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# AUDIT PLAN FOR FISCAL YEAR 2015

December 1, 2014



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## **INSPECTOR GENERAL'S MESSAGE**

I am pleased to present our Audit Plan for fiscal year 2015. This plan provides a road map for accomplishing our mission to conduct independent and objective audits to improve the economy, efficiency, and effectiveness in Amtrak's programs and operations, while also preventing and detecting fraud, waste, and abuse.

Throughout this fiscal year, we plan to start 18 audits that will largely focus on mitigating the risks to achieving the company's strategic goal of financial excellence, and will also address its other goals of safety and security, and customer satisfaction. The audits are also intended to focus on risks related to fraud, waste, and abuse. We organized the plan around seven areas:

- Governance
- Acquisition and Procurement
- Asset Management
- Safety and Security
- Train and Business Operations
- Human Capital Management
- Information Technology

Adjustments to this plan may be necessary as the year unfolds to ensure that we direct available resources to the areas of highest risk and vulnerability. We welcome suggestions and comments about our future work. Please direct any suggestions or questions to me or David R. Warren, Assistant Inspector General, Audits. We can be reached at 202-906-4600.

A handwritten signature in blue ink that reads "Tom Howard".

Tom Howard  
Inspector General

*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
December 1, 2014

**TABLE OF CONTENTS**

**Summary of Audits Planned for Fiscal Year 2015 ..... 3**

**Governance ..... 5**

**Acquisition and Procurement ..... 7**

**Asset Management..... 9**

**Safety and Security ..... 10**

**Train and Business Operations ..... 11**

**Human Capital Management ..... 13**

**Information Technology ..... 14**

*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
 December 1, 2014

## SUMMARY OF PLANNED AUDITS FOR FISCAL YEAR 2015

We plan to start 18 audits throughout this fiscal year. We selected these audits through discussions with the Board of Directors and senior management, and by reviewing congressional legislation and reports, considering the results of our ongoing and prior audit work, and our assessment of the company's major challenges. We prioritized our planned work based on two overarching audit risk factors:

- mitigating risks to achieving the company's strategic goals of financial excellence, customer satisfaction, and safety and security
- mitigating risks of ineffectiveness and inefficiency in company operations, while preventing and detecting fraud, waste, and abuse

Table 1 lists the general order in which we plan to start new audits, based on available resources, according to our audit risk assessment.

***Table 1. Planned Audits for Fiscal Year 2015 Prioritized by Risk***

Audit Title	Focus Area
1. Assessing the Efficiency and Effectiveness of Management Processes for the Operations Foundation Program	Information Technology
2. Assessing the Extent to Which Best Practices Are Being Incorporated into the Design of the Project Management Office	Governance
3. Assessing the Efficiency and Effectiveness of Management Processes for Overseeing the Diesel Locomotive Support Contract	Acquisition and Procurement
4. Assessing the Efficiency and Effectiveness of Management Processes for Overseeing the Siemens Locomotive Technical Support Contract	Acquisition and Procurement
5. Assessing the Effectiveness and Efficiency of Management Processes for the Acquisition of New High-Speed Rail Trainsets	Acquisition and Procurement
6. Validating the Reported Short-Term Incentive Goal Achievement Data	Governance
7. Follow-Up of Efforts to Implement Positive Train Control	Safety and Security
8. Assessing the Efficiency and Effectiveness of Management Processes over Construction and Specialized Equipment	Asset Management
9. Assessing the Effectiveness and Efficiency of Management Processes to Prevent and Detect Health Care Fraud	Human Capital Management
10. Assessing the Accuracy of Host Railroad Performance Reporting Data	Train and Business Operations

*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
 December 1, 2014

Audit Title	Focus Area
11. Assessing the Efficiency and Effectiveness of Financial Accounting Systems Used to Support Business Line Decision-Making Processes	Governance
12. Monitoring of the FY 2014 Consolidated Financial Statement and Single (A-133) Audits	Governance
13. Assessing the Efficiency and Effectiveness of Management Processes for Utilizing Master Service Agreements	Acquisition and Procurement
14. Assessing Progress Made to Address Top Management and Performance Challenges	Governance
15. Assessing the Efficiency and Effectiveness of Management Processes for Billing and Collecting Reimbursable Expenses	Governance
16. Assessing the Effectiveness and Efficiency of the Zero Defect Program at New York's Pennsylvania Station	Asset Management
17. Assessing the Effectiveness and Efficiency of Management Processes for Video Surveillance Programs	Safety and Security
18. Assessing the Use of Best Practices in Passenger Boarding Procedures	Train and Business Operations

*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
December 1, 2014

## **GOVERNANCE**

We plan to start six audits in this area. Effective processes for governance and risk management are essential in helping the company avoid events that could negatively impact its financial and operational effectiveness. Our audits will focus on project management processes, validating data used to determine performance bonuses, the accuracy and usefulness of financial systems for decision making, monitoring of financial reporting by the company's independent public accountant, progress addressing top management challenges, and reviewing processes for billing and collecting reimbursable expenses.

