



OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

CONGRESSIONAL BUDGET ESTIMATE

Fiscal Year 2024

**SUBMITTED TO THE COMMITTEES ON APPROPRIATIONS,
U.S. SENATE, AND U.S. HOUSE OF REPRESENTATIVES**

March 13, 2023

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NATIONAL RAILROAD PASSENGER CORPORATION
OFFICE OF INSPECTOR GENERAL

FISCAL YEAR 2024 PRESIDENT’S BUDGET
SUBMISSION

INSPECTOR GENERAL’S OVERVIEW

We respectfully submit the National Railroad Passenger Corporation (Amtrak) Office of Inspector General’s (OIG) fiscal year (FY) 2024 budget proposal. We are requesting \$30,410,000 to support our mission of providing effective and meaningful oversight of Amtrak (the company). These funds will enable us to accomplish our key responsibilities of conducting audits, investigations, legal analyses, and producing other reviews and reports consistent with our mission. In addition, the request includes \$388,500 for staff training and \$121,640 to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Our required support to CIGIE increased for FY 2024, which we have budgeted for in our request. In accordance with the Inspector General Reform Act of 2008, Pub. L. No. 110-409, we affirm that this funding is sufficient to satisfy these requirements and submit the following comments pursuant to Section 6(g) of the Inspector General Act of 1978, as amended.

FY 2024 Funding Request Context. As context for this year’s request, funding for Amtrak OIG’s oversight mission has not kept pace with the growth of the national investment in its activities. In addition to managing its complex train operations, the company is now planning and executing multiple multi-billion-dollar infrastructure programs—some may span decades. Figure 1 below compares our oversight funding with the significant increased investment in the company’s programs and operations.

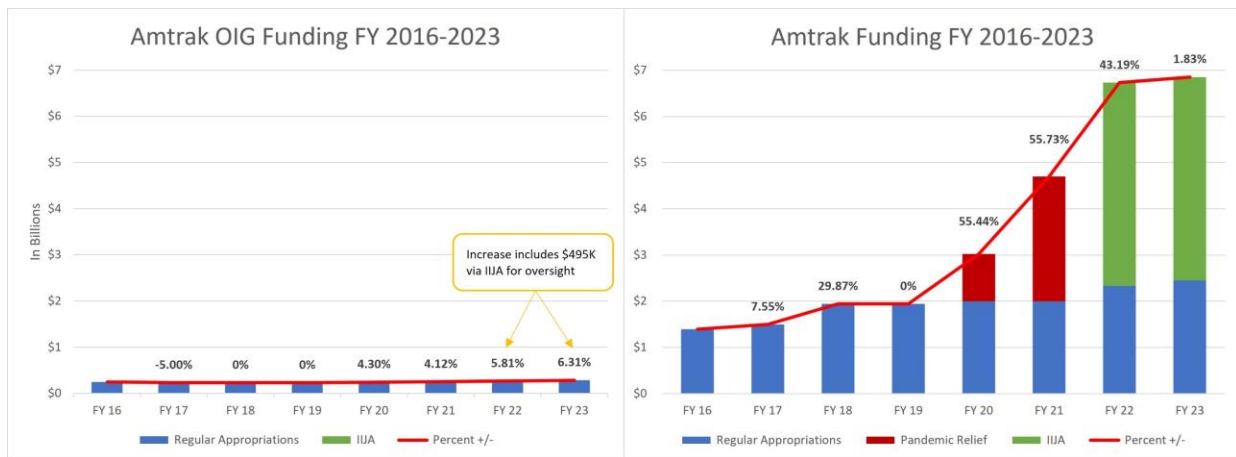


Figure 1. Amtrak OIG analysis of annual appropriation laws, pandemic relief laws, and the Infrastructure Investment and Jobs Act.

We appreciate the increases to our budgets in FY 2020-2023, and we have used those funds effectively, as described later in this report in our “Recent Work” section. Our comparatively modest request in FY 2024 for \$30.41 million will continue to help us rebuild, transform, and align our audit and investigative skill sets and capacity for a dramatically increasing oversight challenge. To do this, we are investing more in our Office of Audits and our oversight technologies such as data analytics, which continues to pay dividends for our audits and investigations.

Increased Oversight Challenges. The recent national investment in the company through the Infrastructure Investment and Jobs Act (IIJA) and the associated oversight challenge, is unprecedented. FY 2024 finds the company undergoing its most significant transformation since its inception in 1971. The IIJA provides the company direct appropriations totaling \$22 billion and access to as much as \$44 billion more in federal funding for FY 2022 through FY 2026. This massive investment positions the company to play a major role in the country’s transportation and economic future by providing funds to repair and rehabilitate the company’s rail assets, work with state and other partners to modernize the Northeast Corridor (NEC), and bring world-class rail service beyond the NEC. As such, its role as a construction management company is expanding dramatically. At the same time, the company is still rebuilding its workforce while ridership and revenue move closer to pre-pandemic levels, all while continuing its core railroad operations. As we reported in 2022, the sheer size of the IIJA’s funding and requirements presents a potential strain on the company’s ability to manage its current operations while simultaneously planning and managing a long-term multibillion-dollar infrastructure portfolio.

As federal investment in the company continues to grow, the risk of fraud, waste, and abuse will inevitably rise as well. If history is any indicator, the funding provided by the IIJA—like other large spending bills—will prove to be a lucrative target for criminals and others seeking to exploit weak internal controls. As our investigatory work suggests, infrastructure projects are especially susceptible to ever-evolving procurement fraud schemes—such as bid rigging, kickbacks, bribery, and collusion—that can inflate costs and divert funds from their intended purposes. Detecting and preventing fraud, waste, and abuse—part of our core mission—becomes even more important as rising costs may impact the overall effects IIJA funds will have in addressing Amtrak’s capital plans and backlog of repairs.

