



AMTRAK | Office of
Inspector General
www.amtrakoig.gov

SEMIANNUAL REPORT

to the United States Congress

April 1, 2012–September 30, 2012

Report No.
46





Main Street Station, Richmond, VA



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Union Station, Washington , DC



National Railroad Passenger Corporation Office of Inspector General

Pursuant to the Inspector General Act of 1978, as amended, I am pleased to provide the Amtrak Office of Inspector General *Semiannual Report to the United States Congress* for the six months ending September 30, 2012. This report highlights our significant audit, evaluation, and investigative accomplishments that support congressional oversight and Amtrak's accomplishment of its strategic goals. It also addresses our actions to continually improve our operational performance.

Significant Accomplishments

As part of our goal to become a model Office of Inspector General, I want to note that during this period we achieved two—"firsts." We issued our first audit report on issues related to oversight of Amtrak's independent public accountant and were selected to receive our first Council of the Inspectors General on Integrity and Efficiency awards for the work of our evaluation and investigation offices.

Additionally in direct support to the Congress, I testified twice before the Committee on Transportation and Infrastructure, House of Representatives. On August 2, 2012, I testified regarding our work on Amtrak's food and beverage service, and on September 20, 2012, I testified regarding ways to improve the efficiency and effectiveness of Amtrak's operations and service that can lead to financial benefits and help reduce Amtrak's reliance on federal subsidies.

Also, our audit and evaluation offices continued to be productive. They issued 10 reports along with the two testimonies; together they identified \$6.4 million in questioned costs. The reports included numerous recommendations to improve Amtrak's efficiency and effectiveness, such as recommendations to control the use of drugs and alcohol by employees in safety-sensitive positions. Our investigative work also continued to focus on preventing and detecting illegal activity and reported on significant fraud in the use of overtime. Examples of our audit, evaluation, and investigative accomplishments during this period follow:

- We reported that Amtrak employees in safety-sensitive positions are testing positive for drugs and alcohol more frequently than their peers in the railroad industry. Amtrak was not exercising due diligence to control the use of drugs and alcohol by these employees. Amtrak management

concluded with our recommendations and established time frames for Amtrak to implement the recommendations. (Report OIG-E-2012-023)

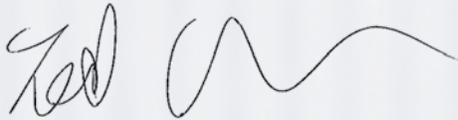
- We issued our first ever report addressing issues related to oversight of Amtrak's Independent Public Accountant and determined that management carried out its responsibilities for overseeing the audit process in a generally effective manner; however, we identified opportunities for improvement. Amtrak's Chairman, Audit and Finance Committee and Acting Chief Financial Officer agreed with all of our recommendations and stated that they are committed to implementing the necessary best practices we suggested to strengthen the company's procedures related to the facilitation and oversight of the annual financial statement audit process. (Report OIG-A-2012-017)
- We identified that accountability for program results and program-wide planning for the food and beverage program management could be improved. The company concurred with our recommendations and is taking steps to improve program accountability and to develop a plan to reduce direct operating losses. (Report OIG-A-2012-020)
- We found significant management control weaknesses in Amtrak's hiring practices, in general, particularly, in its use of background investigation information. These weaknesses have led to the waste of resources and the hiring of employees with past performance or other concerns, creating risks to Amtrak's passengers, employees, and operations. Management overall, with some exceptions, agreed with our recommendations and is committed to developing and implementing internal controls to strengthen policies and procedures. (Report OIG-A-2012-014)
- In the investigative area, we continued to be productive in preventing and detecting fraud in areas such as excessive overtime, contracting and procurement, claims and healthcare fraud. For example, we reported on multiple employees who claimed and were paid at premium overtime rates for hours they did not work, the misuse of computer resources, and a pervasive lack of supervision by management officials. We also identified instances of insurance fraud, employee theft, and violation of corporate policies. The company acted quickly to address these issues.
- In addition to criminal enforcement and monetary recoveries, our investigation programs focus on identifying areas in which Amtrak management can improve economy, efficiency and effectiveness. Our investigators made 17 specific recommendations to Amtrak management in such areas as improving internal controls to prevent waste and fraud in overtime, increased surveillance of employee use of company computers, enhanced controls over contracting processes, and better methods for sampling and testing locomotive diesel fuel. The company accepted all of these recommendations and has implemented, or is in the process of implementing them.

Significant Actions Taken to Continually Improve Operations

Our efforts to continuously improve our operations included developing new products for internal and external communications, strengthening external relationships through new outreach meetings, developing new policies and procedures, upgrading data analysis capabilities, and concluding the implementation of the recommendations made by the National Academy of Public Administration.

I look forward to continuing to work constructively and professionally with Amtrak's Board members, its Chairman, its President and Chief Executive Officer, and Amtrak executives, along with the authorizing, appropriations, and oversight committees of the Senate and House of Representatives. My goal is to continually seek ways to improve both Amtrak's effectiveness and efficiency and the Office of Inspector General's mission performance.

As I start my fourth year as Inspector General and reflect on our accomplishments over this time, I want to acknowledge the effort of our staff for making all of this possible. The company's effective and efficient stewardship over its resources remain paramount in an increasingly constrained federal funding environment. We will continue to identify ways to help the company in meeting its stewardship responsibilities and support Congress in meeting its oversight responsibilities. As Amtrak Inspector General, this is my commitment to you.

A handwritten signature in black ink, appearing to read 'Ted Alves', followed by a long, wavy horizontal line.

Ted Alves
Inspector General



South Station, Boston

OIG Profile

Vision, Mission, and Authority

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 for Amtrak to consolidate existing 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

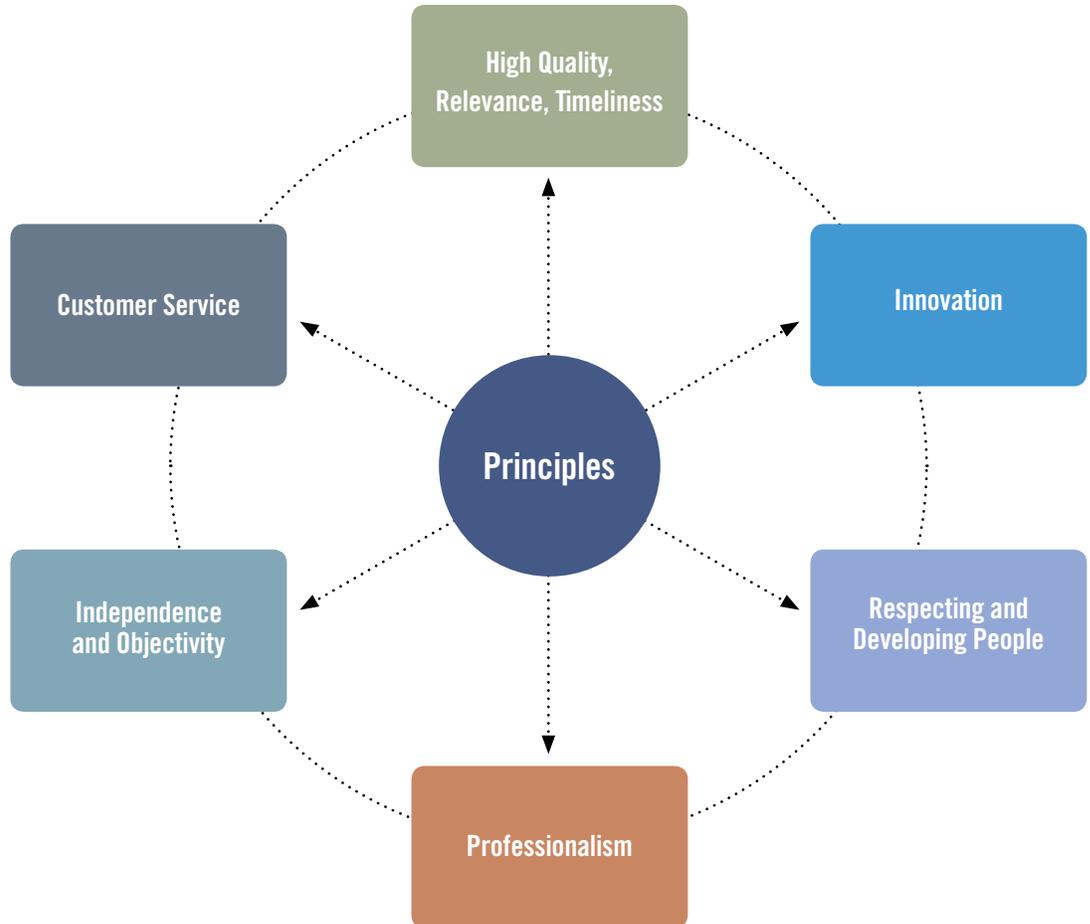
To provide independent, objective oversight of Amtrak's programs and operations through audits, inspections, evaluations, and investigations focused on recommending improvements to Amtrak's economy, efficiency, and effectiveness; preventing and detecting fraud, waste, and abuse; and providing Congress, Amtrak Management and Amtrak's Board of Directors with timely information about problems and deficiencies relating to Amtrak's programs and operations.

Vision

The 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.