1. **Assessing the Extent to Which Best Practices Are Being Incorporated into the Design of the Project Management Office.** The company is planning to implement a project management office in the Engineering department that will help manage projects across the company. The objective of this audit will be to review the extent to which best practices are being adopted in the development of the project management office structure and operational policies and practices.
2. **Validating the Reported Short-Term Incentive Goal Data.** As part of its Total Rewards employee compensation program, the company gives annual performance bonuses. The objective of this audit will be to review the accuracy of reported performance goals achievement data for fiscal year 2014.
3. **Assessing the Efficiency and Effectiveness of Financial Accounting Systems Used to Support Business Line Decision-Making Processes.** The company reorganized into business lines and support functions to improve its financial performance, a key strategic goal. The objective of this audit will be review the effectiveness and efficiency of the financial systems and data supporting business line management processes.
4. **Monitoring of the FY 2014 Consolidated Financial Statement and Single (A-133) Audits.** The company engages an independent public accounting firm to conduct annual audits of its consolidated financial statements and federal grant agreements. The objective of this review will be to ensure that these audits are performed in accordance with professional auditing standards.
5. **Assessing Progress Made to Address Top Management and Performance Challenges.** In 2014, we issued a report assessing the top management and

*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
December 1, 2014

performance challenges facing the company. The objective of this work will be to identify whether progress has been made since the prior report to address these challenges and identify any new management and performance challenges facing the company.

6. **Assessing the Efficiency and Effectiveness of Management Processes for Billing and Collecting Reimbursable Expenses.** The company is paid about \$200 million per year for performing reimbursable work for various customers. However, these payments have a history of billing disputes, accounts receivable with long turnover periods, and increasing accounts receivable balances. The objective of this audit will be to review the effectiveness and efficiency of the management processes used for billing and collecting reimbursable expenses.

### **Other Audits We Will Consider if Resources Allow**

- **Assessing Whether There are Opportunities to Reduce Host Railroad Administrative Charges.** Prior OIG reviews found that company management does not have proper controls over the invoice processes of its host railroads. The host railroad agreements are not always clear, and costs are not always adequately supported. The objective of this review will be to determine whether host railroad administrative costs are reasonable and to identify opportunities to reduce administrative costs.
- **Monitoring of the FY 2015 Consolidated Financial Statement and Single (A-133) Audits.** The company engages an independent public accounting firm to conduct annual audits of its consolidated financial statements and federal grant agreements. The objective of this review will be to ensure that these audits are performed in accordance with professional auditing standards.
- **Assessing the Efficiency and Effectiveness of Processes and Practices for Developing Operating and Capital Budgets.** The company's operating and capital budgets total more than \$4 billion, including federal subsidies. The objective of this audit will be to review the effectiveness and efficiency of management processes for developing the capital and operating budgets.



*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
December 1, 2014

## **ACQUISITION AND PROCUREMENT**

We plan to start four audits in this area. During fiscal year 2015, the company plans to acquire and procure more than \$2 billion in goods and services. To enhance the effectiveness and efficiency of the company's acquisition and procurement processes, our planned work will focus on the adequacy of contract oversight and performance and purchasing practices.

1. **Assessing the Efficiency and Effectiveness of Management Processes for Overseeing the Diesel Locomotive Support Contract.** The company has a diesel locomotive support contract with General Electric. The objective of this audit will be to review the adequacy of contract oversight and administration, focusing on cost, schedule, and performance in terms of the contract's effect on equipment availability and reliability rates.
2. **Assessing the Efficiency and Effectiveness of Management Processes for Overseeing the Siemens Locomotive Technical Support Contract.** In 2014, the company entered into a 15-year, \$300 million technical support contract with Siemens to maintain 70 Siemens-built ACS-64 locomotives. The objective of this audit will be to review the adequacy of contract oversight and administration, focusing on cost, schedule, and performance in terms of the contract's effect on equipment availability and reliability rates.
3. **Assessing the Effectiveness and Efficiency of Management Processes for Acquisition of New High-Speed Rail Trainsets.** The company estimates that it may spend up to \$3 billion on new high-speed rail equipment to replace its Acela Express fleet. The objective of this audit will be to review the management processes in place to oversee the acquisition process and contractor performance. The audit will also follow up on recommendations from our May 2014 report on the company's preliminary high-speed rail business case.
4. **Assessing the Efficiency and Effectiveness of Management Processes for Utilizing Master Service Agreements.** The company uses master agreements with vendors for commodities and services that are provided on a repeat basis. The objective of this audit will be to review the adequacy of agreement oversight and administration, focusing on cost, schedule, and performance in terms of whether these agreements are the most cost-effective contract vehicles for the company.