Continued investment in Amtrak OIG will help ensure we remain well-positioned to assess these areas going forward, not only as it relates to the IIJA, but across all the company's programs and operations. We recently reported our assessment of challenge areas the company faces as it implements IIJA directives and spending. The challenges we highlighted are not new — they are derived from a long history of our audit and investigatory work. Our assessment reflects the importance of these issues, their long-standing nature, and the challenges the company faces in addressing them. They include:

- Improving program and project management for IIJA endeavors.

To spend IIJA funds efficiently and effectively and to achieve the intended project outcomes, the company will need to consistently apply sound program and project management practices. We continue to conduct long-standing oversight in this area, and our work has found that Amtrak's overall success with program and project management has been mixed. For example, deficiencies in early planning and oversight led to initial program failures and project cost increases of \$72.8 million for Amtrak's portion of the Moynihan Train Hall in New York. In a separate report, we found the company had not developed a comprehensive program management framework for its highest priority infrastructure investment, the Gateway program. Such a framework should include details on how a company plans to manage, monitor, and control a program. Without one, we found that Amtrak risked managing the Gateway program in an ad hoc, reactive manner rather than in a more disciplined approach across all projects, guided by defined processes. Most recently, we found that Amtrak did not validate designs on its new *Airo*TM trains with its own personnel before signing contracts to purchase up to 83 of the new trainsets. This resulted in an Amtrak-initiated \$42.5 million change order to redesign the café car three months after the contract was signed, and it is expected to delay delivery of the first trainsets by five-and-a-half months.

Our work has helped the company recognize its program management challenges, and, as a result, it has made progress toward bringing structure and discipline to the project management function. We have observed, however, that it has not always sustained similar efforts in the past. The company will need to continue to pursue rigorous program and project management, especially in 1) focusing on early program and project planning, 2) providing adequate resources in terms of

knowledgeable and skilled project staff with the ability and capacity to execute the projects, and 3) clearly defining roles, responsibilities, and decision-making authority for the project management staff who will be held accountable for project delivery.

- Demonstrating fiscal responsibility, including transparently and accurately accounting for IIJA funds.

With a minimum of approximately \$22 billion in IIJA funds to spend, the company's challenge will be to provide timely reports that accurately detail how the company is using these funds and what it is accomplishing with them. We have ongoing work in this area that will assess how Amtrak is planning to use, account for, and report on the funds IIJA provides to replace obsolete assets and invest in deferred infrastructure needs across its system. The company is also aware that many of the systems supporting its fundamental business processes—such as its asset management, incident reporting, and workforce scheduling systems—are outdated and do not easily provide timely or high-quality information. For example, we recently identified limitations in the company's ability to centrally store and manage its procurement contracts, which pose legal and financial risks. Without an automated contract repository, these risks will persist and be exacerbated by the influx of IIJA funds and the initiation of new construction projects. In another report, our auditors identified weaknesses in Amtrak's contract oversight that also exposed the company to legal and financial risks. As a result, the company agreed to establish contract oversight as a distinct function with defined roles and responsibilities, provide dedicated training for those handling contracts, and hold contracting employees accountable for effective performance.

- Building a skilled workforce to plan and execute IIJA projects.

The company is expanding its workforce—including hiring new managers to lead IIJA-funded projects and skilled employees to execute them—but it will face challenges keeping pace with growing demands. Our recent work found that the company was already struggling with reasonable distribution of responsibilities without the added workload of IIJA. Exacerbating this challenge is a tight labor market in which multiple industries are vying for candidates with the same skills and experience the company needs—in many cases to support IIJA-funded projects in other transportation sectors like highways or transit.

- Working collaboratively with partners to achieve common IIJA goals.

The company's operations and finances depend in significant part on cooperation, coordination, and support from an array of external and internal stakeholders like state partners, commuter rail agencies, local governments, regional working groups, freight rail companies, the Federal Railroad Administration, Congress, and its own internal departments. Our work has shown that the company has had mixed success managing these relationships, which has affected issues as diverse as the railroad's on-time performance, track and rail-crossing safety, planning of track outages to conduct repairs, and cost sharing with its partners on state-supported routes. Recently, we found that a significant number of state partners cited concerns about the fairness and accuracy of the company's practices for billing them for their share of costs for these routes, undermining some states' trust in the company.

In addition to these challenges, safe operations and a safe workplace will remain the cornerstone of the company's success. Although the rehabilitation and growth opportunities afforded by the IIJA will understandably draw the company's focus and attention, Amtrak and its stakeholders cannot risk allowing new IIJA-driven programs, projects, or requirements to otherwise detract from promoting safety—at all levels of the organization—as its overarching point of emphasis.

In the same way, our oversight of Amtrak must be balanced and prioritized across all of the company's programs and operations. The influx of new funding and the fundamental shift in the company's role makes our mission—to operate as a high-performing OIG providing objective and independent oversight of the company—more important than ever. Rapid change increases risk, which requires considerable oversight to ensure the company has effective controls in place to both safeguard and maximize its significant federal investment. Our audits are relied on by our Board of Directors and Congress to deliver timely, high-quality, and actionable work products that improve the economy, efficiency, and effectiveness of the company's programs, while our investigations safeguard the integrity of the company and its funds and help bring bad actors to justice. Our work continues to foster accountability throughout the company, serves as an added check on the safety of its operations, and deters fraud, waste, abuse, and misconduct.

