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ACQUISITION AND PROCUREMENT: Closer Alignment with Best Practices Can Improve Effectiveness

Audit Report OIG-A-2014-006 | May 7, 2014



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REPORT HIGHLIGHTS

Why We Did This Review

In FY 2012, Amtrak spent \$2.3 billion to acquire goods and services—52 percent of its funds for operations and infrastructure improvement. Because of the large amount expended and the importance of this spending in providing reliable passenger rail service, it is essential for the company to have efficient and effective procurement processes.

The company's FY 2014–FY 2018 Strategic Plan presents three themes and goals, including a financial excellence goal. To meet this goal and to operate in a more business-like manner, the company needs to procure quality goods and services on a timely basis and at reasonable prices.

The objective of this review was to conduct a comparative analysis of Amtrak's procurement operations and best practices to determine whether there were opportunities for improvement.

For further information, contact David R. Warren, Assistant Inspector General, Audits, 202-906-4600.

For the full report, see www.amtrakoig.gov/reading-room

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What We Found

When comparing Procurement department processes and best practices, we identified 16 opportunities for improvement in 4 major areas. These are some high-level examples:

- **Organizational alignment and leadership.** Best practices have Procurement departments aligned to play a strategic role in procurement processes. Amtrak's Procurement department supports the user departments during the procurement process, but does not play a strategic role.
- **Policies and processes.** The company has documented policies and procedures that provide guidance for procurement processes. However, unlike the best practices of leading organizations, Amtrak's procurement policies and processes do not incorporate strategic planning and activities.
- **Human capital.** At the strategic level, the company has started a new program to improve its human capital management that reflects some private industry best practices. Improving the capabilities and capacities of Procurement staff through this program will largely depend on a sustained management commitment.
- **Knowledge and information management.** Best practices for procurement knowledge and information systems ensure accurate reporting and reliable data. Our prior reviews have identified concerns with information system data accuracy.

These opportunities for improvement exist because Amtrak has used the Procurement department in a support function, has not provided the department with strategic direction, and has not focused on a company-wide approach to strategic procurement. As a result, the Procurement department's capabilities have been limited, and the company may not be acquiring the highest quality goods at the best prices.

Recommendations


We recommended that the President and Chief Executive Officer consider realigning the organizational responsibility for procurement activities consistent with best practices. Once organizational responsibility is decided, direct the executive responsible for procurement activities to develop a plan that provides strategic direction and focus to the Procurement department to improve its operations based on the best practices discussed in this report. In response to the draft report, the President and Chief Executive Officer agreed to provide such a plan.

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Memorandum

To: Joseph H. Boardman
President and Chief Executive Officer

From: Tom Howard 

Date: May 7, 2014

Subject: *Acquisition and Procurement: Closer Alignment with Best Practices Can Improve Effectiveness* (Audit Report OIG-A-2014-006)

This report provides the results of our review of Amtrak's (the company) procurement function using the Government Accountability Office's (GAO) *Framework for Assessing the Acquisition Function at Federal Agencies*,¹ a tool for making a high-level assessment of the strengths and weaknesses of an organization's procurement functions.² This framework was developed in consultation with federal government and industry experts as well as individuals with acquisition expertise from academia. The GAO Framework presents a series of best practices and recognizes four interrelated areas that are essential to an efficient, economical, and accountable acquisition and procurement process:

- 1) organizational alignment and leadership
- 2) policies and processes
- 3) human capital
- 4) knowledge and information management

In fiscal year (FY) 2012,³ the company spent 52 percent of its funds for operations and infrastructure improvement to procure goods and services—\$2.3 billion out of \$4.4 billion. Because of this significant spending and its importance in providing reliable passenger rail service, it is essential for the company to have efficient and effective procurement processes.

¹ GAO, GAO-05-218G, September 2005.

² Throughout this report, the terms *procurement* and *acquisition* are used interchangeably.

³ FY 2013 audited amounts were not available at the time of this report.

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Efficient, effective processes for acquiring goods and services impact all three goals presented in the company's FY 2014–FY 2018 Strategic Plan: customer focus, safety and security, and financial excellence. Procurement affects each of these goals, but its processes contribute most directly to the financial excellence goal. The Strategic Plan states:

Financial Excellence Goal: To be profitable on an operating basis and be good stewards of capital in order to secure our long-term viability as a company.⁴

The strategic plan also states that to achieve the financial excellence goal, all Amtrak staff must understand how their daily actions impact the company's financial bottom line. The company has taken steps toward realizing this goal, including developing a strategy with key strategic initiatives to achieve financial excellence, and establishing an Amtrak Controls group that will assess and recommend improvements to functions and operations.

Our objective was to conduct a comparative analysis of Amtrak's procurement operations and best practices to determine whether there were opportunities for improvement.

For details on our scope and methodology, see Appendix A. During this audit, we developed a series of flowcharts to illustrate Amtrak's major procurement processes; they are included as Appendix B. The GAO Framework's questions are also included as Appendix C.⁵

COMPARATIVE ANALYSIS SHOWS OPPORTUNITIES FOR INCREASED USE OF BEST PRACTICES

When comparing the company's use of the Procurement department with best practices, we identified 16 opportunities for improvement. These are identified at the start of each of the four sections in this report: Organizational Alignment and

⁴ Amtrak's FY 2014–FY 2018 Strategic Plan, p. 20.

⁵ GAO Framework questions were modified to reflect Amtrak's terminology and procurement environment.

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Leadership, Policies and Processes, Human Capital, and Knowledge and Information Management. Within these four areas, we identify best practices on the left, and the corresponding text discusses the Procurement department status or activity. For an overview of the 16 opportunities, see Figure 1.

Figure 1. Opportunities to Improve Procurement Operations

- 1) Organizational Alignment and Leadership:**
Greater Management Support and Visibility Needed to Operate Strategically
 - aligning Procurement in the organization for maximum effect
 - using Procurement as more than a support function
 - including Procurement early in the spending process
 - managing risk company-wide
 - measuring the performance of Procurement
 - assigning authority and responsibility to Procurement

- 2) Policies and Processes:**
Policy and Process Improvements Needed to Affect a More Strategic Approach to Procurement Operations
 - knowing the company-wide context
 - selecting suppliers
 - implementing contracts
 - improving the infrastructure

- 3) Human Capital:**
Investment in Strategies Needed to Ensure Staff Competency
 - expanding the role of Procurement in the organization
 - planning workforce hiring and development
 - establishing training requirements
 - establishing performance goals

- 4) Knowledge and Information Management:**
Improvements Needed in System Controls and Data Synchronization
 - managing information
 - maintaining reliable data

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1) Organizational Alignment and Leadership: Greater Management Support and Visibility Needed to Operate Strategically

Framework. The goal of organizational alignment is to ensure that the procurement function enables the company to meet its overall mission and achieve a coordinated and strategically oriented approach to procurement. To meet this goal, the procurement function needs proper management support and visibility within the organization.

Our review of best practices identified opportunities for improvement in six areas:

- aligning Procurement in the organization for maximum effect
- using Procurement as more than a support function
- including Procurement early in the spending process
- managing risk company-wide
- measuring the performance of Procurement
- assigning authority and responsibility to Procurement

Aligning Procurement in the organization for maximum effect

Best Practice: Best-performing organizations and many freight railroads have the procurement function report to the highest level in their organizations.

The Procurement department reports to the head of the Finance department, the Chief Financial Officer. Procurement's placement within the Finance department may restrict its authority and influence over some management procurement decisions. In 2005, GAO commended Amtrak because the head of the Procurement department was at the vice-president level, reported directly to the President, and was equal in stature to the other key department heads. The former vice president of the Procurement department stated that elevating his position to the level of other key departments provided him with more authority to oversee and enforce procurement policies. Since then, the company has realigned Procurement under the Finance department.

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Using Procurement as more than a support function

Best Practice: Leading organizations know that effective organizational alignment enables them to implement a coordinated and strategically oriented approach to procurement activities.

Generally, the Procurement department's involvement in acquisition activities has been limited to a support function. The department's mission is to ensure that the company meets its operating performance standards, capital program objectives, and financial goals by providing company-wide purchasing strategies. However, departmental senior

leadership stated that operationally, the department exists to provide Amtrak the capability to procure the goods and services needed to continue operations. They also stated that they view procurement as a support function that enables user departments⁶ to accomplish their work. By involving Procurement earlier in the purchasing process, the company could gain a more coordinated and strategically oriented approach to procurement. Such an approach could impact the price or quality of goods and services the company buys.

Including Procurement early in the spending process

Best Practice: Leading organizations transformed their procurement function from focusing on supporting various business units to being strategically important to the bottom line.

Amtrak's procurement function is organized to support user departments on a transactional basis rather than influence user department spending from a budgetary or strategic standpoint. This limits the department's ability to influence acquisition spending on a company-wide scale. User departments manage spending through annual

budget and project selection processes. The Procurement department's involvement and influence generally begin after the budget and project selection processes are complete.⁷ This limits the role of the department to providing transactional support, such as receiving and processing user department requests, and ensuring that the transaction meets applicable standards. Instead of strategically affecting procurement actions from

⁶ "User departments" are the departments, such as Engineering or Mechanical, that use the goods and services the company procures.

⁷ The budget and project selection processes are being revised, as reported in Amtrak Office of Inspector General (OIG), *Corporate Governance: Planned Changes Should Improve Amtrak's Capital Planning Process, and Further Adoption of Sound Business Practices Will Help Optimize the Use of Limited Capital Funds*, OIG-E-2013-020, September 27, 2013.

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initiation, where strategic sourcing might have a significant impact, the Procurement department plays largely a supportive role—processing transactions.

Managing risk company-wide

Best Practice: Leading organizations have mechanisms to anticipate, identify, and react to risks presented by changes in conditions that can affect company-wide or procurement-related goals.

Until last year, Amtrak used ad hoc risk processes to address some identified risks, but it did not have a formal, coordinated, and systematic enterprise-wide framework to identify, analyze, and manage risk. These ad hoc efforts often focused narrowly on operational or compliance risks in individual departments.⁸ As part of the corporate reorganization, Amtrak is in the process of

developing and conducting a comprehensive risk assessment. In the last year, the company has developed a framework to identify and document risks and controls, and is in the process of implementing phase two of a four-phased process.

Measuring the performance of Procurement

Best Practice: Best practice organizations know the value of using outcome-oriented performance measures and company-wide metrics to assess the success of the procurement function.