*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
December 1, 2014

### **Other Audits We Will Consider if Resources Allow**

- **Assessing the Effectiveness and Efficiency of Management Processes over Procurement Actions (Payment Requests) that are Accomplished Outside of the Standard Procurement Process.** Since fiscal year 2010, the company's use of payment requests has doubled. Payment requests are transactions in which the user department seeks repayment on charges it has already incurred. The objective of this audit will be to review the effectiveness and efficiency of management processes to oversee the use of payment request transactions.

*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
December 1, 2014

## **ASSET MANAGEMENT**

We plan to start two audits in asset management. The company's capital assets are valued at more than \$11 billion—including rolling stock, right of way, and other property. Optimizing the use of these assets will help the company achieve its corporate goals, particularly the goal of improving financial performance. Our work will focus on the effectiveness and efficiency of management processes over the use of construction and specialized equipment and efforts to improve track maintenance practices.

1. **Assessing the Efficiency and Effectiveness of Management Processes over Construction and Specialized Equipment.** The company owns or leases about 1,600 pieces of construction and specialized equipment. This audit will review the effectiveness and efficiency of processes for managing the use of this equipment, and the company's compliance with safety rules for construction and specialized equipment.
2. **Assessing the Effectiveness and Efficiency of the Zero Defect Program at New York's Pennsylvania Station.** This audit will review the effectiveness and efficiency of a new pilot program for improving track reliability through increased inspection and targeted maintenance practices.

### **Other Audits We Will Consider if Resources Allow**

- **Assessing the Efficiency and Effectiveness of Processes Used to Manage Fleet Overhauls.** The company estimated it would spend about \$250 million in FY 2014 capital funds to overhaul its locomotives and passenger cars. This audit will review the effectiveness and efficiency of the company's processes for managing equipment overhauls.

*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
December 1, 2014

## **SAFETY AND SECURITY**

We plan to start two audits in this area. The company has numerous ongoing programs to ensure the safety and security of passengers and employees. The company spends roughly \$100 million per year on these safety programs and its police department. Our work in this area will focus on the efforts to implement Positive Train Control, and on the efficiency and effectiveness in managing the use of surveillance equipment.

1. **Follow-Up of Efforts to Implement Positive Train Control.** This audit will identify the company's progress in implementing Positive Train Control, focusing on four challenges previously identified in our prior report, *Railroad Safety: Amtrak Has Made Progress in Implementing Positive Train Control, but Significant Challenges Remain* (Report No. OIG-E-2013-003, December 20, 2012).
2. **Assessing the Effectiveness and Efficiency of Management Process for Video Surveillance Programs.** Several departments use surveillance equipment to help carry out their missions. The objectives of this audit will be to review the effectiveness and efficiency of company-wide management processes for the use of video surveillance assets.

### **Other Audits We Will Consider if Resources Allow**

- **Assessing Whether Opportunities Exist to Reduce Trespassing Incidents.** Since 2005, trespasser injuries and fatalities have averaged about 100 per year. Trespassers can also cause significant damage to company property and cause significant train delays. The objective of this audit will be to review the effectiveness and efficiency of management processes for preventing trespasser incidents.

*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
December 1, 2014

## **TRAIN AND BUSINESS OPERATIONS**

We plan to start two audits in this area. In fiscal year 2014, the company carried about 31 million intercity passengers across more than 21,000 miles of track—serving 513 stations in 46 states, the District of Columbia, and 3 provinces of Canada. In doing so, the company operated about 300 trains every day. The company has established goals to improve train operations, financial performance, and customer service. Our work will focus on assessing the accuracy of on-time performance data and examining opportunities for the company to improve the effectiveness and efficiency of boarding procedures.

1. **Assessing the Accuracy of Host Railroad Performance Reporting Data.** The company prepares a monthly Host Railroad Performance Report that includes the on-time-performance results for each route. The company is in the process of developing an automated system to improve the accuracy of this data. The objective of this audit will be to review the reliability and accuracy of on-time data reporting.
2. **Assessing the Use of Best Practices in Passenger Boarding Procedures.** A potential area for improving customer service is the passenger boarding process. The objective of this audit will be to review the effectiveness and efficiency of management processes for boarding passengers.