Based on our long-standing body of work, we remain well-positioned to know where Amtrak may face challenges as it balances its roles, and our work will be targeted to foster accountability throughout the company. With enduring and reasonable investment, we will continue to provide valuable, necessary, and balanced oversight.

SUMMARY OF OUR FY 2024 BUDGET REQUEST

To reasonably align with our increased oversight responsibilities, we are requesting \$30,410,000 for FY 2024—a \$2,475,000 increase over our FY 2023 appropriation. This request identifies the resources we need to support our operations, including for personnel compensation and benefits, contract services, training, travel, supplies, materials and equipment. It includes the following:

- **\$26.439** million for personnel, benefits, and related costs.
- **\$2.458** million for operational and equipment expenses, including funding for special equipment for criminal investigators, staff training, communications, and IT equipment and support services.
- **\$910,000** in office space and other rental payments.
- **\$603,000** for consultants and contracted services.

In particular, our priority for FY 2024 is reinforcing our audit staff to ensure we can continue to provide balanced oversight across Amtrak’s programs and operations in both the near and long term. We will add support for our Digital Investigations Unit, reinforce the continuing success in our Office of Data Analytics, and support increased cybersecurity and information technology needs. Finally, our request will help defray the expected cost of inflation absorbed in providing for salary increases, procuring professional services, construction, travel, equipment, and rent. A more detailed breakdown of additional resources and the associated costs follows:

- Four mid-level auditors to support increased oversight and broaden audit capacity and capability: **\$725,798**.
- One investigator to support Digital Investigations Unit as a system administrator: **\$221,751**.
- One information technology specialist to focus on OIG cybersecurity and support the technological demands of the Digital Investigations Unit and Office of Data Analytics: **\$221,751**.
- 4.6 percent payroll increase for FY 2024 quarter 1: **\$171,695**.
- 5.6 percent payroll increase effective January 1, 2024: **\$656,814**.
- Projected benefit rate increase¹: **\$167,287**.

¹ Amtrak OIG participates in Amtrak’s benefit plan. This is a cost that the OIG does not control, and the rate is typically set by Amtrak after our annual budget submissions to the Office of Management and Budget and Congress.

- Funding to defray inflationary increases of 3.4 percent for all non-payroll program costs: **\$122,930.**
- CIGIE contribution increase due to increase in annual contribution rate from 0.36 percent to 0.40 percent: **\$121,074.**
- Implementation of OIG's body camera program: **\$65,900.**
- Facilities improvements in New York Field Office: **\$100,000.**

How the OIG plans to deploy its resources. Staff increases will help our office better align our long-term oversight with the company's growing workforce and portfolio of high-dollar projects while continuing to address the longstanding risks and challenges inherent to core railroad operations. More specifically, our areas of focus may include the following.

- **IIJA.** The company's past record of project management is inconsistent, with program and project management deficiencies that have led to significant overruns and delays. Adding the additional resources we requested for FY 2024 will allow us to focus our Office of Audits on monitoring the company's use, accounting and reporting on IIJA funds, and its efforts to keep IIJA-funded projects within budget, on schedule and deliver the expected quality and results. In terms of our Offices of Investigations Digital Investigations Unit and Data Analytics, we will be better positioned to be responsive to potential misuse of IIJA funds.
- **Pandemic recovery.** We continue to monitor the company's efforts to attract new and returning riders and recover revenue while rebuilding and growing its workforce. We will continue monitoring its statistics on ridership and revenue to observe how it has adapted its marketing and other actions to attract new and returning riders and recover revenue. We will also monitor the company's workforce readiness as it seeks to retain and recruit highly skilled personnel to both rebuild after the pandemic and grow its workforce to address IIJA-related projects. Finally, we will continue to monitor Amtrak's use, accounting, and reporting on the more than \$3.7 billion in pandemic relief funding it received.
- **Fraud detection, prevention, and education.** Our investigative efforts have resulted in millions of dollars in recoveries and restitution from criminals who have bilked Amtrak's health care plan, bribed employees to gain lucrative contracts, cheated Amtrak's electronic voucher program, falsified and colluded on Amtrak bids, and used fraudulent disadvantaged businesses as pass-throughs to steal Amtrak's funds. Recently, our work has identified Amtrak employees

who defrauded pandemic relief funds meant to go to those in need. In addition, our investigations revealed weaknesses in Amtrak's Supplier Diversity Program, which we referred to our Office of Audits for further review. Our investigators also provide Amtrak employees with fraud awareness training, and they recently provided targeted training for company procurement staff to help identify fraud risks and indicators. Our Office of Investigations also participates in the Department of Justice's Procurement Collusion Fraud Task Force, which is tasked with detecting, investigating, prosecuting, and deterring antitrust crimes such as bid-rigging and related fraudulent schemes in the grant, government procurement, and program funding areas.

Our investigators regularly make observations regarding Amtrak programs that are targets of fraud, waste, and abuse, such as its electronic voucher program, employee leave program, and inventory management. These observations help Amtrak identify and address program weaknesses that may put its resources at risk. In addition, an important part of our investigative efforts comes from our ability and capacity to analyze the company's data to look for patterns or trends that could indicate fraud or abuse. For example, our Office of Data Analytics has designed easily accessible dashboards our investigators use to scan for indicators of fraud across several program areas, which will also aid in our efforts to ensure the company uses its IIJA funds as Congress intended. Notably, this function would not have been possible without federal investments in our capability. We will continue to investigate leads on potential fraud, waste, abuse, mismanagement, and internal control deficiencies, and we have prepared for potential increases in our workload in these areas with the influx of IIJA funding.

