



OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

AMTRAK:

Top Management and Performance Challenges
for Fiscal Year 2021

OIG-SP-2021-002 | October 23, 2020

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Memorandum

To: Bill Flynn
President and Chief Executive Officer

From: Kevin H. Winters *K. H. Winters*
Inspector General

Date: October 23, 2020

Subject: *Amtrak: Top Management and Performance Challenges for Fiscal Year 2021*
(OIG-SP-2021-002)

Enclosed are our views of the top management and performance challenges facing Amtrak (the company). As in prior years, this report focuses on high-risk or high-impact activities and performance issues that affect programs, operations, and the achievement of strategic goals. In deciding whether to identify an issue as a top management and performance challenge, we considered its significance to the company's mission and strategic goals; its susceptibility to fraud, waste, and abuse; whether the underlying causes are systemic in nature; and the company's progress in addressing the challenge.

This year, the challenge of responding to the COVID-19 pandemic supersedes and permeates the company's ability to address all other challenges. Without exception, the assumptions underlying the company's strategic plan for 2019 through 2023 have changed dramatically since March 2020, when the United States began to feel the impact of the pandemic. In a matter of weeks, the company pivoted from being on track to post the best financial performance in its 49-year history to a 97 percent drop in ridership.¹

Strategic planning is challenging in the best of times, but adapting the company's strategic vision to this unforeseen global event is one of its greatest management challenges since its inception in 1971. By necessity, the company has made dramatic changes to certain services, train frequency, and its workforce as it navigates this uncertain operating environment. The company received an infusion of more than \$1 billion in federal funds in fiscal year (FY) 2020 to maintain its operations and avoid

¹ *Statement of William Flynn, President and Chief Executive Officer, National Railroad Passenger Corporation, before the Senate Committee on Commerce, Science, and Transportation, October 21, 2020.*

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layoffs and expects to need even more taxpayer help in FY 2021, despite planned service and workforce reductions.

Although the urgent pressures of this operating environment pose enormous challenges, they also present opportunities for the company to reimagine its future by taking a fresh, holistic view of its circumstances and the forces that affect it in both the short and long term. This includes opportunities to revisit its purpose and vision and improve upon longstanding challenges such as safety, financial management, governance, and efficient use of information technology.

In this unprecedented environment, the company's path forward will also require a continual reassessment of its fundamental business assumptions and, foremost, whether it will ever return to transporting more than 32 million passengers per year under its existing business model. Indeed, the pandemic has markedly changed how most entities conduct business, with virtual working environments improving daily. The success of these environments is already impacting the extent to which public- and private-sector organizations and businesses are returning to their pre-pandemic workplace settings. These changes will undoubtedly affect demand for the Acela, with its high-revenue business passengers, which accounted for just 29 percent of Northeast Corridor passengers but 48 percent of the Northeast Corridor passenger revenues.

The company will need to account for and adapt to these changes and develop a strategy to position itself to become a transportation mode of choice in what appears to be a rapidly evolving national economy. In revisiting its strategy, the company will need to remain cognizant that, although it is mandated to operate as a for-profit company that minimizes its reliance on federal subsidies, it often faces pressure from stakeholders to make decisions that may run counter to these requirements. Regardless of the strategy the company pursues, a key challenge will be the extent to which it can effectively partner with its stakeholders as it navigates through the pandemic and beyond.

