items to employees of customers, then recouping the cost of the items by overbilling and fraudulent billing. Employees of some of Bayway's customers, including Amtrak, were given a variety of items, including electronics, tickets to sporting events, merchandise and gift cards. Bayway then overbilled and fraudulently billed those customers to recoup the cost of the gifts, plus additional profits. The Bayway employee kept a running tally of how much Bayway overbilled and fraudulently billed those customers, which he referred to as the "Bank," to ensure that Bayway recovered the full cost of the free items. In addition to the prison term, the Bayway employee was ordered to serve three years of supervised release and pay restitution of \$708,386 and a \$2,000 fine.

Overtime Fraud

July 2016 (Investigations)

On July 19, 2016, two supervisors in the Communications and Signals Department, New York Division, were charged with overbilling Amtrak a combined total of more than 800 overtime hours and more than 60 regular hours they claimed to be working when they were actually not present at work sites, causing \$92,000 in losses to the company. Both individuals were arrested and charged in separate criminal complaints with defrauding the company as a result of their fraudulent overbilling of work hours and further judicial proceedings are pending. Shortly after their arrests, they were removed from service pending the outcome of administrative hearings. One of the employees retired from the company on August 10, 2016, and the other remains on administrative leave without pay.

Violation of Operating Rules

July 2016 (Investigations)

On July 22, 2016, an Amtrak track inspector's employment was terminated as a result of a third safety operating rules violation that occurred on October 2, 2015. Our investigation revealed the employee and another Amtrak employee entered an area of protected track near Ann Arbor, Michigan, without authorization. The employee acknowledged that his actions constituted a safety operating rules violation.

Pornography

August 2016 (Investigations)

In July 2015, we initiated an investigation into allegations that an Amtrak Foreman was searching the Internet for pornography, sexually explicit photographs of underage females, and viewing content that appeared to be related to nude or partially nude adolescents. We confirmed that the employee used his Amtrak computer to view sexually explicit images on multiple dates during scheduled work hours; however, we did not find any evidence of child exploitation or child pornography. The employee retired on August 1, 2016.

Violations of Company Policy

September 2016 (Investigations)

In December 2014, we received information alleging that a supervisor in Michigan may have been involved with improprieties related to his position. During the course of our investigation, we received numerous additional allegations concerning the same employee from other sources. We found that, in October 2015, contrary to company policy, the supervisor concealed a serious operating rules violation committed by two track inspectors. In addition, we found that the employee committed numerous other policy violations, including unauthorized possession of a firearm on company property and using Amtrak resources for his personal benefit. As a result of the investigation, the company dismissed the person from employment on September 12, 2016.

Significant Activities

Violation of Company Policy

September 2016 (Investigations)

In August 2015, we received an allegation that a Yard Engineer in New York was operating trains with a suspended driver's license that resulted from a driving while intoxicated (DWI) adjudication and a felony conviction for evading the police. Our investigation determined that contrary to company policy, the Yard Engineer failed to properly report his felony conviction for evading the police.

However, we also found that the Yard Engineer followed applicable regulations in notifying the company of his DWI adjudication—even though it occurred almost two years after his DWI arrest. We confirmed that existing regulations allowed the Yard Engineer to remain silent about his DWI arrest during the pendency of his case. As a result, he was operating trains, including high-speed Acela trains, without anyone in the company knowing there was a safety issue. After his DWI adjudication, he followed applicable regulations and notified the company, who then assessed him for his fitness to operate trains. This consisted of a one-hour "Employee Assistance Program" interview with a counselor, who cleared him to continue operating trains — even though the State of New Jersey would not allow him to operate his car without an interlock device. Later, the company "re-certified" him as an engineer, and did so after following a regulatory process that included a review of his driving record, which contained the DWI adjudication and over 1,000 days where his driver's license was suspended for other infractions.

Based on these findings, our report raised questions about the effectiveness of certain company and Federal Railroad Administration (FRA) rules affecting passenger railroad engineers and, ultimately, the safety of the traveling public. Specifically, this case underscored three issues with safety implications: 1) whether existing rules result in untimely notifications to management of DWI-related events; 2) whether the company's policies for responding to that information sufficiently protects the public; and 3) whether existing limitations on information the company may consider in assessing its engineers' driving records are reasonable when making decisions to certify and recertify engineers.