- **Amtrak Connects US.** The company is implementing Amtrak Connects US—a strategy for adding numerous new routes, frequencies, and expanded service to the national network by 2035 to connect cities that have seen significant population growth since the company was created in 1971. This, too, will involve unprecedented investments from Amtrak and its federal and state partners—an overlay to our traditional areas of oversight.
- **Core railroad operations.** We are overseeing the company's efforts to operate safely, efficiently, and in environmentally sound ways; improve the safety of grade crossings and track access; purchase new trainsets; and control greenhouse gas emissions.
- **Cybersecurity.** Persistent and increasingly sophisticated cyberattacks pose threats to any organization, including Amtrak, as it seeks to use information technology to achieve its goals. We are increasing our oversight of the company's

efforts to protect its systems and data against these threats. To that end, we have developed a planned portfolio of audit work that we hope to achieve through FY 2024 and beyond. Areas of interest include the accuracy of the company's IT asset management systems to ensure it can protect those assets against cybersecurity threats; Amtrak's efforts to mitigate risks of attacks through third-party IT systems; its capability to quickly detect potential cyberattacks and minimize financial and data losses if such attacks occur; and the security of web applications and the ability to prevent and detect breaches.

Investments in our audit team would help to ensure we have additional expertise in these areas and are well positioned to effectively provide increased oversight of a complex enterprise.

- **Office of Data Analytics.** Continued investments in Amtrak OIG have allowed our office to develop and refine strong data analytics capabilities to supplement audit and investigative efforts in multiple areas, including fraud, employee misconduct, ethics concerns, safety risks, control deficiencies, and program effectiveness and efficiency.

We are also expanding our ability and capacity to access and analyze the company's data on IJJA funding to look for patterns or trends that could indicate fraud or abuse and identify areas where the company may be most vulnerable to these risks. This information could, in turn, spark investigations of possible fraud as well as more systemic audits to identify the causes of these patterns or trends and solutions to address them. Nearly all our work leverages the business intelligence products our data analytics team produces, and the team has proven to be a force multiplier in improving the targeting and effectiveness of our audits and investigations.

For example, our team has developed a risk model based on multiple risk indicators that will provide a scorecard of potentially fraudulent vendors to investigate—a proactive measure established before Amtrak began spending billions of dollars in IJJA funds.

With this success comes an ever-increasing requirement for our analysts' products in our audits, investigations, and in the court room. Among the multiple ongoing efforts in data analytics, our analysts and engineers have created (and continue to create) proactive tools that put critical, real-time data into the hands of our auditors and investigators in a user-friendly way. This not only puts more eyes on Amtrak information including health care, business, and procurement data, it allows proactive analysis that can reveal anomalies

indicative of fraud, waste, abuse, or other programmatic issues. For example, our data analysts helped identify a significant health care fraud scheme in which an individual acupuncturist working from a strip mall in California was charging Amtrak's health care plan more than large research hospitals and medical institutions like Johns Hopkins. Because of this work, the acupuncturist is currently serving a 2.5-year prison sentence and was ordered to pay approximately \$2.7 million in restitution to Amtrak. A subsequent audit leveraging our analysts' products found that Amtrak's medical claims administrators did not detect approximately \$23 million in potentially fraudulent medical claims paid by Amtrak. In part, the continued Congressional support for our capabilities and capacity allowed our small team of analysts to identify this potential fraud that slipped by much larger and better resourced institutions—a notable return on investment.

Recently, our analysts helped identify criminal actions in which Amtrak employees were recruited to participate in a health care fraud scheme through the offer of cash payments in exchange for the use of their personal and insurance information to submit fraudulent medical claims. So far, five people were arrested and charged, and one of the five pleaded guilty to defrauding Amtrak's health care plan, among other crimes. And, once again, our analysts played a key role in identifying this ongoing fraud.

On the safety front, data analytics helped our auditors identify critical issues with Amtrak's drug and alcohol program, to include identifying 113 employees who were at risk for potential opioid use disorder or overdose. The data helped identify one conductor who overdosed on opioids yet was able to fill seven opioid prescriptions after the incident. In addition, we found the company was not conducting random drug testing on about 4,000 employees who performed safety-related work.

- **Other.** We continue to monitor the company's progress in completing programs and activities we have assessed and implementing our recommendations for improvement. These include the performance of its Positive Train Control systems, its compliance with the Americans with Disabilities Act, its rollout of its new Safety Management System, the delivery of its new Acela trainsets, Amtrak's use and accounting of COVID-19 relief funds, and its preparation to implement several projects as part of the Gateway program.

Return on investment. The OIG provides a substantial return on its appropriation. For the 12-month period through March 2022, the total monetary benefit resulting from our work was \$124.8 million. Our Office of Investigations was responsible for

\$24.1 million in recoveries and restitution and another \$1.8 million in forfeitures, while our Office of Audits issued 13 products and identified \$98.9 million in questioned costs and funds the company could put to better use. In addition, our investigations resulted in 18 arrests, 77 criminal referrals, 23 indictments, 29 convictions, and 41 administrative actions (up to and including dismissal from the company). These accomplishments do not include the many proactive activities and recommendations that help the company operate more effectively and efficiently, and the deterrent effect our investigations have on preventing fraud, waste, and abuse.