Guiding Principles

Amtrak’s OIG’s guiding principles are important because they form the integrated process to accomplish our mission and conduct our day-to-day operations:

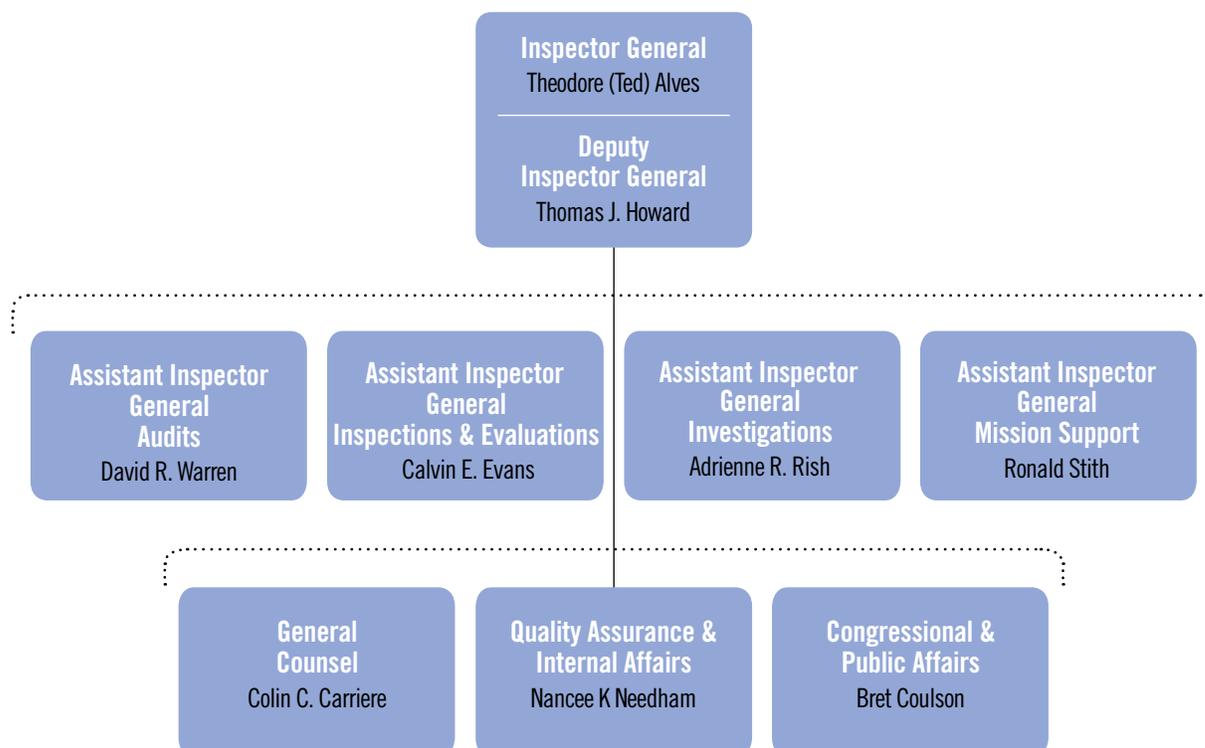


- **High Quality, Relevance, Timeliness**—Provide valuable and timely service. Work products are of high quality, relevant, timely, add value, and are responsive to the needs of Amtrak and its stakeholders.
- **Innovation**—Be innovative, question existing procedures, and suggest improvements. New ideas and creativity are fundamental to continued growth, development, and problem-solving.
- **Respecting and Developing People**—Create an environment that supports gathering, sharing, and retaining knowledge; fosters treating everyone fairly and with mutual respect through words and actions; ensures professional

- growth; and values the diverse backgrounds, skills, and perspectives of employees.
- **Professionalism**—Be committed to our professional standards and foster relationships with stakeholders that rely on communication and cooperation. Relationships with program managers are based on a shared commitment to improving program operations and effectiveness.
- **Independence and Objectivity**—Be committed to carrying out our mission with objectivity and independence, both in fact and appearance.
- **Customer Service**—Strive to be aware of the needs of stakeholders and work with Congress, Amtrak management, and Amtrak’s Board of Directors to improve program management.

OIG Organization

The OIG headquarters is based in Washington, D.C., with field offices, located in Boston, Chicago, Los Angeles, and Philadelphia.



The Inspector General provides policy direction and leadership for Amtrak's OIG and serves as an independent voice to Congress, Amtrak management, and Amtrak's Board of Directors by identifying opportunities and promoting solutions for improving the company's performance and economy and efficiency of operations, while preventing and detecting fraud, waste, and abuse. The Deputy Inspector General assists the Inspector General in developing and implementing the OIG's diverse audit, inspection, evaluation, investigative, legal, and mission support operations.

Audits. The Office of Audits conducts performance and financial audits across the spectrum of Amtrak's support and operational activities. It produces reports on those activities aimed at improving Amtrak's economy, efficiency, and effectiveness, while seeking to detect and prevent fraud, waste, and abuse. Audit activities are focused on issues related to governance, to include financial management, acquisition and procurement, information technology, human capital, and American Recovery and Reinvestment Act-related activities. The group conducts its work in accordance with generally accepted government auditing standards.

Inspections and Evaluations. The Office of Inspections and Evaluations conducts evaluations of Amtrak programs and operations to identify opportunities to improve cost efficiency and effectiveness, and the overall quality of service delivery throughout Amtrak.

Investigations. The Office of Investigations pursues allegations of fraud, waste, abuse, and misconduct that could affect Amtrak's programs, operations, assets, and other resources. Investigative findings are referred to the Department of Justice for criminal prosecution or civil litigation, or to Amtrak management for administrative action. The office develops recommendations to reduce Amtrak's vulnerability to criminal activity.

General Counsel. The General Counsel is responsible for providing legal assistance and advice to OIG senior management and supports audits, evaluations, special reviews, and investigations. Counsel coordinates with outside attorneys, including local and federal agencies and law enforcement attorneys, and appears in court on behalf of the OIG and its employees.

Mission Support. The Office of Mission Support provides financial management, procurement, human capital management, administrative, information technology, and communications expertise to support OIG operations.

Congressional and Public Affairs. The Office of Congressional and Public Affairs serves as the OIG liaison to Congress and other government entities the media, and the public, and conducts OIG outreach.

Quality Assurance and Internal Affairs. The Office of Quality Assurance and Internal Affairs provides guidance and monitors the system of quality control for audits and inspections and evaluations as well as conducts inquiries into allegations of misconduct by or involving OIG employees.

Amtrak Profile

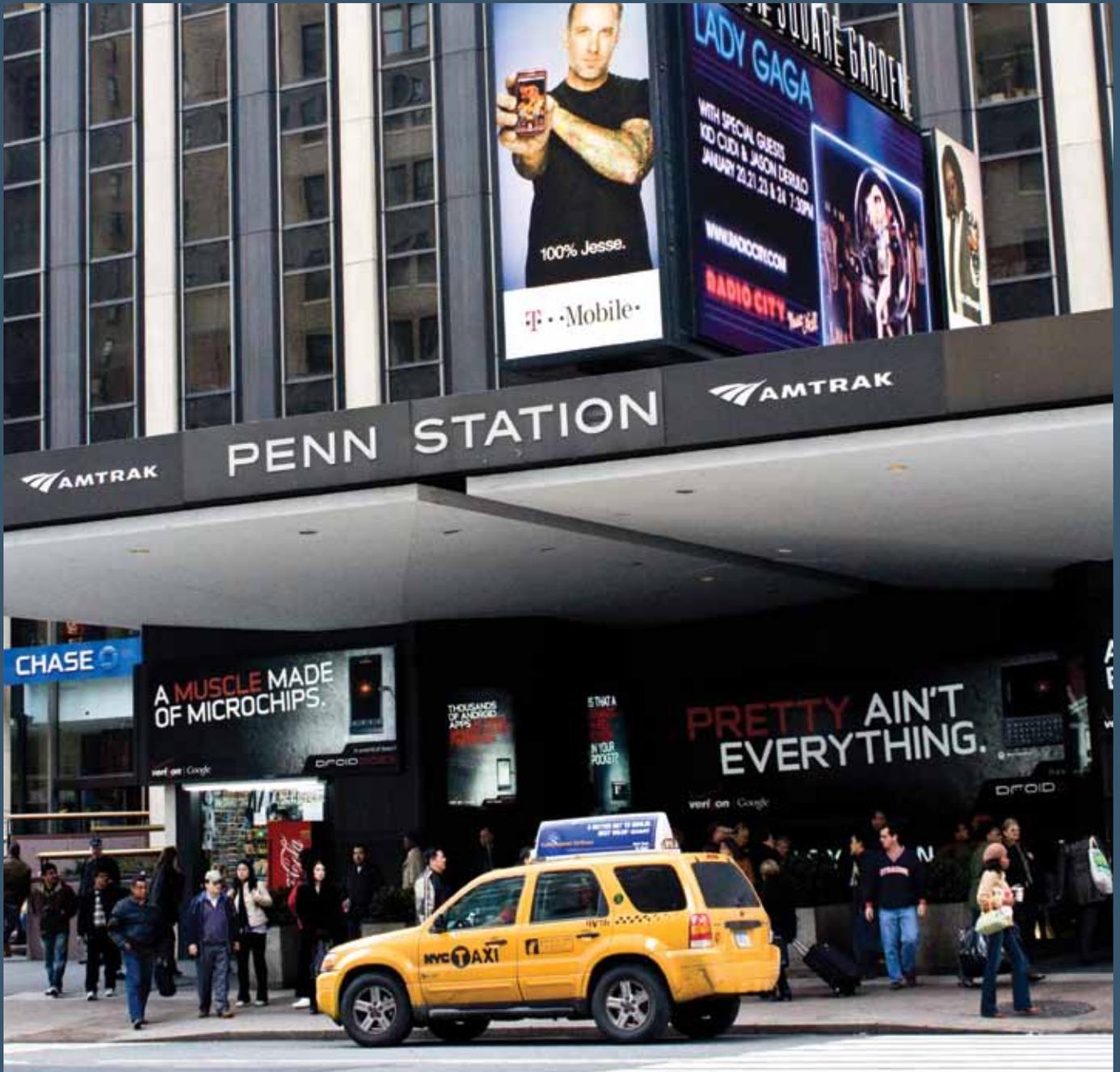
The National Railroad Passenger Corporation—Amtrak—is incorporated under the District of Columbia Business Corporation Act (D.C. Code § 29-301 et seq.) in accordance with the provisions of the Rail Passenger Service Act of 1970 (P. L. 91-518). The Passenger Rail Investment and Improvement Act of 2008 (P. L. 110-432; 49 U.S.C. § 24302) reauthorized Amtrak and strengthened the U.S. passenger rail network by tasking Amtrak, the U.S. Department of Transportation, the Federal Railroad Administration, states, and other stakeholders with improving intercity passenger rail service, operations, and facilities.