### **Other Audits We Will Consider if Resources Allow**

- **Assessing the Efficiency and Effectiveness of Management Processes Used in Making Train Crew Staffing Decisions.** To ensure that enough employees are available throughout the country to crew trains, the company keeps about 20 percent to 30 percent additional crew on standby to cover for absences. The objective of this audit will be to review the effectiveness and efficiency of management processes for crew scheduling and staffing decisions.
- **Assess the Effectiveness and Efficiency of Maintenance Management Processes on the Northeast Corridor.** Track defects and other maintenance issues can impact trains' on-time performance, a critical measure that affects customer satisfaction and revenues. The objective of this audit will be to review the effectiveness and efficiency of maintenance management processes for the Northeast Corridor.

*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
December 1, 2014

- **Identifying Best Practices for Ensuring that Future Rolling Stock Assets are Commissioned Effectively and Efficiently.** The company is commissioning new electric locomotives and long-distance passenger cars. The objective of this audit will be to review the effectiveness and efficiency of management processes in commissioning this equipment and future equipment.

*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
December 1, 2014

## **HUMAN CAPITAL MANAGEMENT**

We plan to start one audit in this area. The company employs approximately 18,000 agreement-covered union employees and approximately 3,000 non-agreement-covered management employees throughout the United States. As with other large organizations, the company faces many challenges in successfully managing a large, diverse workforce. Our work will focus on identifying opportunities to better control health care fraud.

1. **Assessing the Effectiveness and Efficiency of Management Processes to Prevent and Detect Health Care Fraud.** The Federal Bureau of Investigation estimates that fraudulent billings account for 3-10 percent of a company's total health care expenses. The objective of this audit will be to review the effectiveness and efficiency of management processes to prevent and detect health care fraud.

### **Other Audits We Will Consider if Resources Allow**

- **Validate Savings Resulting From Implementation of the Total Rewards Program.** The company recently implemented a new compensation and benefits program for management employees. The objective of this audit will be to review the accuracy of the reported savings associated with implementing the Total Rewards Program.
- **Assessing the Effectiveness and Efficiency of On-Boarding New Employees with a Focus on the New Employment Eligibility Verification Form Processing System.** Efficient and effective employee onboarding is a key function of human capital management. The objective of this audit will be to review the effectiveness and efficiency of management processes related to on-boarding new hires.
- **Survey of Agreement Workforce Management Issues.** This work would focus on the effectiveness and efficiency of processes used to manage agreement employee's workforce issues. The survey will identify potential audits of workforce management processes.

*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
December 1, 2014

## **INFORMATION TECHNOLOGY**

We plan to start one audit in this area. The company relies on information technology to improve productivity and deliver safe, reliable customer service. Many of the company's information systems require steady investment and continuous improvement to prevent obsolescence and critical failure. Our work will focus on ways to improve the effectiveness and efficiency of a new information technology program developed by the Operations department.

1. **Assessing the Efficiency and Effectiveness of Management Processes for the Operations Foundation Program.** This multi-year technology improvement program is estimated to cost more than \$400 million, with a fiscal year 2015 budget of about \$44 million. The objective of this audit will be to review the effectiveness and efficiency of the planning, development, and contract oversight of this program.

### **Other Audits We Will Consider if Resources Allow**

- **Assessing the Efficiency and Effectiveness of Management Processes for Implementing Broadband Wi-Fi Service on Trains.** The company is planning a multi-year effort to build a trackside, broadband wireless network infrastructure in the Northeast Corridor to improve the wireless experience for its corridor customers. The objective of this audit will be to review the effectiveness and efficiency of management processes implementing broadband Wi-Fi service on trains.
- **Assessing the Efficiency and Effectiveness of Policies and Practices for Managing the Centralized Electrification and Traffic Control System.** The Centralized Electrification and Traffic Control system controls rail traffic, signaling, and power supply in the busy Northeast Corridor from control centers in Washington, Wilmington, New York, and Boston. The objective of this audit will be to review the effectiveness and efficiency of the application and general controls, and use of the newly deployed traffic control system.
- **Assessing the Adequacy of Company-wide Cybersecurity Controls.** The company increasingly relies on information technology to support its business operations, including \$1.7 billion in tickets booked online. The objective of this



*Amtrak Office of Inspector General*  
**Audit Plan for Fiscal Year 2015**  
December 1, 2014

audit will be to review the effectiveness and efficiency of management processes for maintaining information cybersecurity controls.

## OIG MISSION AND CONTACT INFORMATION

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**Amtrak OIG's 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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