The Procurement department has the capability to report on and measure performance for some activities in its logistics section; however, the company has not developed metrics or a plan to establish metrics for effective procurement performance. In early 2013, Procurement management started to gather information and

generate reports to measure some inventory demand and transaction activities, including metrics established for inventory availability, critical outages, and stock levels. More recently, the department developed the ability to determine the level of activity on each of its purchase orders and track how quickly the funds are spent. This is a good first step in developing reports on company-wide spending that could present data to establish metrics and procurement goals.

⁸ Amtrak OIG, *Amtrak Corporate Governance: Implementing a Risk Management Framework is Essential to Achieving Amtrak's Strategic Goals*, OIG-A-2012-007, March 30, 2012.

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Assigning authority and responsibility to Procurement

Best Practice: To ensure that the procurement focus benefits their bottom line, leading organizations assign procurement departments with organization-wide responsibility and authority over buying goods and services.

The Procurement department has company-wide responsibility and authority over buying goods and services; however, Amtrak expends a significant amount of its funds through purchasing methods when this authority is significantly diminished or non-existent. Specifically, the company spent more than \$2.3 billion on goods and services in FY 2012. Of this amount, user departments spent about \$273

million with minimal transactional review by Procurement, and about \$664 million without Procurement's involvement in the transaction.

User department purchases made directly from vendors increase the risk of not receiving sufficient quality goods and services at reasonable prices. A 2005 GAO report cautioned Amtrak on the use of these purchasing methods because it identified inappropriate use of the tool.⁹ The Procurement department reported that in FY 2005, these purchasing methods totaled approximately \$515 million; however, in FY 2012, the amount had increased to more than \$937 million. This amount exceeds the FY 2012 funding expended on infrastructure projects conducted by the Engineering and Mechanical departments combined.

⁹ GAO, *Amtrak Management, Systemic Problems Require Actions to Improve Efficiency, Effectiveness, and Accountability*, GAO-06-145, October 2005.

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2) Policies and Processes:

Policy and Process Improvements Needed to Affect a More Strategic Approach to Procurement Operations

Framework. Policies and processes govern the way an organization performs the procurement function. Best practices state that policies and processes assist the organization in three key areas: planning strategically, effectively managing the procurement process, and promoting successful outcomes of major projects.

Our review of best practices identified opportunities for improvement in four areas:

- knowing the company-wide context
- selecting suppliers
- implementing contracts
- improving the infrastructure

Knowing the company-wide context

Best Practice: Leading organizations ensure that when strategically planning procurements, they ascertain the context in which the procurements occur. They identify and manage the relationships among the parties involved in the process and ensure that sufficient attention is given to analyzing aggregate organizational needs.

The Procurement department has limited opportunity to analyze aggregate company needs because it does not have visibility of or control over user department procurement plans. User departments consider only those purchases that affect their operations, and Procurement department assistance is only on a limited basis. Amtrak's standard process is for user departments to operate in a silo environment and decide their needs without input from other departments or assistance from the Procurement department.

The user departments typically make purchasing decisions during annual budget processes, which are conducted within each department. The Procurement department's formal involvement begins when the user department submits a purchase request. By the time a user department submits this request; it has typically identified the goods or services it needs. Although the procurement function could provide a link across departments to inform these processes, the culture and annual planning process foster a user department-led approach to procurement decisions.

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Selecting suppliers

Best Practice: To create a strong supplier base, organizations should employ rigorous strategies to select suppliers.

The supplier-selection process appears to rely primarily on previous vendor relationships, possibly limiting its ability to identify new suppliers. User departments are expected to identify potential vendors before involving the Procurement department. When the process is competitive, the

project manager (a user department employee) is responsible for recommending suppliers to participate in the competition, selecting the Technical Evaluation Committee that will review the proposals, and participating in the rating of supplier proposals. At a minimum, this process appears to provide the project managers—and therefore user departments—with significant influence over the selection process. This practice can result in a weak supplier base, limited availability of necessary goods and equipment, and higher prices.

Implementing contracts

Best Practice: Leading organizations strategically plan procurements and proactively manage the procurement function, but the procurement process does not end with the award of a contract. When managing the procurement process, leading organizations ensure that stakeholders continue to be involved throughout contract implementation.

Company policies give authority to the Procurement department to execute contracts; however, the policies and procedures do not clearly state the requirements for monitoring and oversight. The Procurement Manual does not require a standard method for reporting on or monitoring results. Procurement staff rely on user departments to provide monitoring reports, sign invoices ensuring that goods and services have been received, and identify performance issues affecting the contract terms and conditions. Procurement contracting agents also do not typically perform onsite monitoring.

Procurement and user department personnel appear to have flexibility in determining the level of contractor monitoring and oversight they will perform on an individual basis. This would seem to suggest inconsistencies and limited reporting to department leadership, as well as weaknesses in contract management and control. In March 2013,

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we reported weaknesses in the company's monitoring of host railroad billings.¹⁰ We reported that a significant number of invoice errors went undetected (\$1.4 million), and the company paid for utility costs while it was directly paying the utility service provider for the same service.

Improving the infrastructure

Best Practice: Leading organizations use capital investment strategies and obtain sufficient product knowledge to meet their targets for cost, schedule, performance, and quality.

The state of repair of the infrastructure is critical to Amtrak's operations; however, Procurement has only limited involvement in the activities that lead to improving these assets. Procurement does not typically participate in the annual budgeting and planning processes. During these processes, user departments make purchasing and funding

decisions for the upcoming year. A 2005 GAO report stated that not fully integrating the Procurement department into planning and management processes limited the spread of good procurement practices throughout the company.

We previously reported that the Information Technology (IT) department could have more effectively planned and managed its approach to acquiring information technology services, better administered the contracts, and more effectively held the contractors accountable for meeting contract terms. As a result, the IT department has not consistently received the level of IT support services it contracted for, continues to incur higher than necessary IT support costs, and faces an increased risk of costly interruptions to key business operations. Further, we identified up to \$27 million in potential savings through the end of the contract—and \$4.4 million in payments that could have been avoided—with closer management attention.¹¹

Regarding infrastructure, Amtrak has several reports and plans that articulate its capital investment needs; most of these needs correspond to the state of repair of the infrastructure and rolling stock. Some of these reports and plans provide significant detail on infrastructure needs and efforts to achieve a state of good repair. Annually, the

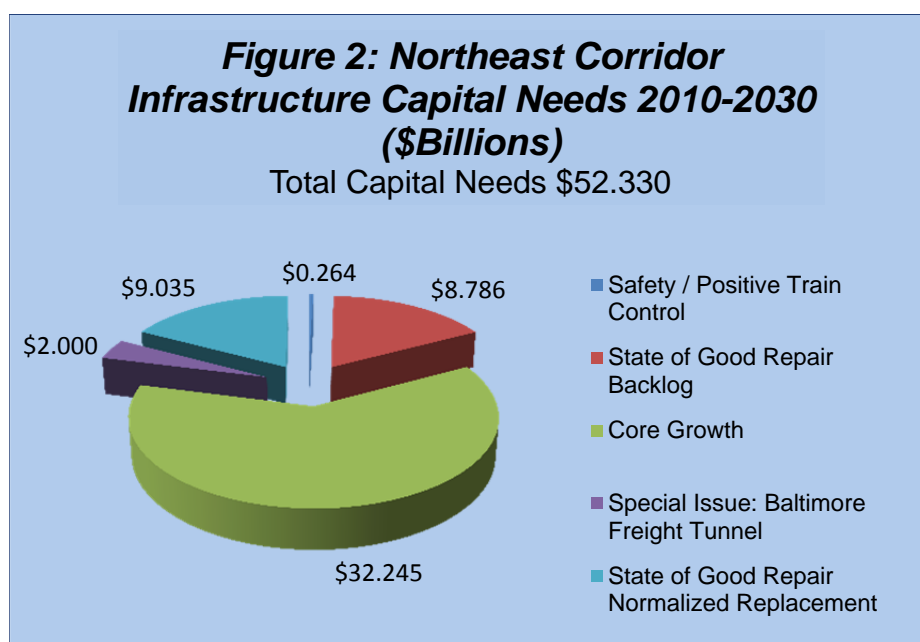
¹⁰ Amtrak OIG, *Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments*, OIG-A-2013-008, March 26, 2013.

¹¹ Amtrak OIG, *Information Technology: Opportunities Exist to Improve Services, Economies, and Contract Performance*, OIG-A-2013-013, April 16, 2013.

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company produces a Five Year Financial Plan, which outlines current and projected financial needs. This plan provides budgetary information for future investments and distinguishes between new and continuing projects.

The plan estimated that the state-of-good-repair backlog on Amtrak-owned/operated infrastructure was roughly \$5.8 billion, and that the company will need an additional annual investment of \$380 million to maintain this infrastructure.¹² In addition, under the Northeast Corridor Master Plan, the company's infrastructure capital needs will be \$52.33 billion for 2010 to 2030, which is shown in Figure 2.



Source: OIG analysis of Amtrak financial data

The company has done a good job of articulating its capital and infrastructure needs; however, our work shows that the analysis, support, and review of these projects are very limited. Our September 2013 review of capital projects determined that when Amtrak did not follow sound practices in the development of project proposals, schedule delays and other problems potentially cost the company up to \$155 million in lost revenues and unrealized cost reductions.¹³

¹² Amtrak FY 2013–2017 Five Year Financial Plan, May 2013, p. 12.

¹³ Amtrak OIG, *Corporate Governance: Planned Changes Should Improve Amtrak's Capital Planning Process, and Further Adoption of Sound Business Practices Will Help Optimize the Use of Limited Funds*, OIG-E-2013-020, September 27, 2013.

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3) Human Capital: Investment in Strategies Needed to Ensure Staff Competency

Framework. Effective human capital management ensures that the organization has the right staff in the right numbers to accomplish the mission effectively. Human capital permeates virtually every organizational effort—including successfully acquiring goods and services, and executing and monitoring contracts. Successful acquisition efforts depend on organization leadership and management valuing and investing in the acquisition workforce.

Our review of best practices identified opportunities for improvement in four areas:

- expanding the role of Procurement in the organization
- planning workforce hiring and development
- establishing training requirements
- establishing performance goals

Expanding the role of Procurement in the organization

Best Practice: In leading organizations, senior leaders are committed to developing better ways to invest in human capital, and human capital personnel are trusted advisors and partners with procurement managers—not merely paperwork processors.

Previously, Human Capital provided only administrative services to the Procurement department, but a new Human Capital program could make significant improvements. Human Capital has provided many administrative services to the Procurement department, including hiring; establishing benefits; processing separations, promotions, and retirements; and tracking training.