The company is operated and managed as a for-profit corporation providing intercity rail passenger transportation as its principal business, but relies on significant funding from the federal government to support operations and capital investments. Congress created Amtrak in 1970 to take over, and independently operate, the nation's intercity rail passenger services. Prior to this, America's private freight companies ran passenger rail as required by federal law. Those companies reported that they had operated their passenger rail services without profit for a decade or more. With this in mind, Amtrak began service on May 1, 1971.

How It Works: Ownership and Contracting

Amtrak manages 20,000 employees and operates over a 21,100 mile system, although over 20,000 of those miles of track belong to other companies, principally freight railroads. Amtrak serves over 500 stations; of those it owns 63 station structures, but also has at least partial responsibility under the Americans with Disabilities Act for some component (i.e., station structure, platform or parking lot) of approximately 390 stations.

Amtrak owns most of the maintenance and repair facilities for its fleet of about 2,650 cars and locomotives (including equipment owned by third parties). Outside of the Northeast Corridor (Boston to Washington, D.C.), Amtrak contracts with freight railroads for the right to operate over their tracks. These host railroads are responsible for the condition of their tracks and for the coordination of all railroad traffic.



Pennsylvania Station, New York

Significant Activities:

AUDITS

During this reporting period, OIG issued two testimony statements and seven audit reports, summarized below. The full reports may be accessed through our website: www.amtrakoig.gov.

FOOD AND BEVERAGE SERVICE: Opportunities Exist to Build on Program Improvement Initiatives

(OIG-T-2012-015, August 2, 2012)

On August 2, the Inspector General testified on our work on Amtrak's food and beverage service. Losses on food and beverage service have been a long-standing issue at Amtrak. In fiscal year 2011, Amtrak reported a direct operating loss of almost \$85 million. Long-distance routes accounted for about \$74 million (87 percent) of these losses. Mr. Alves' testimony focused on three areas:

1. Actions Amtrak has underway to address our prior recommendations to improve internal controls that have left food and beverage revenues and inventories vulnerable to fraud, waste, and abuse;
2. Preliminary observations from our ongoing food and beverage service audit that indicate that program improvement initiatives can be enhanced by consolidating the fragmented management structure, which is causing weaknesses in program accountability and planning;
3. Best business practices work we plan to complete over the next six months to identify ways to help mitigate food and beverage operating losses.

Opportunities for Amtrak to Build on Its Initiatives to Improve Efficiency and Effectiveness

(OIG-T-2012-022, September 20, 2012)

On September 20, Mr. Alves testified how improvements in the efficiency and effectiveness of Amtrak's operations and service can lead to financial benefits and help reduce Amtrak's reliance on federal subsidies. The company received \$562 million and \$466 million from the federal government for operations in fiscal years 2011 and 2012, respectively. The company also received \$922 million and \$952 million from the federal government for general capital and debt service in fiscal years 2011 and 2012, respectively.

Over the past couple of years, Amtrak has taken important steps to set a foundation for improving its operational efficiency and effectiveness. At the same time, Amtrak has opportunities to do more to improve its bottom line while meeting the expectations of Congress and the American traveling public. The testimony focused on three areas:

1. Initiatives Amtrak has underway to improve the efficiency and effectiveness of its operations and service.
2. Opportunities we have identified based on our recent work in which Amtrak can build on those initiatives to reduce federal subsidies.
3. Future work we plan to undertake to identify additional opportunities for Amtrak to become more efficient and effective.

ON-TIME-PERFORMANCE INCENTIVES: Inaccurate Invoices Were Paid

(OIG-A-2012-013, June 29, 2012)

The objective of this audit was to determine whether Southern Pacific Transportation Company's (the host railroad) on-time-performance incentives invoiced to Amtrak from January 1997 through December 1999 were accurate. Southern Pacific invoices to Amtrak for on-time-performance payments from January 1997 through December 1999 contained certain errors. Although Amtrak's invoice-review process had detected about \$1 million in errors, we found additional errors that resulted in \$1,430,113 in overpayments.

These additional errors went undetected and the invoices were paid because, as previously reported, Amtrak did not have in place an adequate invoice-review process during that period. As discussed in a recently issued report, Amtrak is making progress in improving its invoice-review process. Amtrak's Acting Chief Financial Officer (CFO) agreed with our recommendation to take action to recover the \$1,430,113 that, according to our audit, Amtrak overpaid the host railroad.

**HUMAN CAPITAL MANAGEMENT:
Weaknesses in Hiring Practices Result
in Waste and Operational Risk**

(OIG-A-2012-014, July 19, 2012)

The OIG conducted this audit after receiving a request from Amtrak's President and Chief Executive Officer (CEO), to review issues related to the performance of background investigations. Thorough and comprehensive background investigations are key to reducing the risk that new employees are unqualified, dishonest, unreliable, or otherwise pose a security risk. Further, recruiting, hiring, and training new employees is a costly process, and ineffective background investigations can lead to waste of these investments, if employees are terminated soon after being hired.

Our objectives were to determine whether, (1) Amtrak was making effective and efficient use of background investigations to help ensure prospective employees are qualified, honest, reliable, and do not pose a security threat; and (2) background investigation services were purchased in a manner consistent with procurement policy.



Significant management control weaknesses exist in Amtrak's hiring practices, in general; particularly in its use of background investigation information. These weaknesses have led to the waste of resources and the hiring of employees with past performance or other concerns that create risks to Amtrak's passengers, employees, and operations. A review of hiring practices for 50 cases, with an emphasis on the use of background information, showed that the practices did not effectively help ensure that newly hired employees were qualified, honest, reliable, and did not pose a security threat.

Human capital recruiters did not review background investigation reports and did not compare the reports' information to the employment applications' information. Consequently, individuals were hired even though the background report or other information raised concerns. In 38 of 50 cases, we found inconsistencies between the employment application and the background investigation which raised employment suitability questions, yet the applicant was hired. In 18 of these cases, the individual was terminated for performance or disciplinary reasons after a relatively short period of employment. In the other cases, the individuals are still employed.

We recommended that the Chief Human Capital Officer revise human capital policies to require that recruiters review background investigations and applications prior to employment start and to verify that nothing in the background investigation disqualifies the applicant from employment. Specifically, human capital policy should require that background investigations be completed, background investigation information be fully compared with prospective employee applications, and prospective employees' applications claims be verified. We also recommended that the Chief Human Capital Officer establish requirements for background investigations, conduct training for employees involved in the hiring process, and award a contract or contracts to ensure that they are completed in a timely manner and readily identify hiring concerns.

In commenting on a draft of this report, Amtrak management stated that it is committed to developing and implementing the necessary internal controls to strengthen the company's policies and procedures surrounding the hiring and background investigation processes. Management, with some exceptions, agreed with our recommendations. Management's comments were generally responsive to the intent of our recommendations.

CLAIMS PROGRAM: Use of Best Practices Would Strengthen Management Controls

(OIG-A-2012-016, August 14, 2012)

The OIG conducted an audit of the management controls over the Amtrak claims program. Our objective was to review the adequacy of management controls over the claims program from initial receipt through settlement of claims. We compared best practices for management controls with the Law Department's Claims and Tort Litigation Group's (Claims Office) existing controls.

The Claims Office manages the program for settling claims against Amtrak by employees, passengers, trespassers, and others; it also manages claims by Amtrak for passenger trains and property damage caused by third parties. Our audit focused on Amtrak's policies, procedures, and management controls.

Our comparison of best practices with Amtrak's management controls showed that adopting some best practices can strengthen the management control environment over the claims program. In commenting on the draft report, the Vice President, General Counsel, stated that the Law Department and Claims Office agreed with all our recommendations and have begun or planned to take corrective action. The actions Amtrak has taken and plans to take meet the intent of our recommendations.

AMTRAK INVOICE REVIEW: Undetected Errors Resulted in Overpayments

(OIG-A-2012-019, September 5, 2012)

The OIG conducted this audit because of previously identified control weaknesses and the significant amount of money associated with Amtrak's service costs and on-time-performance incentive payments to host railroads. At the time, our office had identified more than \$79.5 million in overpayments and potential recoveries disclosed in OIG audit reports issued since 1995. This does not include the over \$3 million identified in this report, but does include over \$19 million in overpayments that had already been collected. This report is part of a series of OIG audits of Amtrak's payments to host railroads.

The objective of this audit was to determine whether Union Pacific invoices to Amtrak for service costs and on-time-performance incentives from January 2004 through June 2008 were accurate.

Union Pacific invoice amounts were not consistently accurate. The inaccuracies occurred because invoices were not consistently calculated in accordance with the operating agreement between Amtrak and Union Pacific or were unsupported. In total, Amtrak overpaid Union Pacific about \$3.5 million.



Orlando, FL

The errors identified in this report do not include and are in addition to the over \$1.2 million in errors uncovered by Amtrak's invoice-review process. Our review of judgmentally selected Union Pacific invoices for the 54 month period (January 2004 through June 2008) disclosed Union Pacific overbilling of about \$2.4 million. In addition, errors for three cost components – General Administration, Communications, and Train Water—continued beyond the period initially reviewed. In expanding the scope of our work to address this issue, we determined that Union Pacific overbilled Amtrak about an additional \$1.1 million from July 2008 through December 2011, totaling the \$3.5 million overbilled.

The billing errors went undetected because, as previously reported, Amtrak did not have in place an adequate review process during this period. As discussed in a report issued earlier this year, Amtrak is making progress in improving its invoice-review process. The invoice overpayments affect Amtrak's cash flow and ability to effectively manage its activities. Further, these funds, had they been available, might have been used in other areas or to reduce reliance on federal subsidies. We recommended that Amtrak's Acting CFO act to recover the \$3,473,737 that Amtrak overpaid Union Pacific.