The company responded to our investigative report, where they agreed that the Yard Engineer violated company policy regarding his failure to notify management of his evading the police conviction. Reasoning that this was a little known requirement, the company opted not to discipline the employee and elected to educate him and other employees on company policies regarding conviction notifications. Further, they agreed to evaluate the company's current Drug and Alcohol policy in an effort to strengthen employee notification requirements of drug and alcohol arrests. Finally, the company stated they are working on a strategy to inform FRA of their concerns with current regulations pertaining to engineers and conductors. To date, the Yard Engineer continues to operate Amtrak trains.

Governance: Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2015

(Report No. OIG-A-2016-012, September 29, 2016)

The company contracted with the independent certified public accounting firm of Ernst & Young LLP to audit its consolidated financial statements as of September 30, 2015, and for the year then ended, and to provide a report on internal controls over financial reporting and on compliance and other matters. Because the company receives federal assistance, it must obtain an audit performed in accordance with generally accepted government auditing standards.

As required by the Inspector General Act of 1978, we monitored the audit activities of Ernst & Young to help ensure audit quality and compliance with auditing standards. Our review disclosed no instances in which Ernst & Young did not comply, in all material respects, with generally accepted government auditing standards.

Ongoing Work—Governance

Capital and Operating Budget Best Practices. The objective of this audit is to determine the extent to which the company is employing best practices in formulating annual operating and capital budgets to provide a sound basis for funding and investment decisions.

Significant Activities

Accuracy of Host Railroad On-Time Performance Reporting Data. The objective of this audit is to review the reliability and accuracy of the company's reporting of host railroad on-time performance information.

Data Analytics. The objective of this audit is to identify medical service providers that have submitted potentially fraudulent or abusive claims paid by the company on behalf of agreement-covered employees.

Monitoring the Work of Amtrak's IPA Conducting the FY 2015 A-133 Audit. The 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.

Monitoring the Work of Amtrak's IPA Conducting the FY 2016 Financial Statement Audit. The objective is to determine whether the IPA performed the audit of Amtrak's Consolidated Financial Statements in accordance with generally accepted government auditing standards.

Monitoring the Work of Amtrak's IPA Conducting the FY 2016 A-133 Audit. The 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.

Assessing Management Controls Over the Utility Accounts for Sold or Transferred Real Estate Assets. Our objective is to evaluate the company's management controls over utility payments when real estate assets are sold or transferred.

Top Management and Performance Challenges. This project updates our September 2015 report, *Amtrak: Top Management and Performance Challenges—Fiscal Year 2016 and Beyond*. This report summarized our assessment of the top challenges facing the company in fiscal year 2015 and the company's progress in addressing them.

Acquisition and Procurement

Acquisition and Procurement: Adequate Competition for Most Contracts Awarded Under Americans with Disabilities Act Program but Procurement Policies Could be Improved

(Report No. OIG-A-2016-008, June 8, 2016)

The Fixing America's Surface Transportation Act or the FAST Act (Pub. L. No. 114-94) included a requirement that we determine whether current expenditures or procurements involving the company's fulfillment of the Americans with Disabilities Act (ADA) of 1990 use competitive, market-driven provisions that are applicable throughout the entire term of such related expenditures or procurements. To accomplish this, we reviewed all ADA-related contracts awarded from October 1, 2012, to March 31, 2016. This represented 45 contracts valued at about \$78 million.

The company used competitive, market-driven processes for ADA procurements. In the small number of contracts where competition was not adequate, action was taken to ensure that the bid price was fair and reasonable. We did, however, identify opportunities to improve the company's policies for the use of Master Service Agreements (MSAs). The extent of competition on task orders issued under MSAs varies because the company's Procurement Manual does not define MSAs, and the company does not have a clear policy stipulating the extent to which competition should occur with these types of agreements. Formally defining MSAs, and clarifying the extent to which competition should occur when using these agreements will help ensure that competition occurs on a more consistent basis when using these agreements. Additionally, we could not assess the extent of competition on all task orders because of the lack of documentation. Taking additional steps to clarify the requirements for task order documentation will help provide more effective project monitoring and oversight.