However, these tasks focus on compliance, not building capacity or staff capability.

In early 2013, Human Capital started a new program, Total Rewards & Integrated Talent Management (Total Rewards). This program aims to build a high-performance culture that is more closely aligned to the business strategy, provides flexibility for employee rewards, and invests in highly qualified employees. Because the program is in the early stages of implementation, its impact on Procurement personnel is unknown, and its success will depend on Procurement management efforts and implementation.

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Planning workforce hiring and development

Best Practice: Strategic workforce planning outlines ways to help the organization fill gaps in knowledge, skills, and abilities.

A Procurement department official stated that the department does not have a formal workforce plan. In 2009, the Procurement department contracted a workforce study that identified several gaps in skills, education, and training for Procurement staff.¹⁴

However, department management stated that it has been unable to implement many of the study's recommendations because of other priorities. Developing a workforce plan could provide several benefits, including establishing minimum basic training requirements, employee development goals and milestones, and employee succession plans.

Establishing training requirements

Best Practice: Leading organizations realize that investing in and enhancing the value of their procurement staff benefits both the organization and the employees. Experts in industry and government recognize that training is a critical tool in successfully introducing and implementing new ways of doing business and reacting to change.

The Procurement department does not have established training requirements and does not require professional certifications for procurement positions. The former Chief Logistic Officer relied on ad hoc outside training and on-the-job training. Procurement management stated that some positions receive initial training and annual refreshers; however, we noted that the training requirements are not formal. Also, the department has no formal continuing education requirement; therefore, some staff may not receive any outside training for several years. The 2009 workforce study also identified

weaknesses in staff training and areas where procurement staff lagged behind comparison groups from the federal sector. Of particular note, only a small percentage of staff (14 percent) was professionally certified in procurement or supply management.

¹⁴ Procurement Study: Workforce Assessment Current Workforce Baseline, September 24, 2009.

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Establishing performance goals

Best Practice: An effective performance management system should link organizational goals to individual performance for all procurement-related employees and create a “line of sight” between individual activities and organizational results.

One of the company’s strategic goals is to implement best practices related to human capital management in order to institutionalize Amtrak’s values and leadership philosophy and create a workforce that is equipped to achieve the company’s goals. To accomplish this strategy, the company must ensure its existing employee performance management system is linked to rewards and career development opportunities, aligning the individual goals of employees and groups around the corporate goals. The Total Rewards program seeks to correct several concerns with the former system, including improving the performance management system and the process to perform individual performance assessments. Because the program started in early 2013, any impact or results are not yet known.

4) Knowledge and Information Management: Improvements Needed in System Controls and Data Synchronization

Framework. Knowledge and information management refers to a variety of technologies and tools that help managers and staff make well-informed procurement decisions. Leading organizations gather and analyze data to identify opportunities to reduce costs, improve service levels, measure compliance with support agreements, and provide better management of service providers. It is essential that these procurement management systems contain appropriate, cost-effective controls to safeguard assets, ensure accurate aggregation and reporting of information, and support the accomplishment of organizational objectives.

Our review of best practices identified opportunities for improvement in two areas:

- managing information
- maintaining reliable data

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Managing information

Best Practice: Best practices state that procurement management systems should contain appropriate, cost-effective controls to safeguard assets, ensure accurate reporting of information, and support accomplishing organizational objectives.

In 2008, Amtrak implemented the Strategic Asset Management (SAM) program, which integrated its financial, procurement, and operating systems. A Procurement official stated that through October 2013, the department had difficulty generating accurate management information reports from their systems. The company also faced interface and data redundancy issues between two key systems. These unresolved issues resulted in non-

reconciled transactional data, which could lead to incorrect or delayed processing of purchase orders, goods receipts, and vendor payments. Also, these issues could cause the system to generate inaccurate reports.

The IT department has made considerable improvements in this interface; however, our prior reviews of the information systems controls identified several issues affecting many of its critical systems.¹⁵ During FY 2011 and FY 2012, we performed three reviews of the SAM Program that identified process controls that were not adequately designed or implemented. Also, many interface issues pertaining to data flow among the systems were not reviewed for adequacy, and the company did not perform adequate system testing before deployment.

Maintaining reliable data

Best Practice: Leading organizations ensure that data captured and reported are accurate, accessible, timely, and usable for making procurement decisions and monitoring activity.

In general, Amtrak has maintained the data integrity and accessibility of the knowledge and information system; however, some issues remain in data synchronization, redundancy, and transfer. The key systems for procurement activities have built-in controls to help maintain data integrity. The IT department has established policies and procedures

¹⁵ Amtrak OIG, *Strategic Asset Management Program: Opportunities to Improve Implementation and Lessons Learned*, OIG-E-2012-012, May 31, 2012.

Amtrak OIG, *Strategic Asset Management Program: Further Actions Should Be Taken To Reduce Business Disruption Risk*, 001-2011, June 2, 2011.

Amtrak OIG, *Strategic Asset Management Program Controls Design Is Generally Sound, But Improvements Can Be Made*, 105-2010, January 14, 2011.

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to ensure that the data remains secured and that only authorized users have access to the data on a need-to-know basis. The department also engaged outside consulting firms for more rigorous data testing and used Service Level Agreements to help ensure that the computer hardware and operating systems function as reliably as possible. However, as noted in a prior report,¹⁶ critical agreements are missing or need improvement. Also, Amtrak lacks disaster recovery capabilities for many of its critical systems. If these systems fail, the company would run the risk of serious business disruptions, particularly the procurement functions. In the worst case scenario, the company would not be able to order materials to repair and maintain train equipment and tracks, which can adversely impact train operations, customer satisfaction, and revenue.

CONCLUSION AND RECOMMENDATIONS

The Procurement department's activities and processes varied from best practices in a number of areas. Also, we identified weaknesses in key areas, such as acquisition planning and execution, workforce capabilities and capacity, and the accuracy of information. These weaknesses create risk that Amtrak will not achieve its strategic goals of financial excellence, safety and security, and customer satisfaction.

To improve the functions and operations of the Procurement department, we recommend that the President and Chief Executive Officer take the following actions:

1. Consider realigning the organizational responsibility for procurement activities based on the best practices discussed in this report.
2. After organizational responsibility has been decided, direct the lead executive responsible for procurement activities, in conjunction with other senior executives, to develop a plan to provide strategic direction and focus to the Procurement department to improve its operations based on the best practices discussed in this report in the areas of organizational alignment and leadership, policies and processes, human capital, and knowledge and information management.

¹⁶ Amtrak OIG, *Information Technology: Opportunities Exist to Improve Services, Economies, and Contract Performance*, OIG-A-2013-013, April 16, 2013.

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MANAGEMENT COMMENTS AND OIG ANALYSIS

The President and Chief Executive Officer stated in response to the draft that the company is in the process of appointing a new Chief Logistics Officer. The new Chief Logistics Officer will be required to provide an action plan, with specific goals, objectives, and milestones to address our recommendations within 90 days after being appointed. Once reviewed, Amtrak management will provide us the action plan. This promised action meets the intent of our recommendation. We will monitor the plan's development and review the plan as part of our regular recommendation follow up process.

For the complete response, see Appendix D.

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Appendix A

SCOPE AND METHODOLOGY

This report provides observations resulting from our review of the company's procurement function. Our objective was to conduct a comparative analysis of Amtrak's procurement operations and best practices to determine whether there were opportunities for improvement. We performed field work from April 2012 through March 2014.

To identify procurement best practices, we researched and applied GAO's *Framework for Assessing the Acquisition Function at Federal Agencies*,¹⁷ a tool for making a high-level assessment of the strengths and weaknesses of an organization's procurement function. The Framework provides a series of questions that, upon consideration, led to the conclusions in this report (see Appendix C). We provided the former Chief Logistics Officer our preliminary responses to the framework questions; he reviewed them and provided comments. We reviewed these comments and incorporated the applicable responses. We also researched and identified best practices used in strategic sourcing from private corporations and federal regulations, policies, and reports.

We reviewed and analyzed the Services Acquisition Reform Act of 2003. This act established the requirements and responsibilities of federal agency chief acquisition officers, as well as the level of authority required to effectively initiate meaningful strategic acquisition strategies and enforce agency-wide policies and procedures. We researched the practices employed by best performing organizations in procurement and acquisition.

To understand Amtrak's procurement processes, we reviewed Procurement department policies and procedures and the Procurement Manual. We also interviewed Procurement and Operations management and employees with responsibility in the procurement and monitoring functions. We also reviewed the corporate organization chart to understand its structure as it related to Procurement and interviewed various personnel to gain an understanding of the various employees' roles and responsibilities (see Appendix B, Attachment 1).

¹⁷ GAO, GAO-05-218G, September 2005.

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Based on these interviews, we developed flowcharts demonstrating Amtrak's various purchasing processes. The flowcharts demonstrate the purchasing processes of the top three procurement units in terms of dollar amount of purchases: Capital Equipment, Construction, and Services (see Appendix B, Attachments 3, 4, and 5). We then created an overview flowchart from these three procurement processes that reflects the common steps in the procurement process (see Appendix B, Attachment 2). We then developed a flowchart to show the oversight process for a construction project (see Appendix B, Attachment 6). Procurement personnel reviewed these flowcharts; at their request, we provided them to their management for operational purposes.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Our understanding of internal controls focused on the policies and procedures the Procurement department has implemented and on the department's use of information generated from the SAM system. We reviewed applicable policies and procedures, as well as the Amtrak Procurement Manual. To understand how those policies and procedures affect procurement processes, we interviewed Procurement personnel regarding the implementation and impact of those policies on the processes. We then included control points in the OIG-developed flow charts. To understand the department's use of information generated from the SAM system, we conducted interviews with Procurement Management and obtained examples of some reports. We did not test those reports for accuracy, but noted that Procurement Management attested to their accuracy and is relying on the information they contain. This report includes observations regarding Procurement policies and processes, SAM system data integrity, and recent system improvements.

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Use of Computer-Processed Data

To achieve our objective, we used computer-processed data contained in Amtrak's electronic records. We relied on data from the Finance department, which provided the total funds available for spending. Also, we employed Audit Command Language data analytics software to extract procurement data from Systems Applications and Products (SAP); to verify the accuracy of this data, we compared the amounts to FY 2012 financial data provided by the Finance department. Based on our detailed analysis, we determined the data to be reliable.