Beyond adapting its strategy to the pandemic, the company continues to face other longstanding management challenges associated with operating a railroad. We identified the following major themes and issues that we encourage the Executive Leadership Team to consider:

- **Safety and Security:** Assessing New Risks and Addressing Longstanding Challenges

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- **Financial Management and Stewardship:** Using Resources Wisely and Being Good Stewards of Federal Funds
- **Governance:** Institutionalizing More Effective Management, Accountability, and Data-driven Decision-making
- **Information Technology (IT):** Advancing the Company's Capabilities and Addressing Cybersecurity Risks

In commenting on a draft of this report, the company's President and Chief Executive Officer (CEO) generally agreed that the themes we highlighted constitute the key focus points for the company as it moves forward. The CEO expressed his belief that the company's Executive Leadership Team is well-positioned to address the strategic questions the pandemic poses and its broader societal impacts, including leveraging opportunities to redefine elements of the company's strategy within the context of its long-term plans. The CEO acknowledged that these uncertain times also provide an opportunity for Congress and the Administration to update or revise the goals, mission, policies, funding levels, and service mandates that govern the company's operations and investments. The company also provided technical comments, which we have incorporated as appropriate.

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Safety and Security: Addressing New Risks and Long-Standing Challenges

As an essential provider of transportation, the company faces new and historic safety challenges as a result of the pandemic. At the same time, the inherent dangers of running a railroad remain. In several accident reports from 2015 through 2018, the National Transportation Safety Board cited the company's weak safety culture in detailing tragic and preventable fatalities and injuries. Since 2018, the company has shown improvement in a number of areas of safety.

The company's executives, including the CEO, continue to reinforce the company's commitment to safety as the top priority and have taken affirmative steps, including hiring a new Chief Safety Officer and making this position report directly to the CEO and implementing its Safety Management System (SMS)² well in advance of the regulatory deadline. Nonetheless, accidents resulting in three employee fatalities in fiscal year 2020 indicate that the company has considerable work remaining.³ Thus, the company's challenge will be to address emerging pandemic-related risks while continuing to make progress addressing longstanding safety issues.



KEY ISSUES

- *Reducing pandemic-related risks to employees and passengers*
- *Addressing Positive Train Control risks*
- *Vesting all employees in the success of a Safety Management System*
- *Ensuring that workforce policies adequately mitigate worker risks*
- *Protecting people, assets, and infrastructure*

- **Reducing pandemic-related risks to employees and passengers.** Underlying all the company's safety efforts is the profound and ubiquitous impact of the pandemic. As passenger traffic begins to return, the company is making dramatic changes to nearly every aspect of its operations—from customer interactions to car cleaning and food service. Ensuring protections against the spread of COVID-19 is paramount, unrelenting, costly, and complicated. In some cases, this entails changes to existing ways of doing business, including how passengers queue and board trains, as well as a greater emphasis on touchless ticket sales and fare

² An SMS includes policies, objectives, plans, procedures, organization, responsibilities, and other measures to manage safety elements in the workplace.

³ Two were on-duty employees, and the third was an off-duty employee struck by a company train.

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collection. The company is also limiting capacity on trains and requiring passengers to wear facial coverings. Until a vaccine or cure mitigates the threat of COVID-19, ensuring safety from the virus will continue to complicate all of the company's other safety initiatives and operations.

- **Addressing Positive Train Control risks.** The company identified Positive Train Control (PTC) as its key safety system for preventing train collisions and reports that it has completed system installation on tracks that it owns or controls prior to the federally mandated deadline of December 31, 2020. The company is working closely with the Federal Railroad Administration and its tenant and host railroads⁴ to help ensure the company's systems will be able to effectively communicate—or be interoperable—with their systems and plans to complete the remaining activities necessary to be compliant by the deadline. Further, an ongoing challenge as the industry adjusts to full PTC implementation will be to ensure that systems remain interoperable and are reliable in delivering the safety benefits that PTC is intended to provide.

- **Vesting all employees in the success of a Safety Management System.** In the past, the company had limited success delivering sustained safety performance improvement and achieving its goal of being the country's safest railroad. To address this, in 2018, the company began implementing its SMS, in advance of the March 2021 regulatory requirement for such a program. The company has had difficulty sustaining earlier safety programs partly due to a weak safety culture, a lack of robust data, the absence of employee buy-in, and limited employee trust that the company would deal fairly with safety violations. To help correct these issues, in January 2020, the company established a new disciplinary policy based on its "Just Culture" principles to distinguish between willful and accidental safety violations. The company also took other positive steps, including developing new safety metrics and a continuous risk assessment process, although these are in their early stages. It is also planning to administer a safety survey to establish baseline data against which to measure SMS success. Nevertheless, to achieve its SMS goals, the company must overcome longstanding employee perceptions that management prioritizes keeping trains running on time over safety. Doing so will take a years-long commitment to

⁴ Tenant railroads include commuter railroads that operate trains over Amtrak-owned track; host railroads include freight and other railroads that own tracks that Amtrak operates over as a tenant.