The company agreed with our three recommendations to update the Procurement Manual to define a MSA, clarify the extent competition should occur when task orders are issued under MSAs, and specify record-keeping requirements.

Significant Activities

Acquisition and Procurement: Opportunities Exist to Improve Management of Technical Support Services Contracts

(Report No. OIG-A-2016-013, September 30, 2016)

In September 2014, the company signed a 15-year, sole-source contract with Siemens to provide technical support and spare parts for these new locomotives. This contract provides the company with additional support staff and technical expertise, allowing in-house staff to focus on other supply-chain management issues. The contract is valued at about \$191 million.

Our objective was to examine the extent to which the contract management team followed leading practices in managing the Siemens technical support services contract and to determine whether there are opportunities to improve the management of this contract, and future technical support contracts.

Our work showed that the contract management team followed or partially followed some leading practices including paying for spare parts based on locomotive miles traveled rather than on per part, establishing contract performance incentives and guarantees that gave the contractor more incentives to achieve desired performance targets, and contracting for a 15-year support services contract giving the company access to the expertise for repairing and maintaining a new line of locomotives.

The company did not adhere to other leading practices such as deciding on a spare parts management strategy as part of the procurement of the new equipment, and assessing the impact of the procurement on company-wide operations. Not adhering to these leading practices resulted in increased costs and an inefficient use of labor.

We made five recommendations to improve the management of this contract and future technical support service contracts. In commenting on a draft of this report, the Executive Vice President/Chief Financial Officer agreed with four of these recommendations. While disagreeing with one recommendation, the response outlined a planned action that would address the intent of that recommendation.

Ongoing Work—Acquisition and Procurement

Assessing the Efficiency and Effectiveness of Management Processes for Utilizing Master Service Agreements. The objective of this audit is to assess the efficiency and effectiveness of the company's use of master service agreements to procure professional services, such as information technology support staff and developing technology products for the company.

Assessing the Efficiency and Effectiveness of Management Processes for Overseeing the General Electric Diesel Locomotive Service Contract. The objective of this audit is to review the adequacy of contract oversight and administration, focusing on cost, schedule, and performance issues.

Information Technology (IT)

Information Technology: Progress Made Installing Video Surveillance Systems, But Coverage and Performance Could Be Improved

(Report No. OIG-A-2016-010, August 9, 2016)

We assessed the company's efforts to install an integrated national video surveillance systems (VSS) network. Our work showed that the company has made progress installing VSS at many locations but has not taken a strategic approach to planning the design and implementation of the VSS network. This ad hoc approach has led to gaps in video coverage at individual locations, lack of remote viewing capabilities at some high-risk sites, and inconsistent monitoring of installed cameras in some high-risk locations. We also found that the capability of the VSS network has been limited by numerous technical, operational, and security issues, due in part to the company's reliance on outside contractors to build the system with minimal input from end-users and the IT department.

To address these weaknesses, we recommended that the company update its December 2015 VSS strategic plan in six specific areas. Management agreed with our recommendation and noted steps the company has taken or plans to take to address the recommendation and improve the VSS network's capabilities.

Significant Activities

Ongoing Work—IT

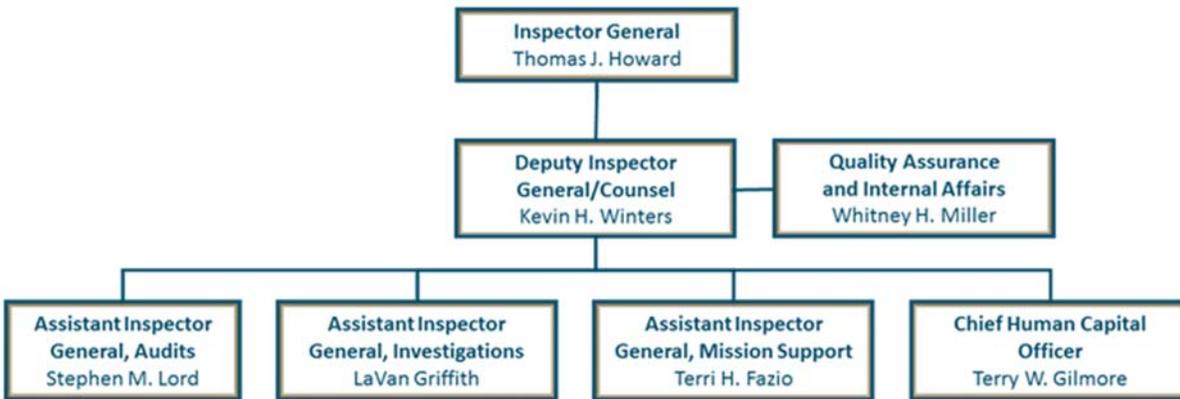
Assessing the Adequacy of Security for Publicly Accessible Web Applications. The objective of this audit is to assess the adequacy of security for publicly accessible web applications. We are performing this review in coordination with some members of the Council of Inspectors General on Integrity and Efficiency who are performing similar reviews of their organizations. The results of the audit will be provided in a report to company management and summarized in a report consolidating results of all participating Offices of Inspector General.