Prior Reports

In conducting our analysis of issues, we reviewed and used information from the following reports:

- *Corporate Governance: Planned Changes Should Improve Amtrak's Capital Planning Process, and Further Adoption of Sound Business Practices Will Help Optimize the Use of Limited Capital Funds* (OIG-E-2013-020, September 27, 2013)
- *Information Technology: Opportunities Exist to Improve Services, Economies, and Contract Performance* (OIG-A-2013-013, April 16, 2013)
- *Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (BNSF)*, (OIG-A-2013-008, March 26, 2013)
- *Human Capital Management: Weaknesses in Hiring Practices Result in Waste and Operational Risk*, (OIG-A-2012-14, July 19, 2012)
- *Strategic Asset Management Program: Opportunities to Improve Implementation and Lessons Learned* (OIG-E-2012-012, May 31, 2012)
- *Amtrak Corporate Governance: Implementing a Risk Management Framework is Essential to Achieving Amtrak's Strategic Goals* (OIG-A-2012-007, March 30, 2012)
- *Acela Car Purchase: Future Revenue Estimates Were Initially Overstated*, (OIG-E-2012-010, March 28, 2012)

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- *Strategic Asset Management Program: Further Actions Should be Taken to Reduce Business Disruption Risk*, (001-2011, June 2, 2011)
- *Strategic Asset Management Program Controls Design Is Generally Sound, But Improvements Can Be Made* (105-2010, January 14, 2011)
- *Amtrak Management, Systemic Problems Require Actions to Improve Efficiency, Effectiveness, and Accountability* (GAO-06-145, October 2005)
- *Framework for Assessing the Acquisition Function at Federal Agencies* (GAO-05-218G, September 2005)

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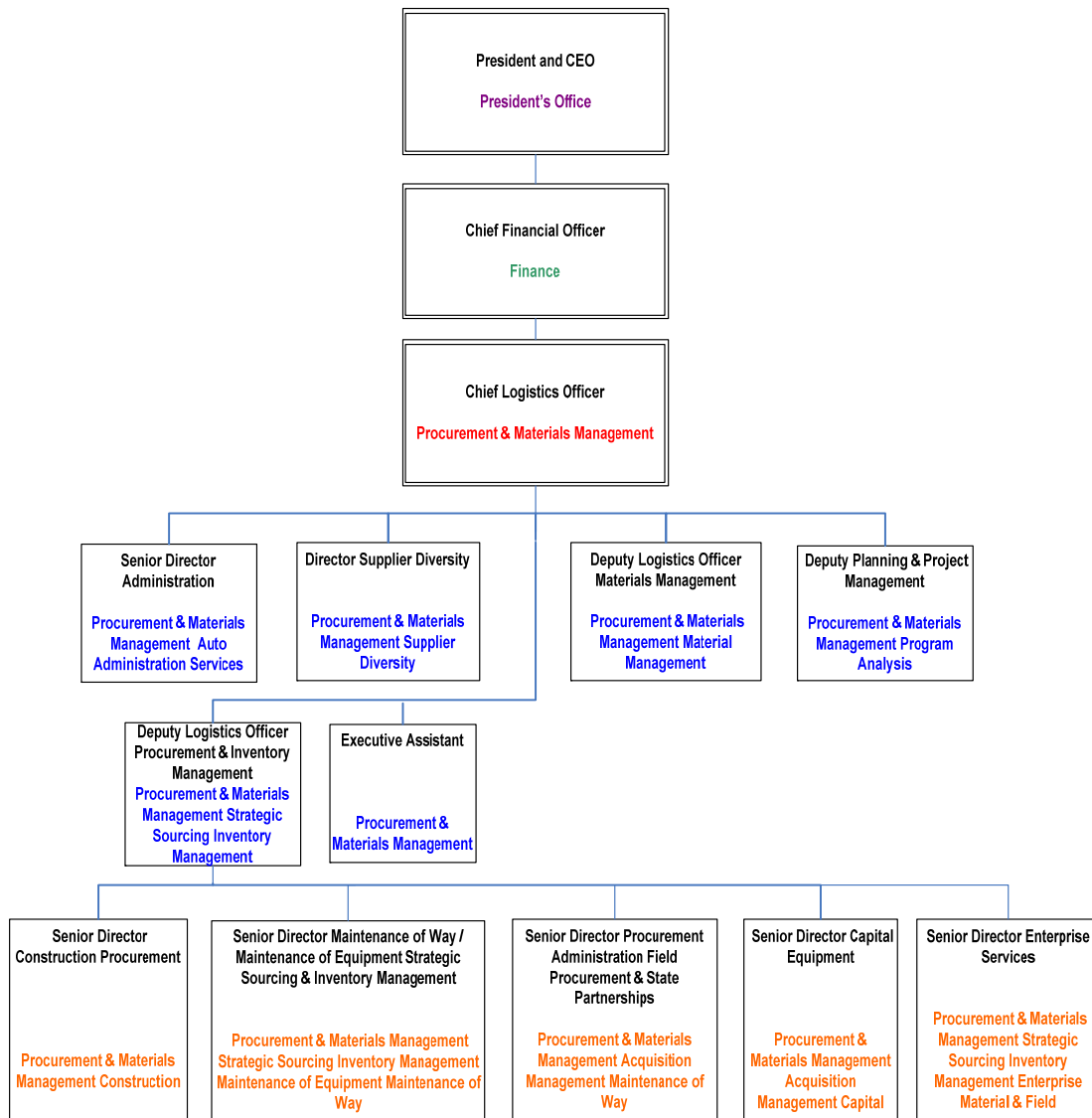
Appendix B

**PROCUREMENT AND MATERIALS MANAGEMENT DEPARTMENT
ORGANIZATIONAL AND PROCESS FLOW CHARTS**

- Attachment 1 Procurement Organizational Chart
- Attachment 2 Overview Procurement Process Flow Chart
- Attachment 3 Capital Procurement Process Flow Chart
- Attachment 4 Construction Procurement Process Flow Chart
- Attachment 5 Service Procurement Process Flow Chart
- Attachment 6 Project Manager/Contracting Officer's Technical Representative (COTR) Project Monitoring Process Flow Chart

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Appendix B—Attachment 1

ATTACHMENT 1 - Procurement Organizational Chart



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Summary of Positions and Responsibilities

President and Chief Executive Officer (CEO).

Chief Financial Officer (CFO). The incumbent reports directly to the CEO.

Chief Logistics Officer (CLO). Has overall responsibility and oversight for the achievement of procurement, materials management, and acquisition goals and objectives. Oversees the development and execution of short- and long-term purchasing strategies and the supplier selection process; directs the efficient and economical use of warehouse facilities for storing and distributing raw materials, equipment, parts, and component inventories; and ensures that field requests for materials, parts, and assemblies are satisfactorily met. Reports directly to the CFO.

Senior Director, Administration. Provides support to the Procurement and Materials Management department (PMM) and all user departments for the administration and coordination of travel, facilities management, reprographics, and mail centers in Washington and Philadelphia. Reports directly to the CLO.

Director, Supplier Diversity. Responsible for developing the company plan to meet grant requirements, which encourages inclusion of small business concerns and disadvantaged business enterprises in procurement opportunities when federal funds are provided to Amtrak. The Federal Railroad Administration, which administers these grants, provides annual operating funds and capital and debt services funds. Other federal and state agencies provide project-specific funding to Amtrak requiring similar diversity plans or compliance with contract requirements. The director is also responsible for sourcing, administering, and facilitating participation of minority-owned, women-owned, and veteran business-owned firms to receive business directly from Amtrak or via prime contractors providing subcontract opportunities. Reports directly to the CLO.

Deputy Logistics Officer, Materials Management. Assists PMM in developing and implementing programs and forecasts to maintain inventory levels and ensure material availability to support the business lines. The unit also provides for safe, secure, and timely distribution of inventories. Responsibilities include the maintenance and

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administrative management of Amtrak's vehicle and major equipment fleet. Reports directly to the CLO.

Deputy, Planning and Project Management. Manages the operating and capital budgets, traffic, purchase card administration, Federal Railroad Administration long-lead approval process (Engineering and Mechanical departments), and ad hoc inventory and purchasing spend analysis. Represents PMM on the change advisory board for all SAP and Ariba proposed system enhancements. Reports directly to the CLO.

Deputy Logistics Officer, Procurement and Inventory Management. Heads the PMM strategic sourcing and inventory management functions and oversees 10 procurement and inventory planning groups in Philadelphia, Chicago, and Los Angeles. Responsibilities include procuring goods and services in accordance with Amtrak capital and operating grants; using requests for proposal, invitations for bids, small purchase acquisition methods; and developing and executing Amtrak's inventory management strategy. Has five direct reports and reports directly to the CLO.

Executive Assistant. Provides administrative support to the CLO and Deputy Logistics Officer–Procurement and Inventory Management.

Senior Director, Construction Procurement. Supervises the PMM construction procurement group, which purchases services for construction projects and activities, including large projects, such as tunnel construction and bridge replacements, and major repairs to existing buildings and structures. Reports directly to the Deputy Logistics Officer–Procurement and Inventory Management.

Senior Director, Maintenance of Way/Maintenance of Equipment, Strategic Sourcing and Inventory Management. Supervises four areas of the strategic supply chain: maintenance of way, maintenance of equipment, strategic sourcing and inventory management, and enterprise material and field unit. Manages these four areas of the supply chain through planning and managing inventory. This unit handles approximately \$500 million in annual commitments for procurements and activities of specific supply chains. These groups purchase Mechanical and Engineering department equipment parts, infrastructure materials, diesel fuel, consumable materials, equipment

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rentals, and other items. Reports directly to the Deputy Logistics Officer–Procurement and Inventory Management.

Senior Director, Procurement Administration, Field Procurement and State Partnerships. Supervises the Field East and West Procurement groups, including procurement oversight for the Accessible Station Development Program. Manages the procurement function in support of Amtrak’s state partnerships, provides audit support and response coordination for PMM, coordinates and oversees the Procurement Manual Training and Procurement Process Overview Course, and provides management information support and coordination of procurement and inventory data for PMM. Reports directly to the Deputy Logistics Officer–Procurement and Inventory Management.