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promoting and enforcing safety to ensure that all employees—from executives to frontline workers—are fully committed to the SMS ethos.

- **Ensuring that workforce policies adequately mitigate worker risks.**

The company moved swiftly to respond to gaps we identified in its program to prevent and detect drug and alcohol violations,⁵ including improving random drug testing, identifying a list of restricted medications, implementing a “zero tolerance” policy for violations, and improving supervisor training on how to detect and address potential risks. The company could do more to mitigate safety risks, however, by expanding reporting requirements for employees who are arrested or charged with all drug- or alcohol-related offenses. Although the company requires most employees to report all arrests for drug or alcohol offenses to the company immediately, conductors and engineers do not have to report all drug- or alcohol-related arrests. Specifically, the company requires conductors and engineers to report any conviction of—or completed state action to cancel, revoke, suspend, or deny a driver’s license for—operating a vehicle while under the influence or impaired by alcohol or a controlled substance.⁶ As we detail in our Semiannual Report to Congress for the six months ending March 31, 2020, however, the company does not require conductors and engineers to report other alcohol-related arrests, such as public intoxication, as it requires for other employees.⁷ As a result, these employees may continue to perform jobs that directly affect passenger safety without the company’s knowledge.

- **Protecting people, assets, and infrastructure.** Ensuring the physical security of the company’s stations and trains is another challenge without a simple solution. The company has begun to remediate numerous physical security weaknesses we identified at stations in Philadelphia and Washington.⁸ It also announced the suspension of its Amtrak Express package shipping service, effective

⁵ *Safety and Security: Opportunities to Improve the Effectiveness of Controls for Detecting Drug- and Alcohol-Related Issues of Employees in Safety-Sensitive Positions* (OIG-A-2019-005), March 13, 2019.

⁶ This includes any type of temporary or permanent denial to hold a driver’s license when an individual is found to have either refused an alcohol or drug test, or to be under the influence or impaired when operating a vehicle.

⁷ *Semiannual Report to Congress #61* (October 1, 2019, to March 31, 2020); May 27, 2020.

⁸ *Safety and Security: Physical Security Vulnerabilities at Washington Union Station and Ivy City Yard* (OIG-A-2019-009), July 22, 2019; and *Safety and Security: Longstanding Physical Security Vulnerabilities in Philadelphia Pose Risks* (OIG-A-2018-007), April 24, 2018.

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October 1, 2020, in part after we identified security vulnerabilities.⁹ The company still faces safety and security issues at its stations, however, and needs to determine from a strategic level how to best utilize its police force to protect the company against risks to its security, operations, finances, and brand, and how it can most effectively convey to passengers that train travel is, indeed, safe.¹⁰

⁹ *Safety and Security: Addressing Security Weaknesses and Operational Impacts of Amtrak Express is Critical to the Program's Future* (OIG-A-2020-005), January 22, 2020.

¹⁰ *Safety and Security: Management of the Police Department Has Recently Improved, but Foundational Decisions Are Needed on its Role and Priorities* (OIG-A-2020-012), July 1, 2020.

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Financial Management: Using Resources Wisely and Being Good Stewards of Federal Funds

In February 2020, the company was on track to have its first break-even year in its history. The company's earnings were \$18.5 million higher than projected, and ridership was up more than 4.4 percent on the company's most profitable Northeast Corridor services.

In spring 2020, however, when the pandemic took hold, the company's financial picture shifted dramatically.