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 the OIG and serves as an independent and objective voice to management, the Board of Directors, and Congress by identifying opportunities and promoting solutions for improving the company's programs and operations, while preventing and detecting fraud, waste, and abuse.

The Deputy Inspector General/Counsel serves in the stead of the Inspector General, as required, and also leads the Office of Counsel, which provides legal assistance and advice to OIG senior management and supports audits, investigations, and special reviews. The Office of Counsel also coordinates OIG legal matters with external entities, such as the Department of Justice, Federal and State law enforcement, and may appear in court on behalf of the OIG and its employees.

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 the company's economy, efficiency, and effectiveness, while seeking to detect and prevent fraud, waste, and abuse.

Investigations. This office pursues allegations of fraud, waste, abuse, and misconduct that could affect the company'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.

Mission Support. This office provides expertise in financial management, procurement, administration, information technology, communications/edit, 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 and coaching on performance.



Appendix 1 Fiscal Year 2016 Performance Measures (4/1/2016 – 9/30/2016)

Audit Results	
Products Issued	7
Questioned Costs	\$4,300,000
Funds Put to Better Use	\$10,000,000

Advisory Functions	
FOIA ^a Requests Received	18
FOIA Requests Processed	10
Referred to Amtrak	8
Response Pending	—
FOIA Appeals Received	—
FOIA Appeals Processed	—
Legislation Reviewed	—
Regulations Reviewed	—
Outside Agency Consultation	1

Investigative Results	
Financial Impact	
Recoveries/Restitution	\$724,304.48
Cases Opened	
Major Misconduct and General Crimes	23
Contract and Procurement Fraud	4
Health Care Fraud	3
Claims Fraud	3
Judicial and Administrative Actions	
Arrests	5
Indictments	5
Convictions	2
Criminal Referrals	13
Criminal Referrals Declined	9
Administrative Actions	12
Investigative Workload	
Investigations Opened	33
Investigations Closed	20
Hotline Contacts/Referrals	
Referred to Amtrak Management	124
Referred to Customer Relations	20
Referred to Other Agency	7
Open for Investigation	32
No Action Warranted	20

^a Freedom of Information Act.

Appendix 2

Appendix 2 Questioned Costs (4/1/2016 – 9/30/2016)

Audit Reports Issued with Questioned Costs			
Category	Number	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	—	\$—	\$—
B. Reports issued during the reporting period	1	4,300,000	—
Subtotals (A+B)	1	4,300,000	—
Less			
C. For which a management decision was made during the reporting period	1		
(i) dollar value of recommendations agreed to by management		4,300,000	—
(ii) dollar value of recommendations not agreed to by management		—	—
D. For which no management decision has been made by the end of the reporting period	—	—	—

Appendix 3 Funds Put To Better Use

(4/1/2016 – 9/30/2016)

Audit Reports Issued with Funds to be Put to Better Use		
Category	Number	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period	—	\$—
B. Reports issued during the reporting period	1	10,000,000
Subtotals (A+B)	1	10,000,000
Less		
C. For which a management decision was made during the reporting period	1	
(i) dollar value of recommendations that were agreed to by management		10,000,000
(ii) dollar value of recommendations that were not agreed to by management		
D. For which no management decision has been made by the end of the reporting period	—	—