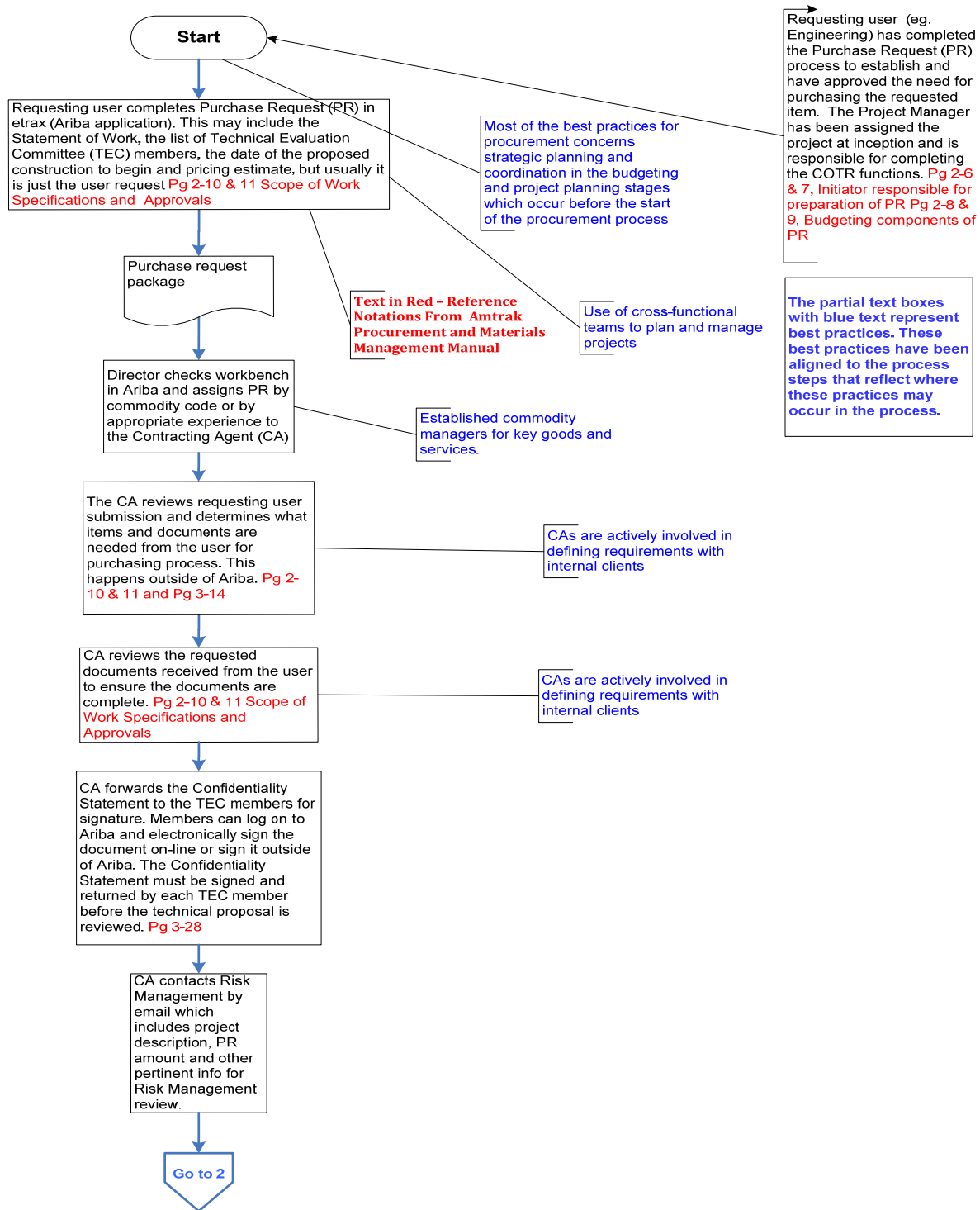
Senior Director, Capital Equipment. Supervises the PMM Acquisition Management, Capital Equipment Unit. In this unit, the principal contract officer position oversees the lifecycle procurement of highly complex rolling stock acquisitions, such as the purchase of trainsets, from the purchase requisition to contract award. Reports directly to the Deputy Logistics Officer–Procurement and Inventory Management.

Senior Director, Enterprise Services. Supervises PMM Procurement Services. This group purchases services such as consulting services; thruway and emergency bus services; hotel accommodations; financial services; staffing augmentation services; operational and technical services; medical programs, including health, vision, dental, and life insurance; marketing and advertising services; and various other technical and professional services, as needed. Reports directly to the Deputy Logistics Officer–Procurement and Inventory Management.

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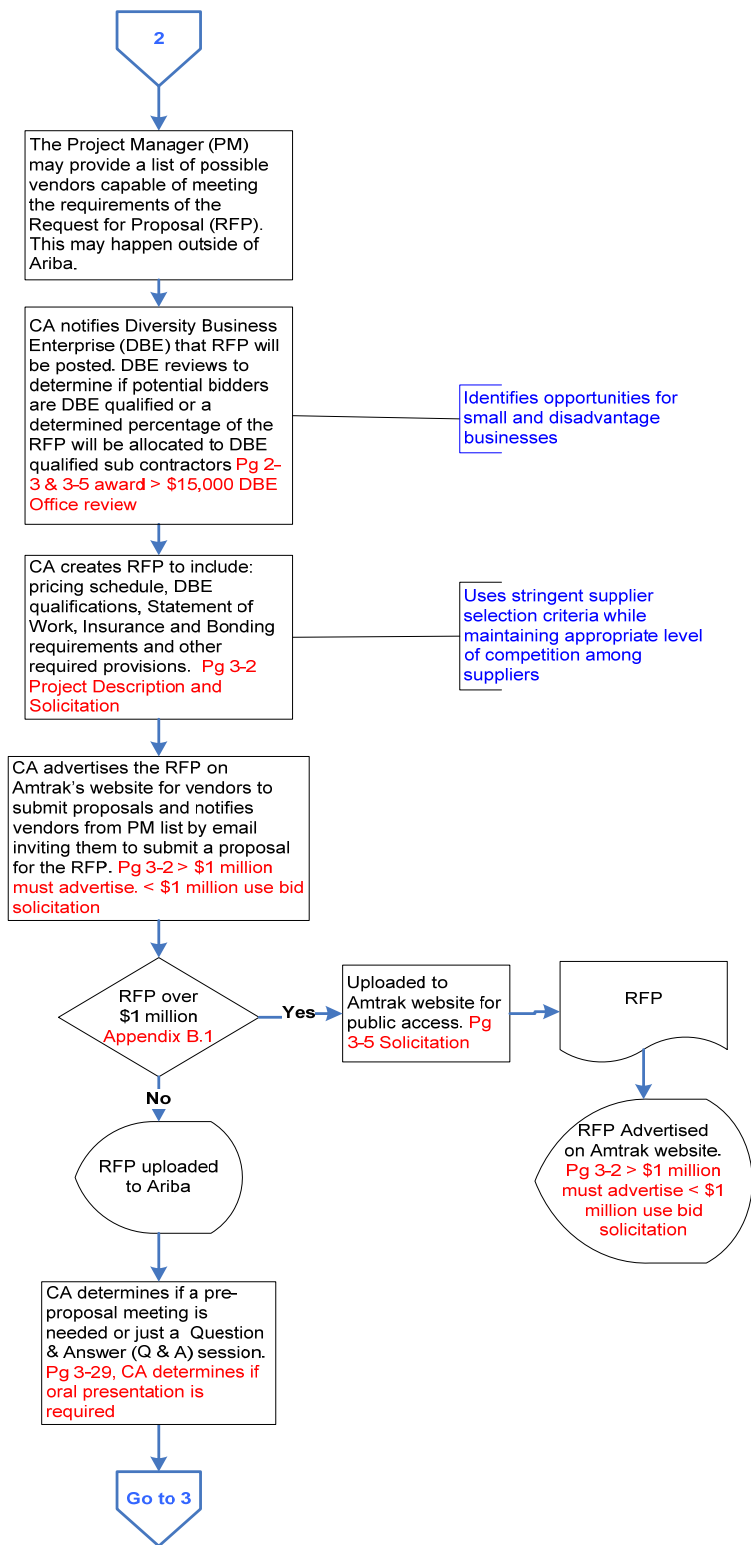
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ATTACHMENT 2 - Overview Procurement Process Flow Chart