In a matter of weeks, ridership dropped by 97 percent, and with the loss of core passenger revenues, the company found itself without sufficient funds to cover basic expenses like salaries and wages, train operations, and fuel. The company took some self-help actions, such as temporarily cutting management pay and benefits, reducing train service, and delaying capital projects, but it also sought help from Congress in the form of \$1.018 billion in emergency aid under the CARES Act.¹¹ With a grim revenue outlook for 2021, the company has made clear that, even with planned furloughs and continued service reductions, it will likely need federal funding in FY 2021 and possibly beyond that far exceeds its normal appropriations.

For many years, the company's Office of Finance has worked diligently to improve its financial statements and eliminate all material weaknesses and significant deficiencies—accomplishing this in 2019. Accordingly, despite the dramatic financial downturn as a result of the pandemic, the company is well positioned to effectively manage its accounting of financial resources, but it faces significant challenges in managing the resources themselves.

- **Being good stewards of federal funds.** As the company embarks on a new plan for the future, it is making difficult business decisions that will affect its employees and the communities it serves. These decisions, however, may not align with Congress's views of the company's priorities—particularly those regarding service



KEY ISSUES

- *Being good stewards of federal funds*
 - *Preserving resources for long-term infrastructure and equipment needs*
 - *Making labor a vested partner in the company's future financial success*
 - *Capitalizing on cost-saving opportunities*
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¹¹ Coronavirus Aid, Relief, and Economic Security (CARES) Act, Pub. L. No. 116-136, div. B, title XII, 134 Stat. 281 (2020).

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cuts or station staffing. To address this challenge, company executives will need to be transparent about the scope and timing of their plans and how they will affect stakeholders. They will also need to provide compelling, evidence-based business cases supporting these decisions. Further, as with any taxpayer funding, the company will need to continue to account for funds responsibly and transparently, including clearly distinguishing between its own revenues and funds that Congress provides through annual grants and special appropriations. In an August 2020 report, we commended the company's efforts to be transparent in how it is spending CARES Act funds.¹² Although the CARES Act does not require detailed reporting, the company set out to demonstrate it is being a good steward of taxpayer dollars by separately tracking and reporting on spending in specific categories like cleaning supplies and employee leave for COVID-related illnesses.

- **Preserving resources for long-term infrastructure and equipment needs.**
 The company has \$3.1 billion in available cash and has made the strategic decision to preserve this cash to fund major equipment and infrastructure investments rather than draw down the cash balance for operating expenses such as labor.¹³ To preserve its cash in FY 2020, the company reduced service and delayed capital projects, but it also requested, and Congress provided, \$1.018 billion in emergency funds in March 2020 through the CARES Act. These funds allowed the company to cover its operating expenses, and it is requesting an additional \$4.9 billion for FY 2021 to support operations, support state partners, avoid employee furloughs, and maintain daily long distance service. The uncertainty about the timing, amount, and potential restrictions of any additional federal funding underscores the importance of the company carefully managing its own resources, including its cash reserves. As a result, the company may need to reevaluate the priority and timing of its capital plans to ensure that it is not committing to spending on projects that may outstrip its available cash.
- **Making labor a vested partner in the company's future financial success.**
 Company managers appreciated several of the company's unions stepping up to help address the financial crisis by agreeing to a six-month delay in implementing a contractual wage increase. The unions also worked with the company to reduce

¹² *Governance: Observations of Amtrak's Use of CARES Act Funds* (OIG-MAR-2020-013), August 5, 2020.

¹³ Approximately \$713 million is restricted for particular uses by statute or contract, including \$65 million for Americans with Disabilities Act compliance, \$43 million for *Southwest Chief* improvements, and \$150 million for safety technology improvements on certain state-supported routes.