The OIG is also an active participant in CIGIE and coordinates with its PRAC in its oversight of pandemic-related funding. In addition, as the Chairperson of its Integrity Committee, our Inspector General serves a key role within the OIG community, that of holding the entire community of inspectors general accountable. The mission of the committee is to receive, review, and refer for investigation, as appropriate, allegations of wrongdoing made against senior officials of an OIG, including inspectors general.

Amtrak OIG is also an active member of CIGIE's Infrastructure Working Group, comprised of inspectors general who will provide oversight of IJJA funding and directives. CIGIE routinely combines its resources when significant funding is provided across multiple agencies, such as funding distributed through recent pandemic relief laws and the 2009 American Recovery and Reinvestment Act—the IJJA is no exception. This group ensures an informed, and to the extent possible, coordinated IJJA oversight approach across the accountability community, and it serves as an early warning system for identifying potential misuse and fraud risks related to the IJJA.

Our workforce: Amtrak OIG currently employs a workforce of 96 full-time employees (FTEs). Our staff includes auditors, investigators, data analysts, forensic analysts, management analysts, and support staff. Our office competes directly with the federal accountability community to hire and retain its staff of oversight professionals; accordingly, we frequently benchmark our processes and employee engagement ratings against those entities. Annual surveys of our employees consistently show that we remain competitive with our colleagues in the following areas:

- Cultivating an environment and office culture in which everyone feels that they, as individuals, are valued and supported at work.
- Providing optimal availability of training to ensure all staff are provided the tools necessary to professionally and effectively conduct our mission.
- Ensuring meaningful feedback about developmental goals and plans.

The values of diversity, equity, and inclusion (DE&I) have been an important element of Amtrak OIG's continuous improvement efforts and culture. Since 2012, our office has included a question about whether diversity is respected and valued in the workplace on its employee survey. In our most recent survey, the office's support of diversity was affirmed by more than 94 percent of respondents compared to 78 percent of federal employees who were asked a similar question.² Reaffirming our organization's commitment to DE&I, our office has chartered a DE&I council to ensure we consider DE&I in our daily operations and long-term plans and provide a workplace where the contributions of all employees are valued.

PROGRAM DESCRIPTION

The Amtrak OIG was established by the Inspector General Act of 1978 (Public Law 95-452, 5 USC Appendix 3) as amended, to consolidate all existing audit and investigative resources into one independent organization. The Inspector General provides policy direction and leadership for the OIG and serves as an independent and objective source of information and advice to Congress, the Amtrak Board of Directors, company management, and the public.

The OIG's primary activities are audits and reviews that promote economy and effectiveness of operations, and investigations prevent and detect fraud, waste, and abuse involving the company's programs, operations, and assets. In addition, the OIG employs professional staff with diverse skills that support its mission by performing legal analysis and review; financial, administrative and IT support; and quality control and data analytics.

The OIG is headquartered in Washington, D.C., with field offices in Boston, Chicago, Miami, Los Angeles, New York, and Philadelphia. In leading the organization, the Inspector General is assisted by the Deputy Inspector General who manages the following operational and support units:

Office of Audits. Conducts independent and objective audits across the spectrum of the company's programs and operations. It produces reports aimed at improving the company's performance and saving both taxpayers and the company money, while seeking to detect fraud, waste, mismanagement, and abuse. The office also oversees the audit of the company's annual financial statements.

² 2022 Federal Employee Viewpoint Survey Item 45: "My supervisor is committed to a workforce representative of all segments of society."

Office of Investigations. Pursues allegations of serious misconduct, which include procurement fraud, kickbacks, bribery, health care fraud, credit card fraud, theft, and a variety of other offenses that affect the company's programs, operations, assets, and other resources. The office has statutory law enforcement authority; its special agents make arrests, execute search warrants, serve subpoenas, and carry firearms. It refers investigative findings to the Department of Justice for criminal prosecution or civil litigation, or to company management for administrative action. It also identifies actions the company could take to reduce the risk of misconduct and criminal activity. The Office of Investigations relies heavily on its internal Digital Investigations Unit (DIU), a highly specialized, technologically advanced team of six dedicated to cutting-edge support of investigations. DIU develops evidence for criminal and administrative investigations from cell phone data, computer activity such as email and internet search-history, and data recovered from Amtrak vehicles, among other capabilities. Although small in size, its impact is considerable.

Counsel to the Inspector General. Provides legal assistance and advice to OIG senior management and supports audits, investigations, and special reviews. The Office of Counsel also coordinates OIG legal matters with external entities such as the Department of Justice and federal and state law enforcement.

Mission Support. Responsible for budget and financial management, human capital, contracting and procurement, information technology, space management, and general administrative support.

Chief of Staff. Works closely with OIG management to coordinate daily office operations and serves as a liaison between the OIG and congressional staff, the company, and the Inspector General community. The Chief of Staff also manages the OIG's data analytics team, which analyzes company and third-party data to support audits and investigations. Finally, the Chief of Staff performs regular quality assurance reviews for audit, investigative, mission support activities, and as requested by the Inspector General.