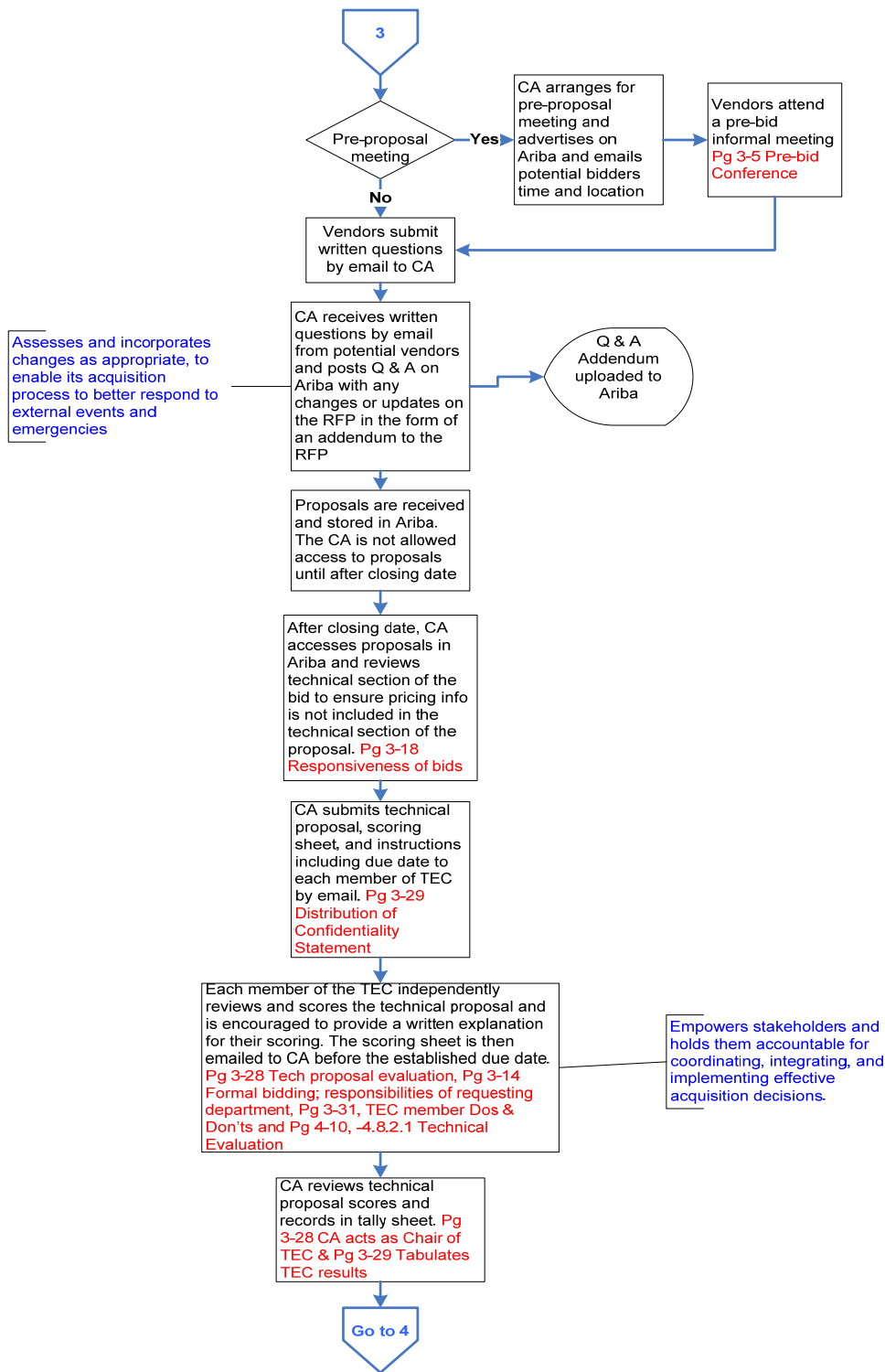
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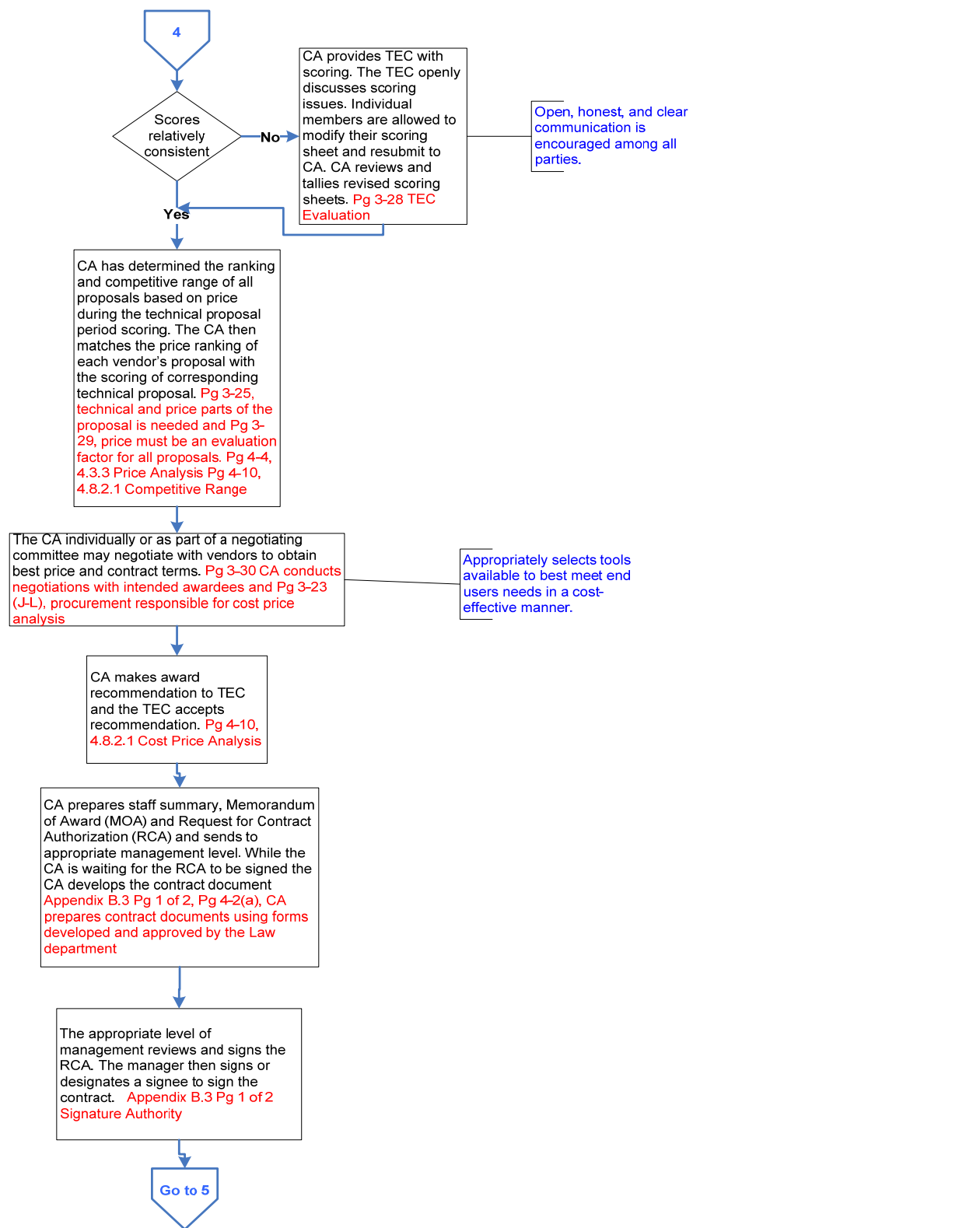
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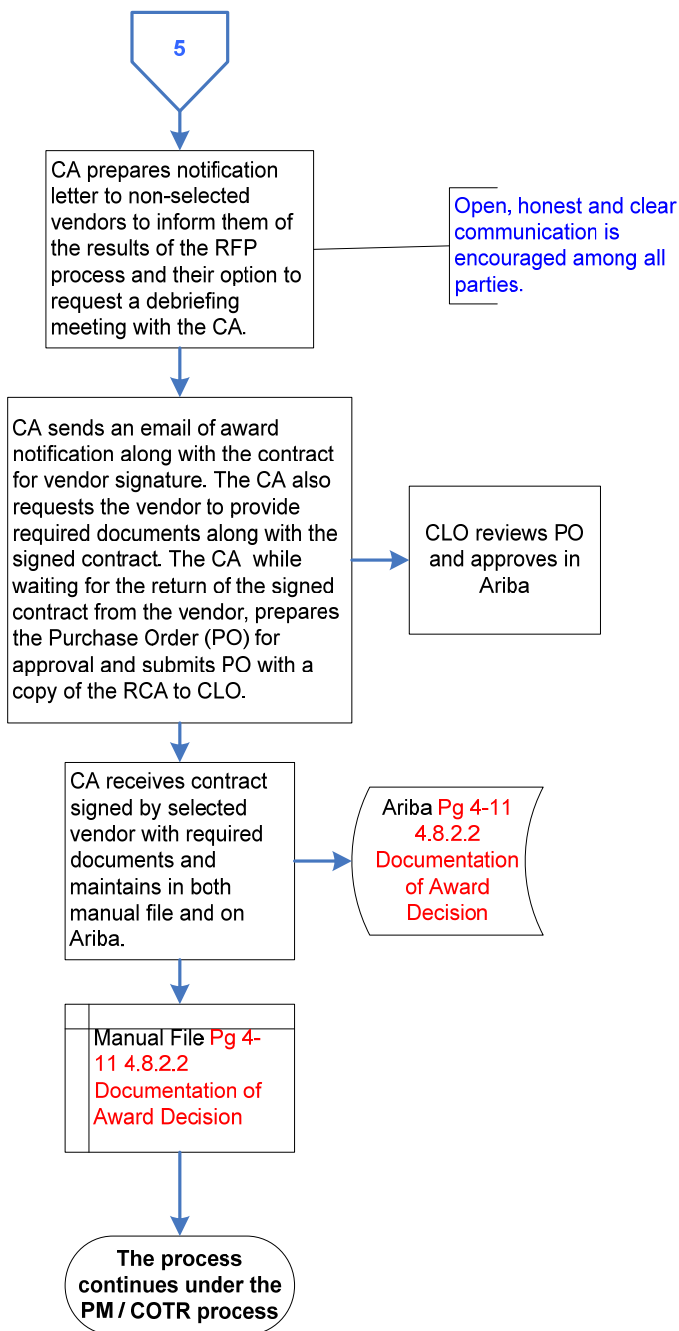