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service by agreeing to forego the usual system of “bids and bumps”¹⁴ to more efficiently staff the reduced service. Actions like these demonstrate the role that labor can play in collaborating with the company and helping navigate the difficult financial path ahead. The company’s challenge will be to foster this spirit of cooperation as it prepares for the next round of formal labor negotiations in 2021. During these talks, the company has opportunities to renew its request for changes to work rules and to request other changes in the collective bargaining agreements that may help reduce costs and vulnerability to fraud.¹⁵ The company also has opportunities outside the formal negotiations process to partner with its labor unions to achieve financial goals. For example, our report on preventive maintenance backshops highlighted the company’s success in finding flexibilities under its existing labor contracts to allow electricians, machinists, and pipefitters maintaining the new Siemens locomotives to perform all maintenance responsibilities, thus reducing company costs.¹⁶ Labor wages and benefits continue to be the company’s highest costs. Engaging the unions to work cooperatively to help mitigate these costs could prove beneficial for all parties as the company and its workers navigate the rapidly changing operating environment.

- **Capitalizing on cost-saving opportunities.** The pandemic forced some temporary operational changes that the company could potentially leverage for future financial benefits. For example, the company has been trying unsuccessfully for years to move to cashless transactions and to streamline labor-intensive food service options on its long distance trains and has successfully done both as part of its efforts to slow the spread of COVID-19.¹⁷ The company may be able to leverage its experience with these actions to make future adjustments to improve efficiency. Further, from March 15 to July 6, 2020, the company closed its corporate offices and required all

¹⁴ Displaced agreement workers with seniority have the right to bid on positions that are not eliminated and “bump” less senior employees in those positions.

¹⁵ For examples of our work highlighting provisions in collective bargaining agreements that make the company vulnerable to fraud, see *Governance: Stronger Controls Would Help Identify Fraudulent Medical Claims Sooner and Limit Losses* (OIG-A-2020-003), December 10, 2019; *Theft of Company Property* (OIG-I-2017-520), May 17, 2017; *Employee Resigns After Engaging in Outside Employment While on FMLA Leave* (OIG-WS-2020-322), April 14, 2020; *Employee Terminated for Inappropriate Use of Leave* (OIG-WS-2020-318), March 16, 2020; and *Reservation Sales Agent Terminated for Submitting Falsified Medical Leave Documentation* (OIG-WS-2020-310), December 23, 2019.

¹⁶ *Train Operations: Rightsizing Workforce and Using It More Flexibly Could Reduce Costs at Preventative Maintenance Facilities* (OIG-A-2019-012), September 3, 2019.

¹⁷ *Food and Beverage Service: Potential Opportunities to Reduce Losses* (OIG-A-2014-001), October 31, 2013.

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its managers to work from home. Executives acknowledged that once the company resolved some initial technology and communications glitches, the new arrangements had little impact on most business functions. This experience could help the company reduce its real property costs, potentially downsizing or even eliminating some high-cost leases.¹⁸ The company's challenge will be addressing stakeholder concerns with these actions through the use of data-driven analyses and solid business cases.

¹⁸ *Real Property: Improving Management Processes Could Reduce Costs and Generate Additional Revenues* (OIG-A-2019-006), March 29, 2019.

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Governance: Institutionalizing More Effective Management Practices and Data-based Decision-making

Transforming the company in response to the pandemic will challenge the Executive Leadership Team members to account for their own individual areas of responsibility as well as collaborate effectively on decisions that benefit the company as a whole. At the same time, leadership must commit to addressing several longstanding, costly management challenges, given both the company's economic distress and its dependence on significant federal funding.