APPROPRIATIONS LANGUAGE

SALARIES AND EXPENSES

For necessary expenses of the Office of Inspector General for the National Railroad Passenger Corporation to carry out the provisions of the Inspector General Act of 1978, as amended, *\$30,410,000: Provided,* That the Inspector General shall have all necessary authority, in carrying out the duties specified in the Inspector General Act, as amended (5 U.S.C. App. 3), to investigate allegations of fraud, including false statements to the

government (18 U.S.C. 1001), by any person or entity that is subject to regulation by the National Railroad Passenger Corporation: *Provided further*, That the Inspector General may enter into contracts and other arrangements for audits, studies, analyses, and other services with public agencies and with private persons, subject to the applicable laws and regulations that govern the obtaining of such services within the National Railroad Passenger Corporation: *Provided further*, That the Inspector General may select, appoint, and employ such officers and employees as may be necessary for carrying out the functions, powers, and duties of the Office of Inspector General, subject to the applicable laws and regulations that govern such selections, appointments, and employment within the Corporation: *Provided further*, That concurrent with the President's budget request for fiscal year 2025, the Inspector General shall submit to the House and Senate Committees on Appropriations a budget request for fiscal year 2025 in similar format and substance to those submitted by executive agencies of the Federal Government. (*Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2024.*)

RECENT WORK

OFFICE OF AUDITS

Areas for management focus in advance of IIJA funding

Our recent report on areas for management focus identified four broad challenges for Amtrak and its stakeholders to consider. While safe operations and a safe workplace remain the cornerstone of the company's success, several other areas are foundational to the success of the company's IIJA-funded projects and to the future health of its core railroad operations. Our body of work reflects the importance of these areas and the challenges the company faces in addressing them, including the following:

- Demonstrating fiscal responsibility, including transparently and accurately accounting for IIJA funds.
- Building a skilled workforce to plan and execute IIJA projects.
- Working collaboratively with partners to achieve common IIJA goals.
- Improving program and project management for IIJA endeavors.

These challenges are derived from a long body of audit and investigatory work, and they will help prioritize our oversight efforts and activities.

Early challenges on Amtrak's Airo™ train acquisition led to scope changes, cost increases, and schedule delays

We found that the company experienced early challenges with stakeholder engagement on the Intercity Trainset (ICT) Program, now called Amtrak *Airo*™, leading to scope changes, cost increases, and schedule delays in its trainset acquisition and maintenance facility modification workstreams. For example, the company did not consult with its food and beverage personnel, along with officials from product development, on the design of a food service car before it signed the contract with Siemens. This resulted in a company-initiated change order that increased program costs by \$42.5 million and will delay the delivery of the first trainsets by up to five-and-a-half months.

In addition, Amtrak did not engage with key personnel at the maintenance facilities that will accommodate the new trainsets as it developed their designs. For example, in February 2022, program officials visited the Seattle maintenance facility to verify the preliminary design, but onsite personnel identified a design element that would have negatively impacted maintenance and commuter train operations in the yard, which resulted in another design change. Amtrak paused all maintenance facility design activities in spring 2022 to conduct stakeholder workshops at each of the 21 facilities it planned to modify as part of the Intercity Trainset program.

The company has since taken steps to address these issues, including establishing an ICT program management framework that closely aligns with company and industry standards such as additional cost and change management controls. The Capital Delivery department is in the process of identifying any controls needed to manage its major capital programs, but it has not yet established and implemented a control to require stakeholder input on all major programs going forward.

Amtrak has opportunities to improve recruiting and retention of skilled engineers to help manage IJIA-funded infrastructure projects

Our objective for this report was to assess the company's efforts to address challenges in recruiting and retaining skilled engineering managers as it recovers from the pandemic and builds for the future.

We found that the company is fully aware of the difficulties of recruiting and retaining skilled engineering managers in today's labor market and has taken steps to address them. These steps include establishing meaningful pay

differences between managers and subordinates, benchmarking management compensation with market rates, increasing salaries for field engineers, and offering one-time bonuses to entice agreement employees to move into management positions. In addition, the company recently commissioned a compensation analysis that will benchmark its salaries and determine appropriate rates for management positions companywide. The analysis, scheduled to be completed this summer, is the first such review since 2014. We also found that the company has additional opportunities to build on these efforts, to include codifying existing policies on compensation and using workforce data to assess the effectiveness of its recruitment and retention effort for engineering managers.

Amtrak lacks automated repository for procurement contracts, which poses legal and financial risks

We initiated this work as a survey of company practices for developing and managing construction contracts. During our review, however, we identified other relevant challenges, which we raised to inform key stakeholders as the company plans to receive its first tranche of funding from the IIJA.

We found that the company's electronic procurement system, Ariba on Demand, is not operating as a fully functioning automated repository for all procurement contracts. This has led to contracting officers storing files in multiple systems (in addition to Ariba on Demand) like SharePoint and on personal drives. As a result, using Ariba on Demand, our auditors were unable to determine the total number of company contracts, suppliers, and change orders. Notably, the company does not have the means to do this in any other system either. Lack of an automated contract repository limits companywide oversight of contracts and poses legal and financial risks. These risks will persist and be exacerbated by the influx of IIJA funds and the initiation of new construction projects.

In addition, we identified six specific challenges with Ariba on Demand—as the company is currently using it—including a limited ability to protect sensitive information, difficulties registering suppliers, and various technical limitations that require manual workarounds and increase the time and effort necessary to develop and manage construction contracts.

Amtrak's purchase and planned use of \$41.1 million Delaware building based on faulty planning assumptions

Our objective for this report was to assess the extent to which the company planned effectively for the Unified Operations Center (UOC) program, including developing a business case that demonstrated the expected financial and operational benefits compared to the estimated costs.