Amtrak management stated that the report provides useful information and indicated its intent to enter into appropriate conversations with Union Pacific. Specifically, management stated that the Managing Deputy General Counsel, on behalf of Amtrak's Transportation and Finance departments, will pursue

any amounts that are recoverable under the law and within the terms of the applicable operating agreements between Amtrak and Union Pacific. Additionally, management stated that it remains committed to making valuable improvements to the host railroad invoice administration review process, and continues to progress with developing a process that facilitates complete and thorough invoice reviews prior to payment. Management's comments meet the intent of our recommendation.

FOOD AND BEVERAGE SERVICE: Initiatives to Help Reduce Direct Operating Losses Can Be Enhanced by Overall Plan

(OIG-A-2012-020, September 7, 2012)

Amtrak operates more than 300 intercity trains each day on the Northeast Corridor, state-supported routes, and long-distance routes. Most long-distance trains include a full-service dining car, which serves hot meals for breakfast, lunch, and dinner. Many state-supported and Northeast Corridor routes include a cafe car, which offers sandwiches, snacks, and beverages. Over the last six years Amtrak's food and beverage service has incurred a direct operating loss of over \$526 million. Losses in food and beverage have been a long-standing issue, requiring federal subsidies to support food and beverage operations. Given the size of the losses and continued need for federal subsidies, we reviewed Amtrak's management of its food and beverage service.

Our reporting objectives were to (1) determine whether opportunities existed to improve food and beverage program management, accountability and planning, and (2) follow up on actions taken in response to our June 2011 recommendations to reduce vulnerability to fraud, waste, and abuse.

We identified two areas where food and beverage program management could be improved—accountability for program results and program-wide planning. We believe these management weaknesses stem from a fragmented program management structure. Food and beverage activities are carried out by two departments—the Marketing and Product Development Department manages commissary and support operations, while the Transportation Department manages on-board service personnel—but their activities are not well-coordinated.

On July 19, 2012, the Vice President, Operations, announced the establishment of a Chief of Customer Service position within the Transportation Department. The Vice President later stated that the Chief of Customer Service will have accountability for improving Amtrak's food and beverage service program.

The Vice President added that Marketing and Product Development's food and beverage service activities will be transferred to Operations as of October 1, 2012. We are encouraged by these recent developments and believe that once these actions are fully implemented, Amtrak will have in place a more effective and efficient framework for managing food and beverage services.

Further, Amtrak has taken action or has plans to address two of the three recommendations contained in our July 2011 report. First, Amtrak has established a loss-prevention unit and has plans to develop an internal control action plan. Second, while Amtrak has not taken any action on our recommendation to establish a pilot cashless project, Amtrak's President and CEO indicated that Amtrak will conduct a test of cashless sales. We support this planned action.

We recommended that Amtrak develop a five-year plan for reducing its direct operating losses. The plan should include specific initiatives and annual operating loss reduction goals while retaining needed services. In commenting on a draft of this report, Amtrak's Vice President, Operations, concurred with our recommendation and stated that Amtrak will develop a plan within six months of filling the Chief of Customer Service position and will provide the OIG an update at that time.

AMERICAN RECOVERY AND REINVESTMENT ACT: Some Questioned Invoice Charges and Minimal Benefit From Duplicative Invoice-Review Process

(OIG-A-2012-021, September 21, 2012)

On August 17, 2009, Amtrak entered into a contract with a project management company (Jacobs) to provide program management services for 34 projects, with a budget of \$463.6 million. These projects were funded under the American Recovery and Reinvestment Act (ARRA). The contract requires Jacobs to review and approve invoices submitted by the design/build contractors. Amtrak also hired another contractor, a joint venture between URS Corporation and CH2M Hill, Inc. to provide program management oversight, including a second review of design/build contractor invoices. Thorough and accurate review of invoices is a critical management control to help avoid overpayment for services and avoid unnecessary costs of recovering overpayments. Given the large value of design/build contracts and the risk of significant overpayments from inadequate review processes, we reviewed the adequacy of the processes for three ARRA contracts valued at more than \$158.8 million.

Our objectives were to determine whether the (1) costs billed by the design/build contractors were adequately supported and allowable under the contracts terms and conditions and (2) process to review design/build contractors invoices was effective and economical.

Most of the invoiced costs were adequately supported and allowable for about \$35.7 million of the \$158.8 million of invoiced costs that we reviewed. However, we questioned about \$1.2 million of the costs (3 percent) because they were not adequately supported or allowable. We also found that Amtrak put in place a duplicative and costly process to review contractor invoices that added little value. This duplicative review process cost an additional \$2.2 million.

Overall, the invoice-review process did not fully ensure that contractors adhered to all contract terms and conditions, thus resulting in some overpayments. Further, the duplicative review process that Amtrak established resulted in minimal benefit. Since the contract has been completed, Amtrak cannot recover its costs from this duplicative review process. However, it can take steps to ensure that such a process is not established in any future contracts.

We recommended that Amtrak (1) recover over \$1.2 million in questioned costs identified in the report; (2) direct the program manager to review other ARRA projects with significant rental charges to determine if all contract terms and conditions were met; and (3) establish a policy that would prohibit the contracting for invoice-review services that would duplicate other contract-review services.

In commenting on a draft of this report, Amtrak's Acting CFO and Controller concurred with our recommendations to recover questioned costs and review other ARRA contracts and partially concurred with our recommendation regarding duplicate invoice-review. We continue to believe that invoice review can be adequately addressed under one contract.

ANNUAL FINANCIAL STATEMENT AUDITS: Observations for Improving Oversight of the Independent Public Accountant

(OIG-A-2012-017, September 27, 2012)

Fiscal year 2011 represented the first year of OIG monitoring of Amtrak's and the independent public accountants (IPA) performance regarding the annual financial statements and compliance audits. Effective oversight of the IPA and the audit process can help ensure a high-quality audit and the efficient and effective use of company resources.

Our objectives were to (1) gain an understanding of the company's contract solicitation, administration, facilitation, and oversight activities as they relate to the IPA; and (2) identify best practices for the Audit and Finance Committee's and management's consideration in overseeing the IPA and the audit process.

While management carried out its responsibilities for overseeing the audit process in a generally effective manner, we identified opportunities for improvement in the following areas as they relate to the IPA: (1) contract solicitation documents, (2) proposal evaluation, (3) contract administration, (4) audit facilitation, and (5) specific procurement guidance. As our work

progressed, we shared our best practices suggestions with management, which has already implemented or is in the process of implementing many of them.



To improve the Audit and Finance Committee's and management's oversight of the IPA and the audit process, we recommended that the Audit and Finance Committee, Amtrak Board of Directors, (1) approve the guidance developed in response to recommendation 5 (below) as part of its role to oversee the external auditors, (2) review and select for implementation, as appropriate, the best practices that we presented in Appendix IV of the report. We also recommended that the Acting

CFO and Controller should (3) complete implementation of the best practice suggestions identified as Implementation in Progress in Appendices II and III of the report; (4) provide more comprehensive training for the contracting officer's technical representative and task monitor; and (5) develop guidance for the IPA procurement that addresses the unique requirements for procuring external independent audit services.

The Chairman, Audit and Finance Committee, and the Acting CFO and Controller stated that management and the Audit and Finance Committee are committed to implementing the necessary best practices suggested by the OIG in order to strengthen the company's procedures related to the facilitation and oversight of the annual financial statement audit process. The Chairman and the Acting CFO agreed with all recommendations.

Ongoing Audits

During the next six months, the Office of Audits expects to complete work on the following:

- A body of work (eight reports, of which four have already been issued) examining the accuracy of invoices submitted by host railroads for earned incentives deriving from on-time performance and services to Amtrak. The invoices reviewed cover varying time frames.
- An engagement to assess whether the IPA auditing Amtrak's financial statements performed their audit in accordance with generally accepted government auditing standards, and to follow up on OIG's fiscal year 2011 recommendations.
- A review of Amtrak's oversight and control over the use of overtime by Amtrak employees.
- A review of the adequacy of Amtrak's capital program management practices.
- A report presenting our fiscal year 2012 assessment of the major management challenges facing Amtrak.
- A pre-award review of a contractor's price proposal for the purchase of 40 additional Acela coach cars.
- An audit report addressing financial and operational control weaknesses, such as duplicate payments to vendors. The methodology for this work will rely heavily on data analytics tools.
- A review focusing on identifying ways to help mitigate the food and beverage service's direct operating losses by examining best practices used by other public- and private-sector entities.



Union Station, Cincinnati

Significant Activities: INSPECTIONS AND EVALUATIONS

During the Council of Inspectors General on Integrity and Efficiency's 15th Annual Awards Ceremony on October 16, 2012, the Amtrak OIG was recognized for the first time. The Amtrak OIG Acela Car Purchase Evaluation Team received an Evaluations Award for Excellence citing an innovative evaluation methodology identifying a \$425 million (40 percent) overestimation in additional revenue forecasted for an Amtrak capital investment and prompting Amtrak to develop a new forecasting model.

During this reporting period, OIG issued three evaluation reports, summarized below. The full reports may be accessed through our website: www.amtrakoig.gov.

MECHANICAL MAINTENANCE: Improved Practices Have Significantly Enhanced Acela Equipment Performance and Could Benefit Performance of Equipment Company-wide

(OIG-E-2012-008, May 21, 2012)

This report presents the results of our review of the actions Amtrak has taken in response to our 2005 evaluation of Amtrak's mechanical maintenance program. Since our previous report, Amtrak has made significant progress in improving its mechanical maintenance processes and procedures. For example, the company adopted condition-based maintenance¹ as the corporate maintenance philosophy, analyzed the content of preventive maintenance using Reliability-Centered Maintenance (RCM²) principles, and developed new standardized preventive maintenance procedures for all of its major fleets of equipment. Amtrak also developed a comprehensive quality

¹ Condition-based maintenance is maintenance that is performed only when there is objective evidence of need.