KEY ISSUES

- *Institutionalizing effective program and project management*
 - *Using data to drive decisions*
 - *Partnering with key stakeholders*
 - *Creating a unified leadership team*
 - *Aligning the workforce to future needs*
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- **Institutionalizing effective program and project management.** The company has yet to demonstrate that it can consistently manage its key programs and projects to successfully execute them on time and within budget. Since May 2014, we have identified multiple program and project management deficiencies that led to significant cost overruns and delays.¹⁹ In 2016, the company established an Enterprise Program Management Office (EPMO) to bring more discipline to managing its capital investments. It has not consistently sustained this function, however, and has moved it among various parts of the organization reporting to different executives. As a result, the company is not consistently implementing the standards and practices the EPMO developed, which has considerable consequences for project costs and timelines. The company has taken steps to address problems in two major projects—replacing the aging Acela fleet and constructing new facilities in the Moynihan Train Hall—including assigning experienced project management teams who adhere to company standards.²⁰ The company has also recently automated its annual capital planning process and plans to establish a new capital

¹⁹ For a list of reports we issued from May 2014 through July 2020 identifying program and project management weaknesses, see *Governance: Early Planning and Oversight Deficiencies Led to Initial Program Failures and Continued Risks to the Moynihan Train Hall Program* (OIG-A-2020-014), August 17, 2020, Appendix B.

²⁰ *Governance: Early Planning and Oversight Deficiencies Led to Initial Program Failures and Continued Risks to the Moynihan Train Hall Program* (OIG-A-2020-014), August 17, 2020.

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projects group charged with ensuring consistent delivery of major infrastructure programs. Going forward, the company needs to institutionalize effective program management practices enterprise-wide as it embarks on plans to spend billions of federal dollars to upgrade its trains, stations, and infrastructure. Or, given that construction and major infrastructure projects are not its core competencies, the company could consider selectively outsourcing these functions, similar to what the Law department does for major litigation services. The company reports that it is already taking steps in this direction by outsourcing some aspects of its efforts to redevelop its major stations.²¹

- **Using data to drive decisions.** Company decision-makers often do not have the data they need or the ability to effectively analyze them in order to drive good decisions and ensure adequate transparency with stakeholder—including Congress, the Federal Railroad Administration, and the states. In some cases, we found that managers relied on spreadsheets that individual employees maintain manually, which are prone to errors and inaccuracies and are not easily accessible.²² In addition, automated data are routinely housed on separate systems that do not communicate with one another,²³ and when these data are available, the company often does not have the analytic capability to proactively use them for business purposes such as detecting suspicious patterns of possible fraud or maintaining its equipment.²⁴ Managers in the IT department agreed that this is an area for improvement and point to recent efforts to build data warehouses and hubs as well as add projects for FY 2021 to expand the company’s use of data analytics for business decision making. Although the pandemic will make resources to address

²¹ The company has plans to redevelop and improve its busiest stations through public-private partnerships. This initiative focuses on facilities at or near New York Penn Station, Philadelphia’s 30th Street Station, Baltimore Penn Station, Washington Union Station and Chicago Union Station.

²² For examples, see *Asset Management: Improved Inventory Practices Could Help the Company Better Manage its Maintenance-of-Way and Rolling Stock Equipment* (OIG-A-2019-010), July 25, 2019; *Safety and Security: Addressing Security Weaknesses and Operational Impacts of Amtrak Express is Critical to the Program’s Future* (OIG-A-2020-005), January 22, 2020; and *Real Property: Improving Management Processes Could Reduce Costs and Generate Additional Revenues* (OIG-A-2019-006), March 29, 2019.

²³ See, for example, *Real Property: Improving Management Processes Could Reduce Costs and Generate Additional Revenues* (OIG-A-2019-006), March 29, 2019.

²⁴ For examples, see *Governance: Stronger Controls Would Help Identify Fraudulent Medical Claims Sooner and Limit Losses* (OIG-A-2020-003), December 10, 2019; *Asset Management: More Effective Management of Vehicle Fleet Would Improve Safety and Reduce Costs* (OIG-A-2020-007), March 17, 2020; and *Governance: Improved Procurement Practices Could Help Ensure Lowest Prices for Materials and Maximum Savings* (OIG-A-2020-008), April 15, 2020.

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these issues scarce, upgrading business functions to meet 21st century data analytics capabilities could help the company adjust to a future with a smaller workforce.