The company began planning for the UOC program in December 2018. It is a multi-year effort to relocate several vital customer care functions—including train-dispatching personnel who are currently spread across five cities—into a centralized location. Mitigating flooding risks at the current Consolidated National Operations Center, located on the Christina River in Wilmington, Delaware, was another reason the company planned to move personnel to another location. In May 2020, the company purchased a building in Wilmington for \$41.1 million to house the UOC program.

We found that the company experienced challenges associated with its building purchase, which have led to questions about how the company will use the property. Specifically, the purchase was largely premised on two significant yet faulty assumptions: (1) that the company could centralize and collocate its train control and dispatch personnel, a specialized Amtrak Police Unit, social media staff, and relocate IT personnel from leased office space; and (2) that the program would yield cost savings. Neither assumption materialized because the company did not effectively verify the feasibility of centralizing these personnel and functions—including retrofitting the building to accommodate significant IT requirements—before purchasing the building in May 2020. The company is in the early stages of design work to retrofit the building to accommodate the UOC program at an estimated cost of \$37 million, and it is updating its business case for the program's future.

Amtrak needs a comprehensive program management framework for its Gateway commitments

Our objective for this report was to assess the extent to which the company has a program management framework to govern how it will complete its current and future work across the Gateway projects.

While the company has started hiring staff and building a schedule, among other things, to manage the volume of work it will soon encounter on Gateway, we found that the company has not fully developed a thorough program management framework that describes the processes its departments will follow and the tools they will use to manage the program now and in the years ahead. The company is facing three challenges on Gateway without this framework.

First, although Amtrak has recently added staff to the Gateway program team, it has been overtasked because the company has not assessed the resources that the team and departments providing major support to Gateway need to manage current and future work. Second, while the company has some mechanisms in place to update certain key stakeholders, it has not determined how it will collect and provide comprehensive and consolidated information on the program's overall status—including budget and schedule—to all internal company stakeholders with responsibilities for Gateway. Third, although the company has assessed risks to individual projects in coordination with its partners, it has not assessed the broader program-wide risks it may face managing its Gateway commitments, such as potential impacts to other company acquisitions or projects.

Amtrak's Human Resources department faces challenges supporting workforce growth plans

Our objective for this report was to alert the company to specific Human Resources functions that require prompt company action.

We found that the Human Resources department does not have enough staff to effectively recruit, screen, hire, and onboard new employees, which will likely hinder the company's plans to build its workforce by as much as 21 percent over the next year. Human Resources managers told us the labor market is tight and the department faces difficulty competing for top talent acquisition candidates against other companies that may offer more opportunities for remote work and greater schedule flexibility.

Even with additional talent acquisition staff, the company expects to require help from third-party recruiting agencies to help during periodic hiring surges such as those associated with new funding for major infrastructure projects. Further, the company relies heavily on cumbersome manual hiring processes, which when addressed, will likely improve its ability to quickly identify and hire the thousands of workers it anticipates needing to execute the company's recovery and growth strategies. The Human Resources department is actively recruiting for all positions required to meet the company's immediate needs, but it will take several months to be in a position where it is able to fully support all hiring, including for positions needed to execute projects funded by the IJJA.

OFFICE OF INVESTIGATIONS

Contractor pays over \$3 million to resolve contract billing issues

Our investigation uncovered billing irregularities related to contracts on New York's Gateway Program rail infrastructure projects in the Northeast Corridor. Amtrak recovered approximately \$3 million from a contractor who charged overhead rates that exceeded maximum pay rates as proscribed by the Gateway project contracts, including approximately \$1.5 million pursuant to a civil settlement agreement filed in the U.S. District Court for the Eastern District of Pennsylvania and an additional approximately \$1.5 million directly from the contractor. The Gateway contracts required that the contractor bill actual overhead rates up to a not-to-exceed maximum allowed rate. From 2013 through 2020, however, the contractor billed overhead rates that exceeded the allowed rate.

Four arrested and charged for allegedly participating in health care fraud scheme targeting Amtrak's health care plan

Three men and one woman were arrested for allegedly participating in a health care fraud scheme that bilked Amtrak's health care plan of at least \$9 million. Muhammad Mirza, 50, of Cedar Grove, New Jersey; Devon Burt, 49, of Blue Bell, Pennsylvania; and Hallum Gelzer, 43, of East Orange, New Jersey, were charged by complaint with conspiracy to commit health care fraud in Newark federal court. Punson Figueroa, aka "Susie Figueroa," 55, of Long Island City, New York, was charged in the same complaint with 15 counts of health care fraud. Mirza, Figueroa, Gelzer, Burt and others allegedly recruited Amtrak employees—primarily from New York and New Jersey—to participate in the scheme by offering them cash kickbacks in exchange for the employees agreeing to allow Mirza, Figueroa, and others to use their patient and insurance information. Mirza, Figueroa, and others allegedly used this information to fraudulently bill Amtrak's health care plan for services that were never provided or that were medically unnecessary.

Amtrak OIG-supported investigation leads to convictions in \$1.4 billion health care fraud scheme involving rural hospitals

Two individuals were convicted for their roles in a conspiracy that fraudulently billed approximately \$1.4 billion for laboratory testing services in a pass-through billing scheme involving several rural hospitals. Jorge Perez, 62, and Ricardo Perez, 59, both of Miami, conspired with each other and others to unlawfully bill

for approximately \$1.4 billion of laboratory testing services which were medically unnecessary, and that fraudulently used rural hospitals as billing shells to submit claims for services that were mostly performed at outside laboratories. Jorge Perez and Ricardo Perez were convicted of conspiracy to commit health care fraud and wire fraud, five counts of health care fraud, and conspiracy to commit money laundering of proceeds greater than \$10,000. Amtrak OIG investigators determined that Amtrak's health care plans paid out more than \$610,000 to three rural hospitals and associated laboratories.

