



December 19, 2012

The Honorable Darrell E. Issa, Chairman
The Honorable Elijah E. Cummings, Ranking Member
Committee on Oversight and
Government Reform
House of Representatives

Dear Mr. Chairman and Ranking Member Cummings:

This letter responds to your December 5, 2012, request for information on the Amtrak Office of Inspector General (OIG) high-priority recommendations for improving efficiency at Amtrak, and our annual work plan. Information on high-priority recommendations is described below and our work plan is available at [Annual Audit, Inspection, and Evaluation Plan, Fiscal Year 2013](#).

Whenever possible we identify the potential cost savings associated with our recommendations. In some cases, however, our recommendations address major management actions that have the potential to substantially improve Amtrak economy and efficiency and in turn achieve unquantified, but significant savings. The recommendations listed below include quantified and unquantified potential savings. Additionally, potential savings are not always tied directly to individual recommendations. Some are tied to groups of recommendations or to all recommendations in a particular report; therefore, some of the recommendations reported below are actually summaries reflecting multiple recommendations.

Your request, along with our specific responses, follows:

1. Identify your office's five highest-priority short-term recommendations to improve agency efficiency and reduce waste. For purposes of this request, please consider any recommendation that could be implemented within one year to be a short-term recommendation.

- We reviewed Amtrak's fiscal year 2010 Fleet Strategy and found that by conducting additional and more detailed analysis of its fleet procurement needs, Amtrak could

potentially reduce its overhaul and procurement costs by between \$694 million and \$1.2 billion over the next 30 years. (Report number E-11-02, March 31, 2011).

- Over the years, we have published multiple audits of host railroad invoices submitted to Amtrak for costs and on-time performance incentives. We have found that Amtrak's invoice-review process did not detect errors, leading to overpayments. We have made multiple recommendations that Amtrak take efforts to recover the overpayments and make improvements to its invoice-review process. Amtrak has made significant progress toward improving its invoice-review process. It has realized more than \$38.4 million in savings from settlements with host railroads. This amount includes over \$19 million in cash or credits and more than \$19.4 million from a release of claims for on-time-performance incentives. Additionally, Amtrak has the opportunity to recover over \$15.5 million in overpayments identified by our office in eight reports issued since August 2001.¹
- We have made two recommendations related to the use of funds from the American Recovery and Reinvestment Act of 2009 (ARRA) that have yet to be implemented by Amtrak.
 - First, we identified \$1.4 million that could be put to better use if Amtrak gives priority to completing canceled ARRA projects when making future infrastructure-improvement project-selection decisions. (Report number 908-2012, June 22, 2011).
 - Second, we recommended that Amtrak recover \$1.2 million in questioned costs identified in invoices for three ARRA contracts awarded to complete construction and inventory security projects. Amtrak informed us it is actively pursuing this recommendation. (Report number OIG-A-2012-021, September 21, 2012).

¹ This amount is as of December 19, 2012. (Report numbers 506-2001, August 3, 2001; 507-2001, August 31, 2001; 508-2001, September 12, 2001; 509-2001, September 21, 2001; 403-2010, April 21, 2011; OIG-A-2012-004, February 15, 2012; OIG-A-2012-013, June 29, 2012; and OIG-A-2012-019, September 5, 2012).

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2. Identify your office's five highest-priority long-term recommendations to improve agency efficiency and reduce waste. For purposes of this request, please consider any recommendation that cannot be implemented within one year to be a long-term recommendation.

- We made multiple recommendations in two reports related to improvements in Amtrak's mechanical maintenance program. While Amtrak has implemented some of the report recommendations, saving approximately \$38 million annually, we estimate that by adopting a new mechanical maintenance philosophy and other efficiency improvement initiatives, Amtrak could save an additional \$62 million per year in mechanical maintenance costs. (Report numbers E-05-04, September 6, 2005; and OIG-E-2012-008, May 21, 2012).
- Our review of Amtrak's human capital management found that by leveraging new technology and improving the efficiency of human resource processes, Amtrak could save over \$23 million per year. (Report number E-09-03, May 15, 2009).
- Our review of Amtrak's training and employee development practices found that by improving the efficiency of its training, Amtrak could save approximately \$8 million per year. (Report number E-09-06, October 26, 2009).
- We recommended that Amtrak develop and implement an enterprise risk management process for the entire organization that is consistent with best practices in the private sector such as the risk management framework developed by the Committee of Sponsoring Organizations. While Amtrak's Board Chairman and Chief Executive Officer stated that they planned to implement enterprise risk management and the Company is now developing an approach for implementing risk management as part of its Strategic Management System, this effort is not yet complete. Implementing an effective risk management process across the enterprise has the potential for millions of dollars in savings over an extended period. (Report number OIG-A-2012-007, March 30, 2012).

3. Describe whether and in what ways agency management solicits input from you and your office about how to improve efficiency and reduce waste.

By design and in agreement with Amtrak management, we request and management solicits and provides input to the OIG in numerous formal and informal ways. These include, but are not limited to:

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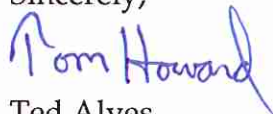
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- Requests for input from the Company as part of our annual planning and longer-term strategic planning processes;
- Input solicited during regular meetings between the Inspector General and members of the Executive Committee;
- Input solicited during the Inspector General's executive sessions with the Board of Directors;
- Requests, as desired, for input in implementing our recommendations; and
- Requests for the OIG to examine specific issues or areas, including our reports on enterprise risk management, the proposed Acela car purchase, and the claims program.

If you have any questions, please contact me at 202.906.4499 (Ted.Alves@amtrakoig.gov) or Bret Coulson, Senior Director for Congressional and Public Affairs, at 202.906.4134 (Bret.Coulson@amtrakoig.gov).

Sincerely,



Ted Alves
Inspector General