² RCM—is the methodology used to determine whether that objective evidence of need exists.



management program that redefined and revitalized quality management operations, developed and started tracking a range of metrics to measure fleet performance, and established several process-focused teams to improve maintenance processes and drive other operational improvements. Furthermore, Amtrak also significantly improved the capabilities and use of its computerized work management system, implemented a life-cycle preventive maintenance program for its diesel locomotives, and improved the availability of repair parts through electronic material requisitioning and the expansion of automated material vending machines at the major shops. Overall, Amtrak's progress is the result of management's commitment and the hard work of many individuals in the Mechanical Department, supported by the work of many others throughout the company.

However, improvements in equipment performance have been uneven. Acela, which represents about 10 percent of Amtrak's total fleet of equipment and was the first fleet where RCM was implemented, has seen significant improvements in reliability and availability. These improved maintenance results allowed Amtrak to deploy two additional Acela trainsets, generating over \$50 million in additional revenue since the trains were put into service.

In contrast, availability and reliability have remained the same or declined slightly for the remainder of Amtrak's equipment. Compared with Acela's trainset availability improvement of 14 percent, the availability of the rest of Amtrak's equipment has stayed roughly the same, and compared with Acela's reliability

improvement of 11 percent, the rest of Amtrak's equipment is, on average, less reliable than before.

Improving the reliability and availability of the conventional fleets to a comparable level as that achieved with the Acela trainsets would result in significant financial benefits to Amtrak and significant passenger experience benefits to its customers. As with Acela, better reliability and availability would lead to improved on-time performance. Not only would this directly support Amtrak's goal to improve customer satisfaction, but improved on-time performance would also have an impact on increased ridership and ticket revenue.

In addition, other financial benefits of improving maintenance practices are clearly compelling. If the availability of the conventional fleets were improved to the level of the Acela equipment, Amtrak could provide the same level of service with over 120 fewer conventional cars and 45 fewer conventional locomotives than presently required. Based on the estimates in Amtrak's Fleet Strategy,³ this would save Amtrak almost \$600 million in fleet procurement costs over the next 15 years.⁴

We recommended that the Vice President for Operations develop goals for improving the performance of Amtrak's conventional fleet that support Amtrak's strategic plan; provide direction, support, and resources to achieve these goals; and hold the Chief Mechanical Officer accountable for meeting the goals. We also recommended that, in addressing those goals, the Vice President for Operations and the Chief Mechanical Officer establish and implement an agreed-upon plan for improving the performance of the conventional fleets that includes adopting the Acela maintenance practices, as appropriate.

In addition we recommended that as part of the plan mentioned above, the Chief Mechanical Officer develop a plan to fully address the recommendations from our previous report that have not yet been completed. In commenting on a draft of this report, management agreed with and has committed to taking actions responsive to our recommendations.

³ Amtrak Fleet Strategy (Version 2), February 2011

⁴ These savings do not account for any additional costs potentially required to achieve this improved level of equipment availability.

STRATEGIC ASSET MANAGEMENT PROGRAM: Opportunities to Improve Implementation and Lessons Learned

(OIG-E-2012-012, May 31, 2012)

The Strategic Asset Management (SAM) program is one of Amtrak's highest-cost and most significant information technology enhancement efforts. This program, at an estimated cost of more than \$193 million, is expected to help Amtrak transform and improve key business areas; implement best practices; integrate business processes; and provide timely information for financial reporting, management decision-making, and optimizing financial and operational performance.

The objectives of our evaluation were to (1) provide the status of ongoing efforts to resolve SAM implementation issues, (2) identify the causes of SAM implementation issues, and (3) provide recommendations based on lessons learned to help improve the SAM implementation, and information technology system implementations in general.

Although program managers anticipated a certain level of implementation issues, the number, significance, cost, and time needed to address them all have been greater than anticipated. The fact that significant issues continue to surface indicates that the system is not yet stable. As a result, the company is still dealing with adverse impacts on business operations and financial performance some nine months after deployment.

The situation occurred primarily due to design and configuration shortfalls, insufficient requirements-gathering and testing, inadequate training, and underdeveloped user-support organization. Organizational silos and communication gaps also contributed to the implementation issues. The complexity of the design approach was an underlying contributor to the issues in each area.

The dedicated work of many business users and the SAM team has helped to address many implementation issues. Nonetheless, challenges remain, and the time frame and cost needed to stabilize the new system, realize its benefits, and transform business processes are uncertain.

We made a number of recommendations addressing the short-term, once the system is stabilized, and for ongoing and future system implementation programs. Amtrak officials agreed with all of our recommendations and cited ongoing and



Kansas City, MO

planned actions. If properly implemented, the cited actions should address the intent of our recommendations.

RAILROAD SAFETY: Amtrak is Not Adequately Addressing Rising Drug and Alcohol Use by Employees in Safety-Sensitive Positions

(OIG-E-2012-023, September 27, 2012)

Federal regulations require that Amtrak maintain a program to control the use of drugs and alcohol by employees in safety-sensitive positions. Federal Railroad Administration (FRA) guidance implementing this regulation requires Amtrak to randomly test at least 25 percent of these employees for drugs and at least

10 percent for alcohol each year. Amtrak must also physically observe each employee for signs and symptoms of drug and alcohol use once every three months, on average. Amtrak has over 4,400 employees in these safety-sensitive positions, including locomotive engineers, conductors, and train dispatchers, and also some employees who maintain signals equipment and some employees who operate locomotives within the mechanical yard or maintain locomotive cab signal equipment. Amtrak estimates that it plans to spend about \$1.5 million in fiscal year 2012 administering its drug and alcohol program.

We initiated the evaluation to determine whether Amtrak is ensuring that its employees in safety-sensitive positions are complying with federal regulations governing the use of drugs and alcohol. Specifically, we evaluated (1) the extent to which Amtrak's random testing shows that its employees in safety-sensitive positions are using drugs and alcohol, and (2) whether Amtrak is exercising due diligence in controlling the use of drugs and alcohol by these employees.

Amtrak's employees in safety-sensitive positions are testing positive for drugs and alcohol more frequently than their peers in the railroad industry. Our analysis of Amtrak's random drug and alcohol test results shows that these employees have been testing positive for drugs and alcohol at a rate that has been generally trending upward since 2006, and this rate has exceeded the industry average for the past five years. The majority of Amtrak's positive tests since 2006 were for drugs, primarily cocaine and marijuana. In 2011, Amtrak had 17 positive tests for drugs or alcohol, which resulted in a combined positive test rate that was about 51 percent above the industry average, its worst rate since 2007. The 2011 rate was driven by a relatively large number of positive tests by signals and mechanical employees that were both over four times the rate of their peers in the industry.

Amtrak is not exercising due diligence to control the use of drugs and alcohol by these employees. Until we presented Amtrak's key senior management with our preliminary results, they were unaware of the extent of drug and alcohol use by these employees. Further, senior management is not actively engaged in the program, nor have they demonstrated that controlling drugs and alcohol is a clear priority at Amtrak, thereby making it difficult to manage the risk that drug and alcohol use poses to its employees, passengers, and the public. Amtrak also did not adequately address, for several years, FRA's concerns about Amtrak's program to physically observe these employees for signs and symptoms of drug and alcohol use. Consequently, FRA has stated that it may elevate enforcement actions against Amtrak up to and including fining Amtrak in the future if the number of observations is not improved.

Drug and alcohol misuse by Amtrak's employees in safety-sensitive positions poses a potential threat to employee, passenger, and public safety. These conditions increase the risk that a serious accident will occur that involves drugs or alcohol. The fact that this risk is not yet integrated into an enterprise-wide risk management framework increases the likelihood that it will not be adequately addressed.

We recommended that Amtrak increase the rate at which it randomly tests these employees, routinely review testing data, demonstrate that senior management is engaged in the Drug and Alcohol program, ensure that the physical observation program meets or exceeds FRA's program guidance, and ensure that its supervisors are adequately trained in identifying signs and symptoms of drug and alcohol use and that their training is properly recorded. Amtrak's President and CEO provided us with comments on a draft of this report wherein he concurred with all our recommendations and established time frames in which Amtrak will implement the recommendations. We consider his comments responsive to our recommendations and will follow up on their implementation.

Ongoing Evaluations

During the next six months, the Office of Inspections and Evaluations expects to complete work on the following evaluations:

- **Positive Train Control (PTC).** The Rail Safety Improvement Act of 2008 requires the implementation of PTC systems by December 31, 2015, on all routes that carry passenger rail traffic. PTC systems are designed to prevent accidents, including train-to-train collisions, derailments resulting from trains exceeding safe speeds, unauthorized incursions into work zones, and movement of trains through switches left in the wrong position. The objective of this evaluation is to assess Amtrak's efforts to implement positive train control across the national system by the end of 2015. To accomplish this, we are identifying and analyzing the risks and challenges associated with implementing three different PTC systems, focusing on cost, schedule, and performance issues.
- **Fleet Strategy.** We are continuing our oversight of Amtrak's fleet procurement plans by reviewing the revised fleet strategy that was published in March 2012 to assess the degree to which the recommendations from our previous report were incorporated.



Union Station, Chicago

Significant Activities: INVESTIGATIONS

During this reporting period, an Amtrak OIG Special Agent was recognized by the Council of Inspectors General on Integrity and Efficiency with an Investigative Award for Excellence. The award was made in recognition of the agent's work on an extensive and complex investigation of civil fraud by a contractor that failed to properly service Amtrak locomotives. The case resulted in a \$100,000 federal civil settlement.

During this reporting period, our investigations resulted in three arrests, nine indictments, and eleven administrative actions. We also had nineteen case referrals accepted for possible criminal prosecution by the U.S. Department of Justice or state prosecution authorities.

Since April 1, 2012, the Office of Investigations has issued three management reports which included a total of 17 specific recommendations, all of which were accepted by management.