California chiropractor sentenced to 70-month prison sentence, \$1.3 million in restitution for defrauding health insurers

A former California chiropractor was sentenced to 70 months in federal prison for bilking health insurers by submitting \$2.2 million in fraudulent billings for services that were never provided, medical diagnoses never given, office visits that never occurred, and medical devices that were falsely prescribed. Susan H. Poon, 57, of Dana Point, was found guilty of five counts of health care fraud, three counts of making false statements relating to health care matters, and one count of aggravated identity theft. In addition to her prison sentence, Poon was also ordered to pay \$1,379,622 in restitution to her victims.

During her scheme, Poon submitted false reimbursement claims to Amtrak's health care plan and plans from other health insurance companies for services that were never performed. Claims included fraudulent prescriptions for individuals she never met, including spouses and children of individuals insured by the health care plans Poon targeted. Poon unlawfully took and used the dependent's personal identifying information in her reimbursement request and prescriptions.

Former Amtrak employee sentenced to prison for fraudulently obtaining, selling \$76,000 worth of chainsaws and chainsaw parts

A former Amtrak employee was sentenced to 18 months in prison for fraudulently obtaining over \$76,000 worth of Amtrak-owned chainsaws and chainsaw parts and selling them for personal profit. Jose Rodriguez of Brick, New Jersey, pleaded guilty to one count of mail fraud. Rodriguez, a former Amtrak senior engineer and repairman based in North Brunswick, obtained approximately 114 chainsaws, 122 chainsaw replacement bars, and 222 replacement chains from Amtrak under the false pretense that this equipment would be used for Amtrak projects. Rodriguez, however, sold the equipment either on an online auction service or directly to purchasers. In this

case, our agents provided additional observations to Amtrak that would help prevent similar thefts, and the company has since taken actions to improve its internal controls.

Amtrak employee and wife plead guilty to selling \$3 million worth of misbranded and unapproved new drugs

An Amtrak employee and his wife pleaded guilty to marketing and distributing over \$3 million worth of misbranded drugs and unapproved new drugs. Keith and Sylvia Kovaleski of South Amboy, New Jersey, pleaded guilty to one count of conspiring to distribute misbranded drugs and unapproved new drugs. As part of their plea agreements, the Kovaleskis must forfeit over \$3 million in criminal proceeds. The Kovaleskis owned and operated All American Peptide. From 2014 to January 2019, All American Peptide used its website to market and distribute substances primarily used by bodybuilders and others engaged in weight training to enhance performance and mitigate the side effects of performance enhancing substances. Through their company, the Kovaleskis sold prescription drugs such as tadalafil, the active ingredient in Cialis; SARMS, a drug used by bodybuilders as an alternative to steroids; peptides, also used as performance enhancing substances; and other drugs that had not been approved for human use by the U.S. Food and Drug Administration.

Amtrak employee charged with CARES Act fraud, theft of government funds after OIG investigation

An Amtrak employee was charged with making false statements and theft of government funds related to the CARES Act. Stacey V. Santemore, Sr., 46, formerly of New Orleans but now a resident of Houston, allegedly made false statements to the U.S. Small Business Administration for the purpose of fraudulently obtaining pandemic-related relief loans funded by the federal government, including Paycheck Protection Program funds, of which he received approximately \$89,000. Santemore also allegedly applied for and received Louisiana unemployment benefits through the Louisiana Workforce Commission, despite being fully employed by Amtrak.

FINANCIAL TABLES**BUDGET REQUEST BY SOURCE OF FUNDS
NATIONAL RAILROAD PASSENGER CORPORATION
OFFICE OF INSPECTOR GENERAL**

ACCOUNT NAME	FY 2022 ACTUAL	FY 2023 ACTUAL	FY 2024 REQUEST
Salary & Expenses	26,248	27,935	30,410

**NATIONAL RAILROAD PASSENGER CORPORATION
OFFICE OF INSPECTOR GENERAL
PERSONNEL RESOURCES SUMMARY
AUTHORIZED FULL-TIME EQUIVALENTS (FTEs)**

ACCOUNT NAME	FY 2022 ACTUAL	FY 2023 PLANNED	FY 2024 REQUEST
Salary & Expenses	94	106	112

OBJECT CLASSIFICATION—FY 2022 TO FY 2024
SALARIES AND EXPENSES
(\$000)

OMB ACCOUNT ID: 575-00-2996		FY 2022 ACTUAL	FY 2023 PLANNED	FY 2024 REQUEST
Personnel Compensation:				
11.1	Full-time permanent	15,561	17,696	19,237
12.1	Personnel benefits	5,411	6,614	7,202
	<i>Total Personnel Service and Benefits</i>	20,972	24,309	26,439
Contractual Services and Supplies:				
21.0	Travel and transportation (persons)	340	400	421
22.0	Transportation (things)	6	5	5
23.2	Rental payments to others	874	893	910
23.3	Communications, utilities, and miscellaneous charges	1,357	1,269	1,352
24.0	Printing and reproduction	4	10	10
25.1	Advisory and assistance services	905	531	603
25.2	Other services from non-federal sources	149	158	254
26.0	Supplies and materials	89	175	147
	<i>Total Contractual Services and Supplies</i>	3,725	3,443	3,702
31.0	Equipment	514	183	269
99.9	<i>Total obligations</i>	25,211	27,935	30,410