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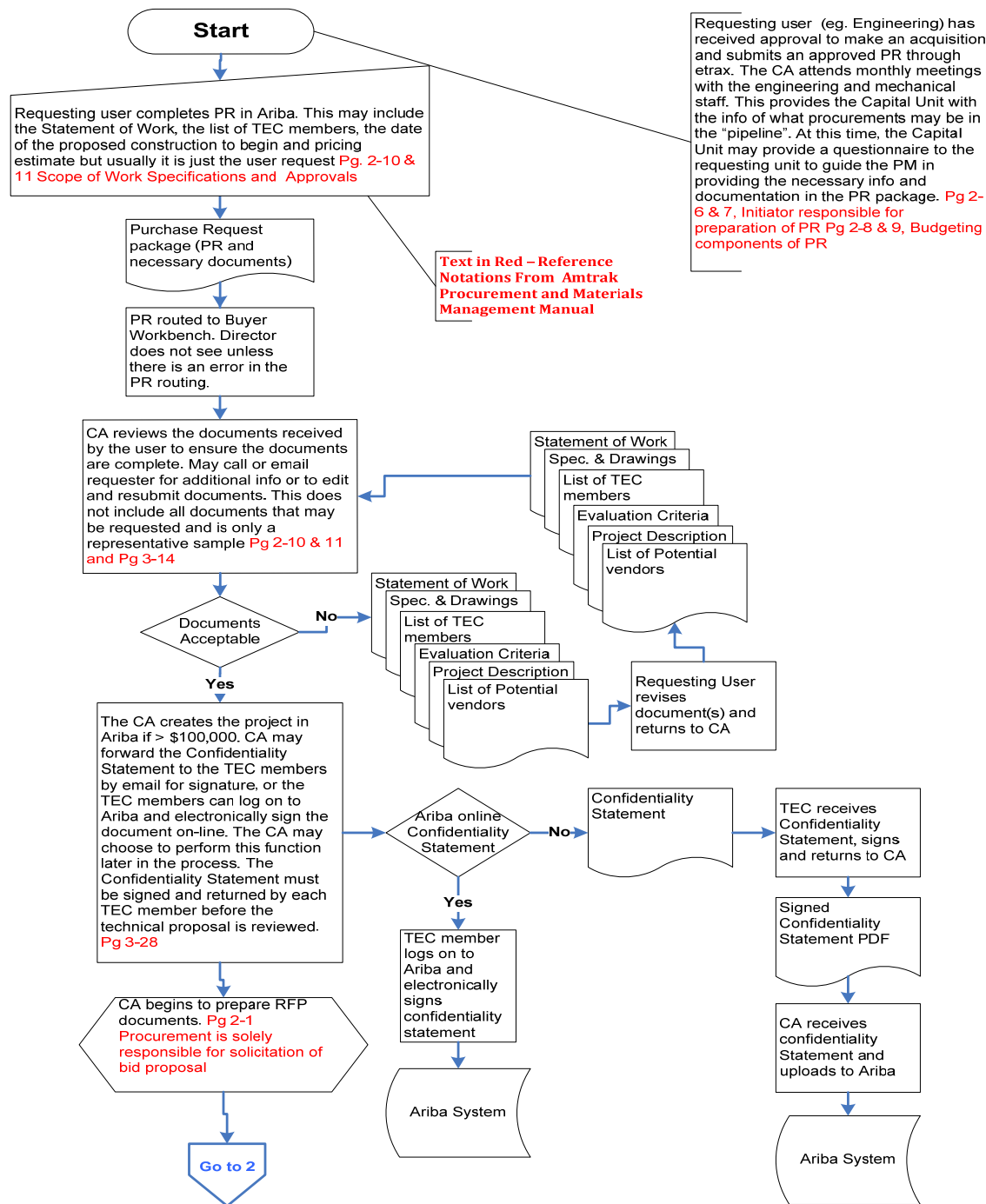
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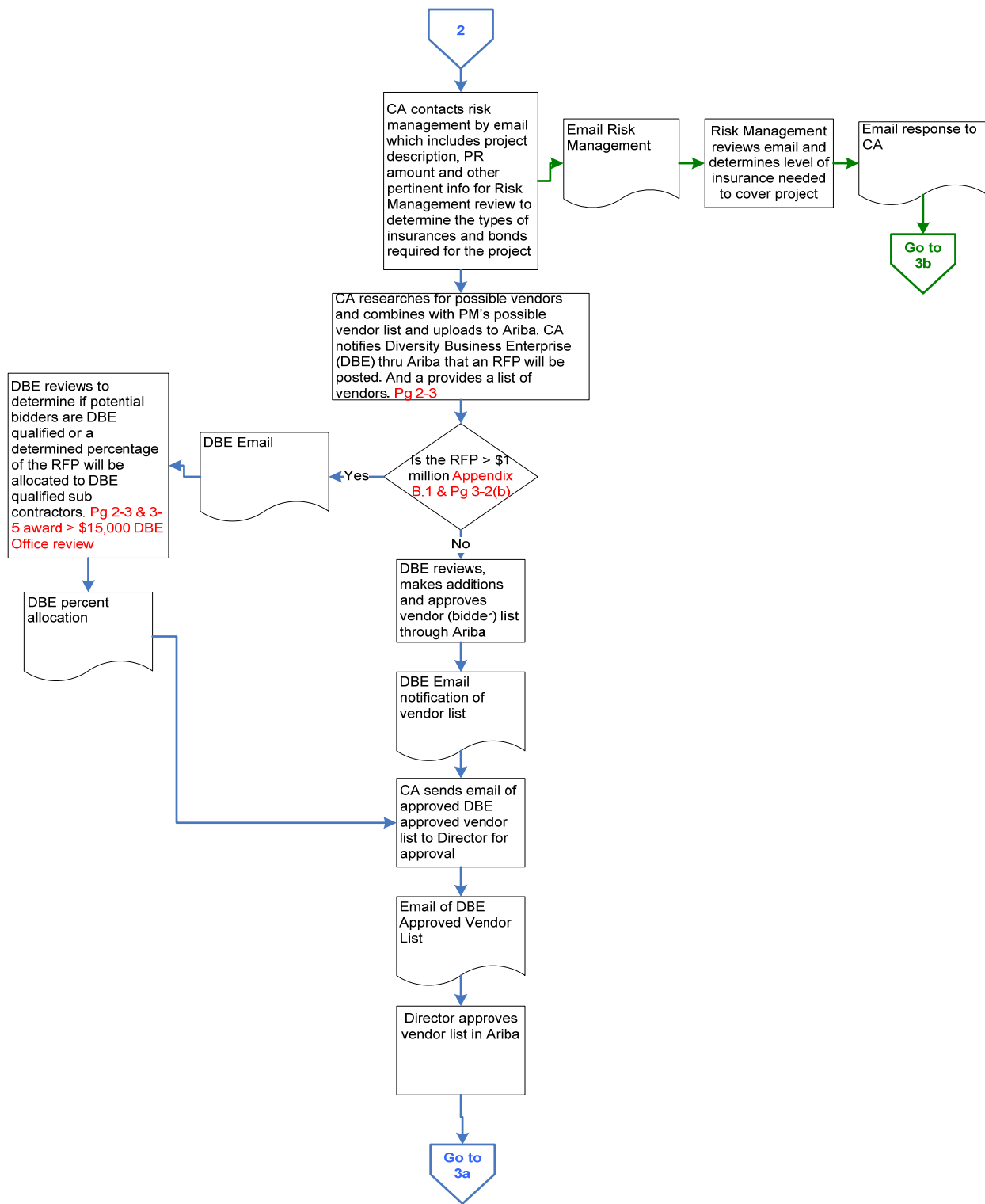
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ATTACHMENT 3 - Capital Procurement Process Flow Chart