FRAUD: Overtime Fraud and Abuse in the Amtrak Communications and Signals Department

(OIG-I-2012-018, September 5, 2012)

An investigation into allegations of overtime pay fraud by Amtrak Mid-Atlantic Communications and Signals Department employees, determined that multiple employees claimed and were paid at premium overtime rates for hours they did not work.

We also identified other serious abuses, including misuse and potential theft of property, misuse of computer resources, and a pervasive lack of supervision by responsible agreement-covered (union) and management officials. Surveillance

disclosed that one Amtrak employee worked an outside job while receiving regular and overtime pay from Amtrak. This same employee used Amtrak email inappropriately for outside work and to access dating websites. Our report to Amtrak management and the Board of Directors included four recommendations. Management agreed with all four recommendations. To date, three employees were taken out of service; one employee retired, and another resigned.

Violation of Corporate Policies for Independent Contractors

(Report Dated August 27, 2012)

We issued a report to Amtrak management that several persons in the Amtrak Office of Counsel and Claims Department circumvented Amtrak policy requiring a written contract with independent contractors. We found that Amtrak paid over \$141,000 to a retired Amtrak claims representative to do work for the Claims Department. The arrangement by which Amtrak paid this individual was highly unusual. He was paid approximately three times the hourly rate he earned as a claims representative at the time of his retirement from Amtrak for doing essentially the same work. Investigation disclosed that a manager in the Amtrak Claims and Tort Litigation group circumvented and violated Amtrak Policy by directing persons on his staff and others to facilitate this individual doing post retirement claims work without a written contract with Amtrak. The arrangement included the use of two Florida law firms to provide “pass-through” billing services for the former Amtrak employee. We found no indication that any Amtrak employees (other than former employee himself) personally benefited from this arrangement, however, we found that Amtrak oversight of the unusual contract arrangement for the claims work performed and the billings were weak or nonexistent. Our report included four specific recommendations that are currently under consideration by Amtrak management.

Amtrak Diesel Fuel Sampling/Testing Procedures Need Strengthening

(Report Dated May 1, 2012)

We provided Amtrak a management information report on the need to strengthen diesel fuel sampling and testing procedures. Our ongoing investigation into possible substandard or contaminated fuel supplied by an Amtrak contractor identified issues that warranted the attention of Amtrak management given the potential for damage to Amtrak locomotives and risks to passenger safety. Substandard fuel is the suspected cause of partial failures in locomotive fuel injection systems and related mechanical problems that can contribute to service disruptions, safety considerations and added costs. Amtrak management agreed with all nine recommendations to improve fuel sampling and testing.



Other Investigations

Amtrak Passenger Charged with Filing a Fraudulent Injury Claim

A truck ran a railroad crossing in Plant City, Florida and struck the Amtrak Silver Star train. Passengers injured in the resulting derailment filed claims against Amtrak. One passenger received a \$20,000 payment from Amtrak. This passenger also filed a demand for \$87,000 and a civil suit against the trucking company insurer to settle the matter. Investigation determined that the passenger was in fact not on the train at the time of the accident, having disembarked earlier in Lakeland, Florida. The individual was arrested and charged under Florida statutes with two counts of insurance fraud and two counts of theft.

Amtrak Employee Uses GSA Fuel Credit Card for Personal Benefit

OIG investigated suspicious transactions involving a GSA credit card assigned to an Amtrak vehicle. A review of the transaction records indicated that the card was being used in multiple simultaneous purchases involving unusual random odometer readings. Surveillance identified an Amtrak employee using the Amtrak gas card to fuel personally owned vehicles. The suspicious fuel purchases totaled \$4,086. The employee resigned prior to a scheduled company administrative hearing.

Employees Steal Materials from Amtrak Yards

An OIG investigation confirmed allegations that an employee of the Amtrak Communications and Signals Unit was stealing electrical wire, scrap metal and



other property and selling it to a recycling company. The employee was dismissed after a company administrative hearing. The employee was also criminally charged under Pennsylvania law with 12 counts of theft and 12 counts of receiving stolen property. The stolen Amtrak property was valued at \$17,602. A similar investigation, conducted jointly by the Amtrak Police Department and OIG, determined that five employees of the Communications and Signals Unit stole Amtrak communications wire from several locations in Pennsylvania and Delaware and resold it to recyclers. The stolen wire was valued at over \$100,000. Four of the individuals resigned and the fifth was dismissed following an administrative hearing. All five individuals were indicted in U.S. District Court for the District of Delaware on theft and conspiracy charges.

Former Amtrak Contractor Sentenced for Theft

Our prior Semiannual Report noted that a former Amtrak contractor was arrested for illegally using an Amtrak Business Rail Pass to obtain over 50 tickets during and after his assignment with Amtrak. The contractor had been issued a Business Rail Pass for travel on official company business, but used it for personal travel over a 14 month period. The company lost revenue associated with this travel. During this reporting period, the contractor pled guilty and was sentenced to 90 days' incarceration; the sentence suspended, and the contractor was placed on unsupervised probation for 6 months. The contractor was ordered to make restitution to Amtrak in the amount of \$8,548.

Employee Charged with Theft

OIG investigation of an employee for embezzling funds by falsifying travel vouchers and manipulating Amtrak travel card and purchase cards resulted in an arrest warrant and a criminal felony fraud charge in Superior Court of the District of Columbia. The employee was fired. Court proceedings are pending.

Fraud Awareness Training

The OIG Office of Investigations and the Office of Audits have continued a comprehensive program to deliver fraud awareness briefings to Amtrak management, operations and support personnel. This proactive training is designed to help Amtrak managers, employees and contractors recognize fraud indicators and report suspicions of fraud to the OIG. The briefings are also designed to educate Amtrak management on the role of the OIG and to foster a partnership between OIG and management. During this reporting period, 36 fraud awareness presentations were given to a total of 512 Amtrak employees.

Increased Analytics Capabilities Digital Computer Forensics Program

During this reporting period, the Office of Investigations established a computer digital forensics program. In addition to a substantial investment toward building a computer forensics laboratory and acquiring state-of-the-art forensic hardware and software, the Office of Investigations has hired a highly qualified and experienced Special Agent to manage and develop the digital forensics program. The program is quickly adding great value to our investigative operations.

Data Mining and Data Analysis

The Office of Investigations has also greatly increased the use of data mining and data analysis tools to enhance proactive efforts to identify fraud vulnerabilities and indicators of ongoing fraudulent activity in Amtrak programs and operations. We have also successfully applied data analytics in support of ongoing investigations.



Union Station, Los Angeles

Ongoing Actions to Continuously Improve OIG Operations

We are continually striving to improve our operations in ways that will benefit the Congress, the Board of Directors and the company. Actions taken include:

- Fostering better external communications by developing and regularly issuing OIG activity status reports for Congress, Amtrak Management and Amtrak's Board of Directors.
- Strengthening external relationships by initiating regular individual outreach meetings with the Board of Directors and company executives.
- Strengthening our policies and procedures by developing a new annual planning process and issuing a revised strategic plan.
- Increasing audit, evaluation, and investigative capabilities by initiating major efforts to upgrade data analysis tools and to establish a digital computer forensics program that greatly increases our investigative capabilities.
- Strengthening audit operations by creating and filling two new positions: Deputy Assistant Inspector General for Audits and Senior Director, Financial Audits.
- Enhancing the likelihood of criminal prosecution resulting from our investigations, by initiating an outreach program through the Department of Justice to all United States Attorneys that highlights our renewed investigative capabilities and priorities.
- Concluding work on the National Academy of Public Administration recommendations made in fiscal year 2010. Their assessment and recommendations were aimed at helping us advance our strategic goal of becoming a model OIG. We have addressed all issues raised in the assessment and are now moving into a mode of continuous operational improvement. We anticipate issuing a report summarizing actions we took to implement the recommendations in the near future.

We also increased staff capability and capacity by hiring seven new employees. Staff joining the OIG team during this period are listed below.

Audits

Senior Director – Financial Audits, Washington.

This individual joined the OIG in September 2012. He began his career with the Comptroller, State of Maryland. He brings to the OIG over 30 years of auditing experience, particularly in the financial area, most of it in the inspector general and transportation industry. He holds a bachelor's degree from Towson University and is a licensed Certified Public Accountant.

Auditor, Philadelphia

This individual joined the OIG in July 2012. He was a Senior Director of Finance in the private sector. He brings over seven years of experience as an auditor. He holds a bachelor's degree in accounting from St. Francis College.

Inspections and Evaluations

Evaluator, Washington

This individual joined the OIG in April 2012. He brings over 14 years of experience in railroad operation. He joined the Metropolitan Transportation Authority (New York) in 1998 and was promoted to senior auditor in 2010. He recently served as an auditor for the Department of Transportation OIG, participating in a full range of audits and evaluations. He holds a bachelor's degree from Baruch College–City University of New York, and is a Certified Internal Auditor.

Principal Operations Analyst, Washington

This individual joined the OIG in April 2012. He brings to Amtrak OIG over 39 years' experience, the last two with Amtrak itself. He possesses more than 15 years in-depth train operations experience within the railroad industry. He began his career with the Federal Aviation Administration before moving to the railroad industry, working in train operations for Southern Railway Systems. Beginning at Amtrak in 2010, he served as Principal Officer, Service Design, focusing on process improvement in train operations. He holds a bachelor's degree from Mississippi State, a Master of Business Administration from the University of Southern Mississippi, and a Juris Doctor from Loyola.

Investigations

Criminal Investigator/Computer Forensics Analysis Officer, Washington

This individual joined the OIG in May 2012. He brings 20 years of federal law enforcement experience conducting investigations of fraud and other crimes,



along with management of field support for technical and computer forensics services. He served as Special Agent-in-Charge of the Computer Crimes Unit for the U.S. Postal Service OIG from 2006 through 2010. Since that time he has been a computer forensics consultant. His career has also included work with the Defense Criminal Investigative Service and overseas assignments with the Naval Criminal Investigative Service in the Philippines and Japan. He holds a bachelor's degree from East Carolina State University and a master's degree from North Carolina State University.