Appendix 4

Appendix 4 Audit Products

(4/1/2016 – 9/30/2016)

Listing of Issued Audit Reports						
Date Issued	Report Number	Report Title	Focus Area	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
5/18/16	OIG-A-2016-007	Governance: Quality Control Review of Amtrak's Single Audit for Fiscal Year 2014	Governance	\$—	\$—	\$—
6/8/16	OIG-A-2016-008	Acquisition and Procurement: Adequate Competition for Most Contracts Awarded Under Americans with Disabilities Act Program but Procurement Policies Could be Improved	Acquisition & Procurement	—	—	—
7/15/16	OIG-A-2016-009	Governance: Controls to Avoid Duplicate Medical Payments of Agreement Employees Appear Generally Effective, but Some Payment Errors Still Occur	Governance	4,300,000	—	—
8/9/16	OIG-A-2016-010	Information Technology: Progress Made Installing Video Surveillance Systems, But Coverage and Performance Could Be Improved	Information Technology	—	—	—
9/7/16	OIG-A-2016-011	Train Operations: Adopting Leading Practices Could Improve Passenger Boarding Experience	Train Operations	—	—	—
9/29/16	OIG-A-2016-012	Governance: Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2015	Governance	—	—	—

Listing of Issued Audit Reports						
Date Issued	Report Number	Report Title	Focus Area	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
9/30/16	OIG-A-2016-013	ACQUISITION AND PROCUREMENT: Opportunities Exist to Improve Management of Technical Support Services Contracts	Acquisition & Procurement	—	—	10,000,000
Total				\$4,300,000	\$—	\$10,000,000

Ongoing Audit Projects	
Project Status	Number of Projects
Audit Projects In-process, as of 4/1/2016	20
Projects Canceled	2
Audit Projects Started Since 4/1/2016	4
Audit Products Issued Since 4/1/2016	7
Audit Projects In-process, as of 10/1/2016	15

Appendix 5

Appendix 5 Audit Reports Described in Previous Semiannual Reports for Which Corrective Action Not Complete

Audit Reports Described in Previous Semiannual Reports for Which Corrective Action Has Not Been Completed				
Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps	E-11-03 June 23, 2011	\$—	\$—	\$—
Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant	109-2010 September 29, 2011	—	—	—
Strategic Asset Management Program: Opportunities to Improve Implementation and Lessons Learned	OIG-E-2012-012 May 31, 2012	—	—	—
Claims Program: Use of Best Practices Would Strengthen Management Controls	OIG-A-2012-016 August 14, 2012	—	—	—
Management of Overtime: Best Practice Control Can Help in Developing Needed Policies and Procedures	OIG-A-2013-009 March 26, 2013	—	—	—
Information Technology: Opportunities Exist to Improve Services, Economies, and Contract Performance	OIG-A-2013-013 April 16, 2013	—	—	31,400,000

Audit Reports Described in Previous Semiannual Reports for Which Corrective Action Has Not Been Completed

Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Real Property Management: Applying Best Practices Can Improve Real Property Inventory Management Information	OIG-A-2013-015 June 12, 2013	—	—	—
American Recovery and Reinvestment Act: Opportunities Exist to Recover Funds and Reduce Future Costs by Improving Procurement Policies	OIG-A-2013-016 July 29, 2013	596,345	—	—
Asset Management: Amtrak is Preparing to Operate and Maintain New Locomotives, but Several Risks to Fully Achieving Intended Benefits Exist	OIG-E-2013-021 September 27, 2013	—	—	—
Food and Beverage Service: Potential Opportunities to Reduce Losses	OIG-A-2014-001 October 31, 2013	—	—	175,200,000 ^a
Governance: Improved Policies, Practices, and Training Can Enhance Capital Project Management	OIG-A-2014-009 July 15, 2014	—	—	—
Asset Management: Opportunities Exist to Enhance Decision-Making Process for Utilization of Long-Distance Equipment	OIG-E-2015-001 October 23, 2014	—	—	—
Governance: Opportunities Exist to Improve the Efficiency of Procurement Practices for Goods and Services	OIG-A-2015-005 February 11, 2015	—	—	28,200,000 ^b
Acquisition and Procurement: Improved Management Will Lead to Acela Parts Contract Cost Savings	OIG-A-2015-008 March 10, 2015	85,000	—	37,000,000