- **Partnering with key stakeholders.** The company's operations and finances depend, in considerable part, on cooperation, coordination, and support from external stakeholders: the states, commuter rail agencies, freight rail companies, the Federal Railroad Administration, and Congress. The company has had a mixed record managing these key partnerships, which affects issues as varied as on-time performance, planning for track outages to complete state-of-good repair projects, and reimbursable projects for states.²⁵ These stakeholders now also face their own substantial challenges because of the pandemic, especially the dramatic economic decline that will constrain their budgets as well. Company managers told us that they have actively worked to improve relationships with organizations representing state supported services, and will need to leverage these relationships going forward to address common challenges.²⁶ The company will need to revisit and likely renegotiate priorities, levels of financial support, and degrees of participation in capital projects with state partners, which figure prominently in the company's future recovery and sustainability.
- **Creating a unified leadership team.** Since 2016, the company has had four CEOs, each bringing unique experience, perspectives, and visions to the company. The Executive Leadership Team has also expanded and contracted during this time before reaching 10 members as of September 2020. Further, most members of the team are relatively new to the company, typically with less than three years of tenure. The company undoubtedly has benefitted from this infusion of executive talent, bringing fresh approaches and solutions that were successful from other industry experience. But these changes also come with some challenges.

²⁵ *Train Operations: Better Estimates Needed of the Financial Impacts of Poor On-Time Performance* (OIG-A-2020-001), October 14, 2019; *Governance: Better Management of Reimbursable Projects Could Help the Company Consider Benefits and Recover Costs* (OIG-A-2020-002), October 23, 2019; and *Governance: More Effective Planning and Coordination of Track Outages Would Help Achieve A State of Good Repair* (OIG-A-2020-016), September 14, 2020.

²⁶ Two organizations represent the states with which the company shares costs. The State-Amtrak Intercity Passenger Rail Committee, which represents 20 agencies in 17 states, oversees implementation of a standard cost-sharing methodology for the state supported intercity passenger rail services across the country. The Northeast Corridor Commission promotes collaboration among the states, commuter agencies, the company, and U.S. Department of Transportation to modernize and improve the Northeast Corridor rail system.

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Chief among them is to ensure that the members of the Executive Leadership Team maintain accountability for their respective areas of individual responsibility, but also function effectively as a team—particularly when making extraordinarily difficult company-wide decisions regarding the commitment of scarce resources.

- **Aligning the workforce to future needs.** As the company reimagines its future, it will need to make sure it aligns its workforce accordingly. In May 2020, the company offered a voluntary separation program, which attracted more than 500 management and agreement employees. In fall 2020, the company plans to further reduce its workforce through an estimated 2,000 layoffs and furloughs. Although these actions may better calibrate the number of employees with the company's operating plans, the challenge will be to monitor the impacts of such cuts on other company goals—such as reducing overtime, fostering diversity, and maintaining a highly skilled and knowledgeable workforce. For example, the company is preparing to spend billions of dollars upgrading its trains, stations, and infrastructure and will need highly skilled managers to successfully execute these programs. The EPMO has identified 117 ongoing projects that will lose project managers, however, as a result of the voluntary separations.²⁷ Part of the company's challenge will be securing the labor flexibilities it needs to obtain or relocate staff with special skills to fill gaps left after its workforce reduction efforts.

²⁷ The company notes that the Executive Leadership Team is redeploying project managers as needed to close any gaps left by these departing managers and is working on a contract to rapidly acquire additional skilled project management employees to close any further workforce capacity gaps.

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Information Technology: Advancing the Company's Capabilities and Addressing Cybersecurity Risks

Information Technology (IT) is at the heart of 21st century business decisions and operations, and the company is no exception. The company is faced with updating several fundamental business systems while it anticipates adopting new technologies. Senior management across all departments will need to agree on the highest-priority

IT requirements and determine how to implement them in a resource-constrained environment. As the company reimagines its future and looks in FY 2021 to execute its largest IT capital plan in recent years, it has an opportunity to consider how it can use technology to transform its business. Concurrently, the company will continue to face the relentless challenge of ensuring that its systems and data are protected from ever-changing cybersecurity threats.