Criminal Investigator, Chicago

This individual joined the OIG in September 2012. He brings an 18-year career with the Environmental Protection Agency OIG – the last nine and a half years as Chicago Special Agent-in-Charge. He has extensive experience in dealing with matters of hazardous waste and materials and is adept at conducting complex criminal, civil and administrative financial fraud investigations. He earned his Bachelor of Arts degree from Western Illinois University.

Mission Support

Human Capital Officer, Washington

This individual joined the OIG in April 2012. She began her career at the Financial Industry Regulatory Authority and brings with her over 14 years of experience, with a deep focus in benefits administration. She holds a bachelor's degree from Howard University and Master of Business Administration from Campbell University. She is a certified Senior Professional in Human Resources and a certified Employee Benefits Specialist.



30th Street Station, Philadelphia

FY 2012 Performance Measures, 4/1/2012–9/30/2012

Audit/Evaluation Results	
Reports Issued	10
Costs Questioned/Unsupported/ Funds to be Put to Better Use (Audit)	\$6,103,850 ^a
Management Decisions to Seek Recoveries	3
Recoveries (Audit)	\$24,210,175

INVESTIGATIVE RESULTS

Financial Impact	
Recoveries/Restitution	\$8,548

Cases Opened	
Major Misconduct and General Crimes	17
Proactive Program	4
Fraud	3
Healthcare Fraud	1
Contract Fraud	2

Judicial and Administrative Actions	
Arrests	3
Indictments	9
Pretrial Diversion	–
Criminal Referrals Accepted	19
Criminal Referrals Declined	7
Administrative Actions	11

Investigative Workload	
Cases Open on 4/1/2012	54
Investigations Opened	27
Investigations Closed	15
Cases Open on 9/30/2012	66

Hotline Contacts/Referrals	
Sent to Amtrak Management	94
Request for Assistance by Law Enforcement Agency	6
Preliminary Investigation Opened	4
Customer Complaint	44
No Action Warranted	9
Total	157

Advisory Functions	
FOIA ^b Requests Received	18
FOIA Appeals Received	1
FOIA Requests Processed	13 ^c
Referred to Amtrak	2
Response Pending	2
FOIA Appeals Processed	1
Legislation Reviewed	2
Regulations Reviewed	0

a Not included in the total amount are the funds to be put to better use identified in Report No. OIG-E-2012-008, (May 21, 2012). Implementing the recommendations in this report could allow Amtrak to reduce its fleet requirements by 120 cars and 45 locomotives, resulting in a potential savings of almost \$600 million in fleet procurement costs over the next 15 years. However, these savings do not account for any additional costs potentially required to achieve this improved level of equipment availability.

b Freedom of Information Act

c One FOIA request received by OIG was neither processed nor referred because it was an attempt to extort money from Amtrak and the Railroad Retirement Board and was not a bona fide FOIA request, even though it had been addressed to the OIG FOIA in-box. This FOIA scam was referred to the OIG Office of Investigations, with notification to Amtrak's FOIA Officer regarding disposition.

Appendix 1 Questioned Costs (Audits)

AUDIT REPORTS ISSUED WITH QUESTIONED COSTS Reporting Period: 4/1/2012–9/30/2012			
Category	Number	Questioned Costs	Unsupported Costs
A. For which no management decision made by commencement of the reporting period	–	\$–	\$–
B. Reports issued during the reporting period	3	6,103,850	
Subtotals (A+B)	3	6,103,850	
Less			
C. For which a management decision was made during the reporting period	3	6,103,850	–
(1) Dollar value of recommendations agreed to by management	–	6,103,850	–
(2) 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 2 Funds To Be Put To Better Use (Audits)

AUDIT REPORTS ISSUED WITH FUNDS TO BE PUT TO BETTER USE Reporting Period: 4/1/2012–9/30/2012		
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	–	–
Subtotals (A+B)	–	–
Less		
C. For which a management decision was made during the reporting period	–	–
(1) Dollar value of recommendations that were agreed to by management	–	–
(2) 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 3 Audit And Evaluation Reports and Testimonies

DETAILED LISTING OF ALL ISSUED AUDIT/EVALUATION REPORTS AND TESTIMONY Reporting Period: 4/1/2012–9/30/2012						
Date Issued	Report Number	Report Title	Report Category	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
5/21/2012	OIG-E-2012-008	Mechanical Maintenance: Improved Practices Have Significantly Enhanced Acela Equipment Performance and Could Benefit Performance of Equipment Company-wide	Train Operations and Business Management	\$–	\$–	\$–a
5/31/2012	OIG-E-2012-012	Strategic Asset Management Program: Opportunities to Improve Implementation and Lessons Learned	Information Technology	–	–	–
6/29/2012	OIG-A-2012-013	On-Time Performance Incentives: Inaccurate Invoices Were Paid	Train Operations and Business Management	1,430,113	–	–
7/19/2012	OIG-A-2012-014	Human Capital Management: Weaknesses in Hiring Practices Result in Waste and Operational Risk	Human Capital Management	–	–	–
8/2/2012	OIG-T-2012-015	Food and Beverage Service: Opportunities Exist to Build on Program Improvement Initiatives	Train Operations and Business Management	–	–	–
8/14/2012	OIG-A-2012-016	Claims Program: Use of Best Practices Would Strengthen Management Controls	Governance	–	–	–
9/5/2012	OIG-A-2012-019	Amtrak Invoice Review: Undetected Errors Resulted in Overpayments	Train Operations and Business Management	3,473,737	–	–
9/7/2012	OIG-A-2012-020	Food and Beverage Service: Initiatives to Help Reduce Direct Operating Losses Can Be Enhanced by Overall Plan	Train Operations and Business Management	–	–	–
9/20/2012	OIG-T-2012-022	Opportunities for Amtrak to Build on Its initiatives to Improve Efficiency and Effectiveness:	N/A	–	–	–

Appendix 3 Audit And Evaluation Reports and Testimonies

DETAILED LISTING OF ALL ISSUED AUDIT/EVALUATION REPORTS AND TESTIMONY Reporting Period: 4/1/2012–9/30/2012

Date Issued	Report Number	Report Title	Report Category	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
9/21/2012	OIG-A-2012-021	American Recovery and Re-investment Act: Some Questioned Invoice Charges and Minimal Benefit from Duplicative Invoice-Review Process	American Recovery and Reinvestment Act	1,200,000	–	–
9/27/2012	OIG-A-2012-017	Annual Financial Statement Audits: Observations for Improving Oversight of the Independent Public Accountant	Governance	–	–	–
9/27/2012	OIG-E-2012-023	Railroad Safety: Amtrak is Not Adequately Addressing Rising Drug and Alcohol Use by Employees in Safety-Sensitive Positions	Safety and Security	–	–	–
Total				\$6,103,850	\$–	\$–

^a Not included in the total amount are the funds to be put to better use identified in Report No. OIG-E-2012-008, (May 21, 2012). Implementing the recommendations in this report could allow Amtrak to reduce its fleet requirements by 120 cars and 45 locomotives, resulting in a potential savings of almost \$600 million in fleet procurement over the next 15 years. However, these savings do not account for any additional costs potentially required to achieve this improved level of equipment availability.

ONGOING AUDIT AND EVALUATION PROJECTS Reporting Period: 4/1/2012–9/30/2012

Project Status	Number of Projects
Audit and Evaluation Projects In-process at 4/1/2012	20
Projects Postponed or Canceled	–
Audit and Evaluation Projects Started Since 4/1/2012	7
Audit and Evaluation Reports Issued Since 4/1/2012	10
Audit and Evaluation Projects In-process as of 9/30/2012	17

Appendix 4 Recommendations for Which Corrective Action Not Complete (Audits)

PREVIOUS AUDIT REPORTS' RECOMMENDATIONS FOR WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED				
Reporting Period: 4/1/2012–9/30/2012				
Audit Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Railroad Invoice Review: SPCSL Report 1 of 4	506-2001/ August 3, 2001	\$125,957	\$–	\$–
Railroad Invoice Review: SPCSL Report 2 of 4	507-2001/ August 31, 2001	153,766	–	–
Railroad Invoice Review: SPCSL Report 3 of 4	508-2001/ September 12, 2001	140,377	–	–
Railroad Invoice Review: SPCSL Report 4 of 4	509-2001/ September 21, 2001	282,957	–	–
Host RRCA and Operations Management Controls	401-2008/ August 21, 2008	–	–	–
CSX On-Time Performance Incentives: Inaccurate Invoices and Lack of Amtrak Management Review Lead to Overpayments	406-2005/ March 30, 2010	–	–	–
American Recovery and Reinvestment Act of 2009: Assessment of Project Risks Associated with Key Engineering Projects	912-2010 May 14, 2010	–	–	–
BNSF On-Time Performance Incentives: Inaccurate Invoices and Lack of Amtrak Management Review Lead to Overpayments	407-2003/ September 24, 2010	–	–	–
Strategic Asset Management Program Controls Design Is Generally Sound, But Improvements Can Be Made	105-2010/ January 14, 2011	–	–	–
On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Long-standing Weaknesses in Amtrak's Invoice-Review Process	403-2010/ April 21, 2011	519,932	–	–
Strategic Asset Management Program: Further Actions Should be Taken To Reduce Business Disruption Risk	001-2011/ June 2, 2011	–	–	–
American Recovery and Reinvestment Act: Infrastructure Improvements Achieved but Less than Planned	908-2010/ June 22, 2011	–	–	1,400,000
Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant	109-2010/ September 29, 2011	–	–	–

**PREVIOUS AUDIT REPORTS' RECOMMENDATIONS FOR WHICH
CORRECTIVE ACTION HAS NOT BEEN COMPLETED**
Reporting Period: 4/1/2012–9/30/2012