Appendix 5

Audit Reports Described in Previous Semiannual Reports for Which Corrective Action Has Not Been Completed				
Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Human Capital: Incentive Awards Were Appropriate, But Payment Controls Can Be Improved	OIG-A-2015-009 March 13, 2015	—	—	—
Information Technology: Reservation System Infrastructure Updated, but Future System Sustainability Remains an Issue	OIG-A-2015-010 May 19, 2015	—	—	—
Acquisition and Procurement: New Jersey High-Speed Rail Improvement Program Has Cost and Schedule Risks	OIG-A-2015-012 June 17, 2015	—	—	83,140,000
Safety and Security: Progress Made Implementing Positive Train Control, but Significant Challenges Remain	OIG-A-2015-013 June 19, 2015	—	—	—
Governance: Alignment with Best Practices Could Improve Project Management Office Implementation	OIG-A-2016-002 December 16, 2015			
Asset Management: Additional Actions Can Help Reduce Significant Risks Associated with Long-Distance Passenger Car Procurement	OIG-A-2016-003 February 1, 2016			
TOTAL		\$681,345	\$—	\$354,940,000

^a \$58.4 million annually, projected over three years.

^b \$9.4 million annually, projected over three years.

Appendix 6 Review of Legislation, Regulations, and Major Policies

Section 4(a)(2) 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.

During the last reporting period, the OIG reviewed and commented on 19 company policies and continued its efforts to ensure the American taxpayers' dollars entrusted to the company were protected.

In addition, we are pleased that our continuing work with Congress contributed to their decision to expand certain criminal provisions under Title 18 of the U.S. Code contained in the recently enacted Fixing America's Surface Transportation "FAST" Act (Pub. L. No. 114-94).

With these provisions, we are able to pursue a much broader range of federal remedies when investigating fraud involving the company's programs and operations. This helps us in ensuring that taxpayer funds are protected from fraud, waste, and abuse. As a result, and in collaboration with the Department of Justice, we have successfully applied violations of 18 U.S.C. 371 (conspiracy to defraud the United States) to two noteworthy investigations wherein the defendants both pleaded guilty in federal court.

Appendix 7

Appendix 7 Peer Review Results

The *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P. L. 111–203, July 21, 2010) requires that OIGs include in semiannual reports 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 Fiscal Year (FY) 2016, our Office of Audits was the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review by the Office of Personnel Management (OPM) OIG. OPM OIG determined that 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, OPM OIG provided a “pass” rating and made no recommendations. The report was released on January 29, 2016.

During FY 2016, our Office of Investigations was the subject of a CIGIE peer review by the Department of the Interior (DOI) OIG. DOI OIG concluded that the system of internal safeguards and management procedures for our investigative, was in compliance with the quality standards established by CIGIE and the Attorney General’s Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority. DOI OIG identified a number of best practices in the investigative operations that they believed warranted acknowledgement.

Appendix 8 Glossary of Terms, Acronyms, and Abbreviations²

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.

² All definitions are from the Inspector General Act of 1978, as amended.

Appendix 8

Acronyms and Abbreviations

ADA	Americans with Disabilities Act
CEO	Chief Executive Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CLC	Corporate Lodging Consultants
CSR	Customer Service Representative
DOI	Department of the Interior
DWI	Driving While Intoxicated
FAST	Fixing America’s Surface Transportation
FOIA	Freedom of Information Act
FRA	Federal Railroad Administration
FY	Fiscal Year
IPA	Independent Public Accountant
IT	Information Technology
MSA	Master Service Agreement
OMB	Office of Management and Budget
OIG	Office of Inspector General
OPM	Office of Personnel Management
PTC	Positive Train Control
VSS	Video Surveillance Systems

Appendix 9 Reporting Requirements Index

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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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Contact Information

Tom Howard

Inspector General

Mail: Amtrak OIG

10 G Street, NE, 3W-300

Washington D.C. 20002

Phone: 202-906-4600

Email: Tom.Howard@amtrakoig.gov



OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

National Railroad Passenger Corporation
Office of Inspector General
10 G Street, NE, Suite 3W-300, Washington D.C. 20002-4285
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