KEY ISSUES

- *Setting clear and affordable technology priorities*
 - *Planning for technologies of the future*
 - *Mitigating cybersecurity threats*
-

- **Setting clear and affordable technology priorities.** At any given time, the company has more than 80 IT-related projects underway, ranging from a technology solution to help assign seats on the new Acela 21 trainsets to a timekeeping system for company employees. Limits on human capital capacity, as well as funding constraints, have hampered progress, however, and the company has had to reduce the scope of some projects or defer delivery dates, adding to a growing backlog. The company has been working to transform its IT department to help it deliver improved infrastructure and clear the backlog of large-scale IT projects supporting company departments. To do this effectively, company executives will need to compromise and collectively make difficult tradeoffs across departments about which projects are most critical to the enterprise as a whole. This will be particularly challenging given that a large number of other capital projects will also be competing with these IT projects for dwindling resources. To help address this situation, starting in FY 2021, the company is taking steps to streamline its capital governance process for considering IT projects in the context of all other major projects. In this constrained environment, the IT and operating departments will need to closely collaborate on each department's essential technology requirements.

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- **Planning for technologies of the future.** As the pandemic drives the company to reimagine its future, it has the opportunity to concurrently ensure that it is anticipating and taking advantage of the latest technologies for its business processes. It can look, for example, at how freight railroads collect and integrate operational data in real time from signals and sensors as the trains move along their routes to run their trains safely and more efficiently. The IT department has a dedicated group charged with monitoring emerging technologies and is working with the company's operating departments to identify such opportunities. To make the most of these innovations, however, the IT and operating departments will need to fully understand business processes and reform and update them as necessary before considering where to introduce new technology solutions.
- **Mitigating cybersecurity threats.** Like many other organizations, the company faces challenges securing its IT systems and data from cyberattacks that continue to evolve and change tactics. The company has been investing in its IT infrastructure so that most users can access the company's network using any device. Although this capability has business advantages, it also brings significant cybersecurity risks, including that mobile devices could be used to compromise company data.²⁸ Cyberattacks, such as the April 2020 hack of Amtrak Guest Rewards' accounts, can diminish customer confidence in the company, hurt its brand, and be costly to resolve. The company has worked to improve its ability to detect and respond to these types of incidents and needs to remain vigilant to the risk of attacks that could threaten operations and significantly compromise safety. For example, cyberattacks on train control systems—which are used to dispatch and monitor more than 2,000 trains daily—could endanger both the operations of the company's trains and the safety of its employees and passengers.

Maintaining effective controls over company systems is key to preventing such attacks.²⁹ For example, in June 2020, we reported that poor controls allowed a terminated company contractor to copy sensitive and proprietary data to a personal storage device and remove it from company premises.³⁰ The company's ongoing

²⁸ *Information Technology: Mobile Device Security Needs to Improve to Better Protect Company Data from Compromise* (OIG-A-2020-010), May 8, 2020.

²⁹ *Information Technology: Improving Cybersecurity and Resiliency of Train Control Systems Could Reduce Vulnerabilities* (OIG-A-2019-008), July 9, 2019.

³⁰ *Former Contractor Violated Policy by Wrongfully Uploading Sensitive Data and Proprietary Company Data* (OIG-WS-2020-328), June 2, 2020.

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challenge will be to continually assess its vulnerabilities and the effectiveness of its safeguards against evolving internal and external threats.

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APPENDIX A

Abbreviations

CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CEO	Chief Executive Officer
EPMO	Enterprise Program Management Office
FY	Fiscal Year
IT	Information Technology
OIG	Amtrak Office of Inspector General
PTC	Positive Train Control
SMS	Safety Management System
the company	Amtrak