Audit Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Passenger Rail Investment and Improvement Act of 2008: Amtrak Has Made Good Progress, but Continued Commitment Needed to Fully Address Provisions	OIG-A-2012-001/ October 26, 2011	–	–	–
Wireless Network Security: Internal Controls Can Be Improved	OIG-A-2012-003/ December 7, 2011	–	–	–
On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Weaknesses in Amtrak's Invoice-Review Process	OIG-A-2012-004/ February 15, 2012	9,151,451	–	–
Incurred-Cost Contract Audit: Contract Modification Charges for Extended Indirect Overhead Costs Not Supported	OIG-A-2012-006/ February 17, 2012	–	2,027,446	–
Amtrak Corporate Governance: Implementing a Risk Management Framework is Essential to Achieving Amtrak's Strategic Goals	OIG-A-2012-007/ March 30, 2012	–	–	–
On-Time-Performance Incentives: Inaccurate Invoices Were Paid	OIG-A-2012-013 June 29, 2012	1,430,113	–	–
Human Capital Management: Weaknesses in Hiring Practices Result in Waste and Operational Risk	OIG-A-2012-014 July 19, 2012	–	–	–
Claims Program: Use of Best Practices Would Strengthen Management Controls	OIG-A-2012-016 August 14, 2012	–	–	–
Amtrak Invoice Review: Undetected Errors Resulted in Overpayments	OIG-A-2012-019 September 5, 2012	3,473,737	–	–
Food and Beverage Service: Initiatives to Help Reduce Direct Operating Losses Can Be Enhanced by Overall Plan	OIG-A-2012-020 September 7, 2012	–	–	–
American Recovery and Reinvestment Act: Some Questioned Invoice Charges and Minimal Benefit from Duplicative Invoice-Review Process	OIG-A-2012-021 September 21, 2012	1,200,000	–	–
Annual Financial Statement Audits: Observations for Improving Oversight of the Independent Public Accountant	OIG-A-2012-017 September 27, 2012	–	–	–
TOTAL		\$16,478,290	\$2,027,446	\$1,400,000

Appendix 5 Recommendations for Which Corrective Action Not Completed (Evaluations)

PREVIOUS EVALUATION REPORTS' RECOMMENDATIONS FOR WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED			
Reporting Period: 4/1/2012–9/30/2012			
Evaluation Reports	Report Number/ Date	Estimated Annual Savings	Estimated Annual Savings Already Achieved
Mechanical Maintenance Operations ^b	E-05-04/ September 5, 2005	\$100,000,000+	\$38,000,000
Amtrak Fleet Planning Process	E-06-02/ April 6, 2006	28,000,000+	4,000,000
Facility Maintenance Program	E-06-04/ August 24, 2006	–	–
Human Capital Management	E-09-03/ May 15, 2009	23,000,000+	–
Infrastructure Maintenance Program	E-09-05/ September 29, 2009	50,000,000+	–
Training and Employee Development	E-09-06/ October 26, 2009	8,000,000	–
Operation RedBlock: Actions Needed to Improve Program Effectiveness	E-11-01/ March 15, 2011	–	–
Evaluation of Amtrak's FY 2010 Fleet Strategy: A Commendable High-Level Plan That Needs Deeper Analysis and Planning Integration ^b	E-11-02/ March 31, 2011	–	–
Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps	E-11-03/ June 23, 2011	–	–
Human Capital Management: Lack of Priority Has Slowed OIG-Recommended Actions to Improve Human Capital Management, Training, and Employee Development Practices	E-11-04/ July 8, 2011	–	–
Human Capital Management: Controls Over the Use of Temporary Management Assignment Need Improvement	OIG-E-2012-009/ March 28, 2012	–	–

Appendix 5 Recommendations for Which Corrective Action Not Completed (Evaluations)

PREVIOUS EVALUATION REPORTS' RECOMMENDATIONS FOR WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED			
Reporting Period: 4/1/2012–9/30/2012			
Evaluation Reports	Report Number/ Date	Estimated Annual Savings	Estimated Annual Savings Already Achieved
Acela Car Purchase: Future Revenue Estimates Were Initially Overstated	OIG-E-2012-010/ March 28, 2012	–	–
Mechanical Maintenance: Improved Practices Have Significantly Enhanced Acela Equipment Performance and Could Benefit Performance of Equipment Company-wide ^c	OIG-E-2012-008/ May 21, 2012	–	–
Strategic Asset Management Program: Opportunities to Improve Implementation and Lessons Learned	OIG-E-2012-012/ May 31, 2012	–	–
Railroad Safety: Amtrak is Not Adequately Addressing Rising Drug and Alcohol Use by Employees in Safety-Sensitive Positions	OIG-E-2012-023/ September 27, 2012	–	–
Total		\$209,000,000+	\$42,000,000+

^a Estimated savings based on benchmarking against other organizations.

^b Not included in the total amount are the funds to be put to better use identified in Report No. E-11-02 (March 31, 2011). Implementing the recommendations in this report would allow Amtrak to reduce its fleet requirements by 53 cars and 25 locomotives over the 30-year planning period in Amtrak's Fleet Strategy, resulting in a potential reduction of over \$520 million in procurement and overhaul costs over the lives of these additional pieces of equipment. Additionally, implementing the report recommendation to replace its single-level cars with multi-level cars would result in the additional reduction of \$174 million to \$679 million in procurement and overhaul costs over the lives of the equipment.

^c Not included in the total amount are the funds to be put to better use identified in Report No. OIG-E-2012-008 (May 21, 2012). Implementing the recommendations in this report could allow Amtrak to reduce its fleet requirements by 120 cars and 45 locomotives, resulting in a potential savings of almost \$600 million in fleet procurement costs over the next 15 years. However, these savings do not account for any additional costs potentially required to achieve this improved level of equipment availability.

Appendix 6 Review of Legislation and Regulations

Reporting Period: 4/1/2012–9/30/2012

Section 4(a) 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 and to 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

In addition, the OIG continued to work with Congress to ensure that taxpayer funds provided to Amtrak are protected by law from fraud, waste, and abuse. In 2011, as part of our efforts to enhance our investigative and operational tools, we began discussions with Congress and submitted proposed legislation related to our operations. Unfortunately, although there was broad bipartisan support for the OIG's proposed legislative provisions which were added to the text of the House and Senate versions of the surface transportation bill (H.R. 7, S. 1813), the conferees did not include any of the rail-related provisions in the final conference report that was signed into law on July 6, 2012. It is our understanding from discussions with Congressional staff that the reasons for non-inclusion of these OIG related provisions in the final bill were not related to their merits or need, but instead other legislative factors.

As a result, the OIG will continue to work with Congress to enact these important legislative provisions into law. These provisions would

- Apply certain provisions of Title 18 to Amtrak and the OIG to ensure that the federal funding Amtrak receives is protected from fraud, waste, and abuse;
- Clarify that claims and statements made to Amtrak are considered claims and statements under the False Claims Act to ensure the OIG has the necessary tools to protect the government and taxpayer dollars from fraud;
- Extend qualified immunity to Amtrak OIG personnel to ensure that performance of their statutory duties is not hindered by the threat of litigation and liability; and
- Authorize the OIG to take advantage of the General Services Administration's programs designed to conserve federal resources, reduce expenses, and increase efficient operations.

These proposed provisions remain essential to the OIG's operational improvements.

Appendix 7 Peer Review Results

Reporting Period: 4/1/2012–9/30/2012

The Dodd–Frank Wall Street Reform and Consumer Protection Act (P. L. 111-203, July 21, 2010) requires each Office of Inspector General (OIG) to include in its Semiannual Report 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.

A review of the Amtrak OIG’s Office of Audits was conducted by the Inspector General of the Legal Services Corporation for the year ended September 30, 2008. All recommendations have been implemented.

We have not performed a peer review of any other OIG organization.

An external peer review for the Office of Audits is scheduled to be conducted by the Tennessee Valley Authority OIG.

An external peer review of the Office of Investigations will be conducted by the Nuclear Regulatory Commission OIG beginning in March 2013.

Glossary of Audit Terms and Abbreviations

The terms the OIG uses in reporting audit statistics are defined below:

Questioned Cost – Cost or expenditure of funds for an intended purpose that is unnecessary, unreasonable, or an alleged violation of Amtrak’s corporate policy or procedure.

Unsupported Cost – Cost that is not supported by adequate documentation at the time of the audit.

Funds to Be Put to Better Use – Funds identified in an audit that could be used more effectively by taking greater efficiency measures.

Management Decision – Management’s evaluation of the OIG audit finding and its final decision concerning agreement or non-agreement with the OIG recommendation.

Abbreviations/acronyms used in the text are defined below:

ARRA	American Recovery and Reinvestment Act
CEO	Chief Executive Officer
CFO	Chief Financial Officer
FRA	Federal Railroad Administration
IPA	Independent Public Accountants
OIG	Office of Inspector General
PTC	Positive Train Control
RCM	Reliability-Centered Maintenance
SAM	Strategic Asset Management

Reporting Requirements Index

OFFICE OF INSPECTOR GENERAL

INDEX OF REPORTING REQUIREMENTS PURSUANT TO THE INSPECTOR GENERAL ACT

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OIG Mission: AND CONTACT INFORMATION

Amtrak OIG's Mission

The Amtrak OIG's mission is to:

- conduct and supervise independent and objective audits, inspections, evaluations, and investigations relating to Amtrak programs and operations;
- promote economy, effectiveness, and efficiency within Amtrak;
- prevent and detect fraud, waste, and abuse in Amtrak's programs and operations; and
- review and make recommendations regarding existing and proposed legislation and regulations relating to Amtrak's programs and operations.

Obtaining Copies of OIG Reports and Testimony

Available at our website: www.amtrakoig.gov.

To Report Fraud, Waste, and Abuse

Report suspicious or illegal activities to the OIG Hotline (you can remain anonymous):

Web: www.amtrakoig.gov/hotline

Phone: **800-468-5469**

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