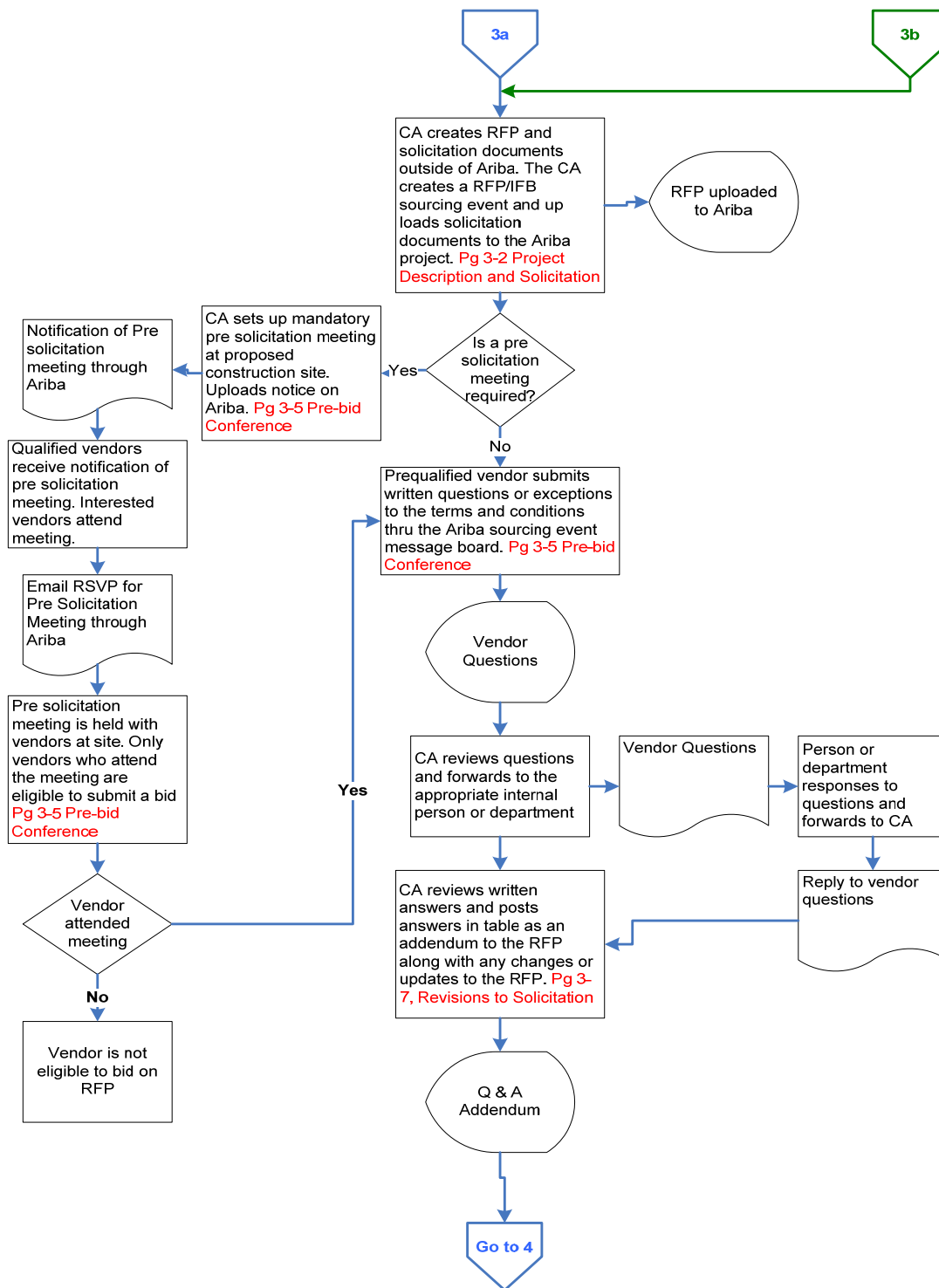
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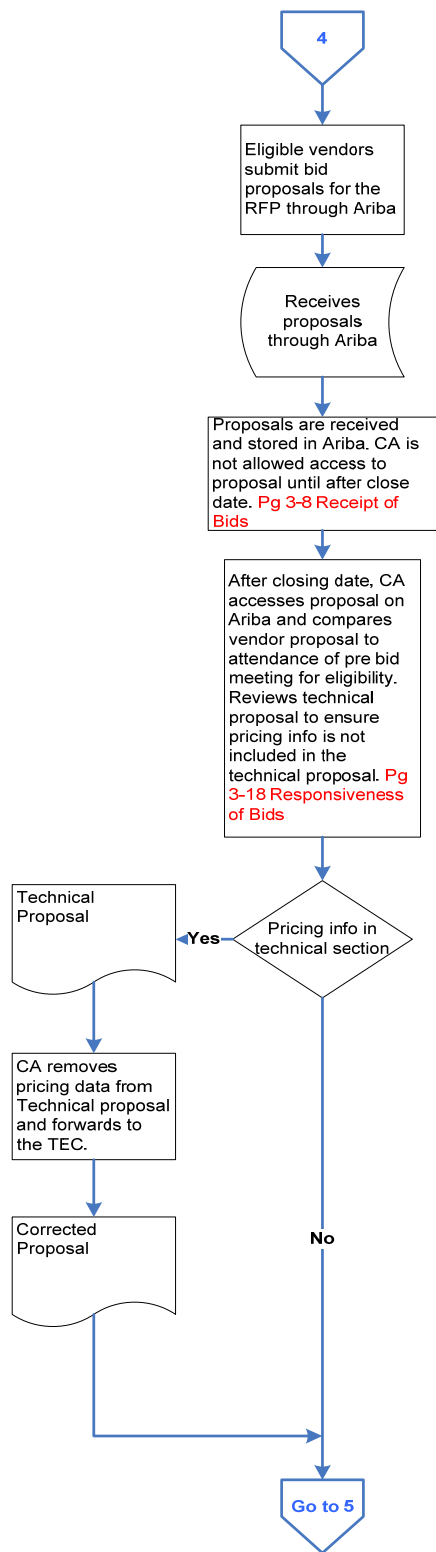
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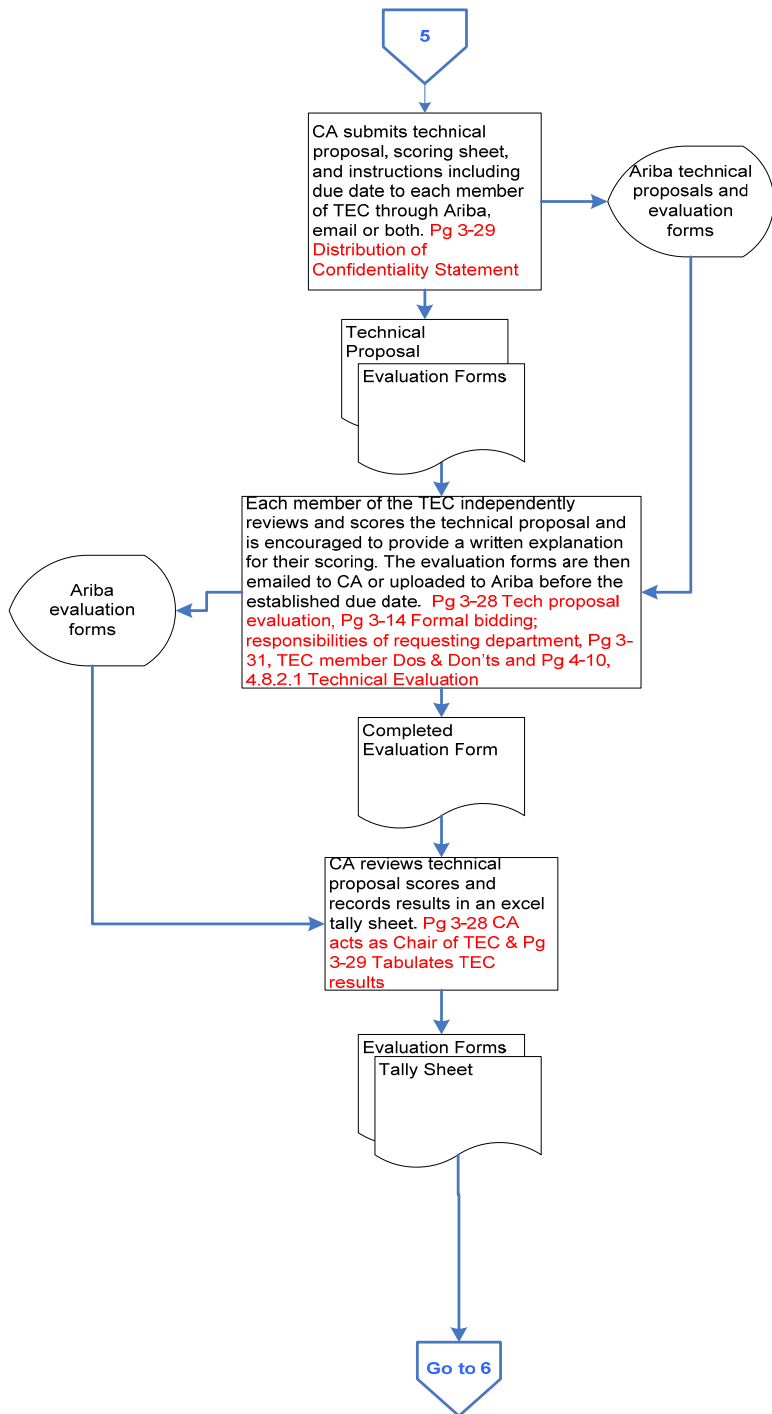
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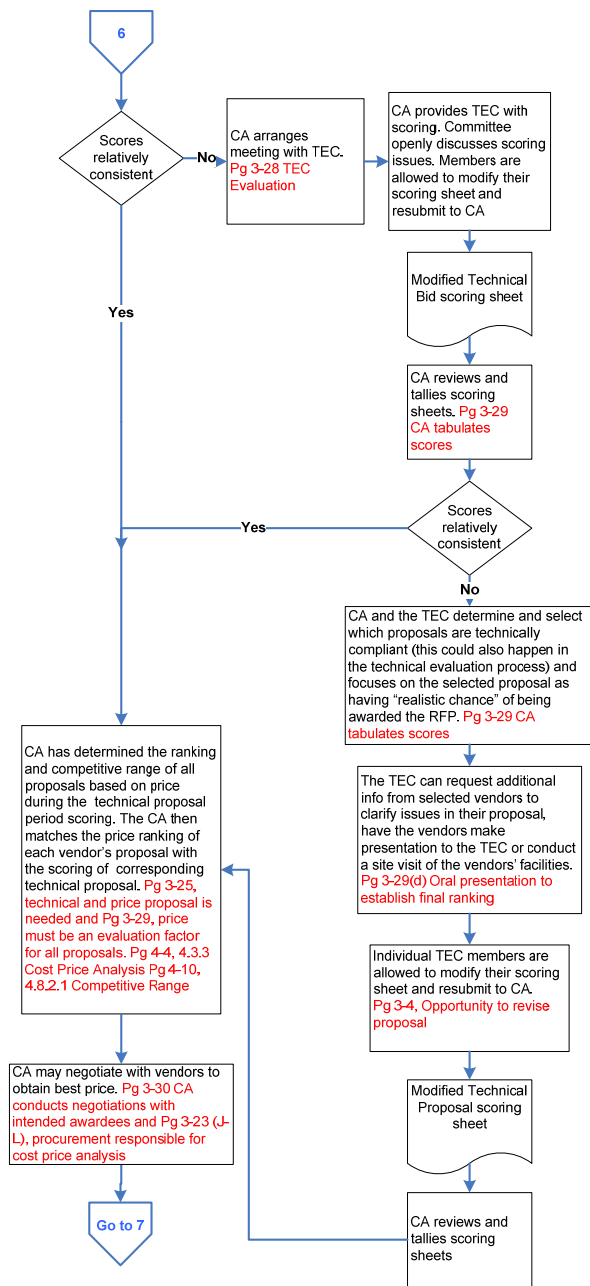
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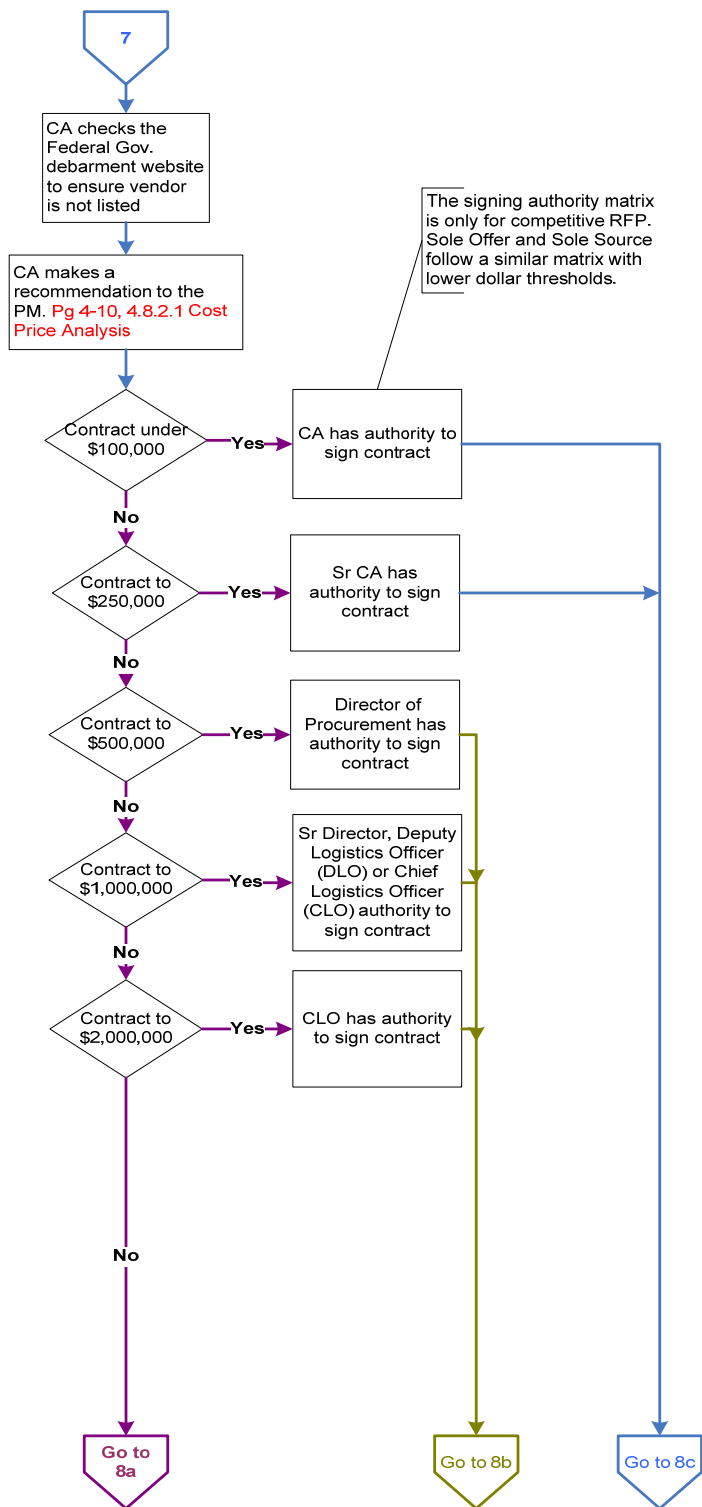
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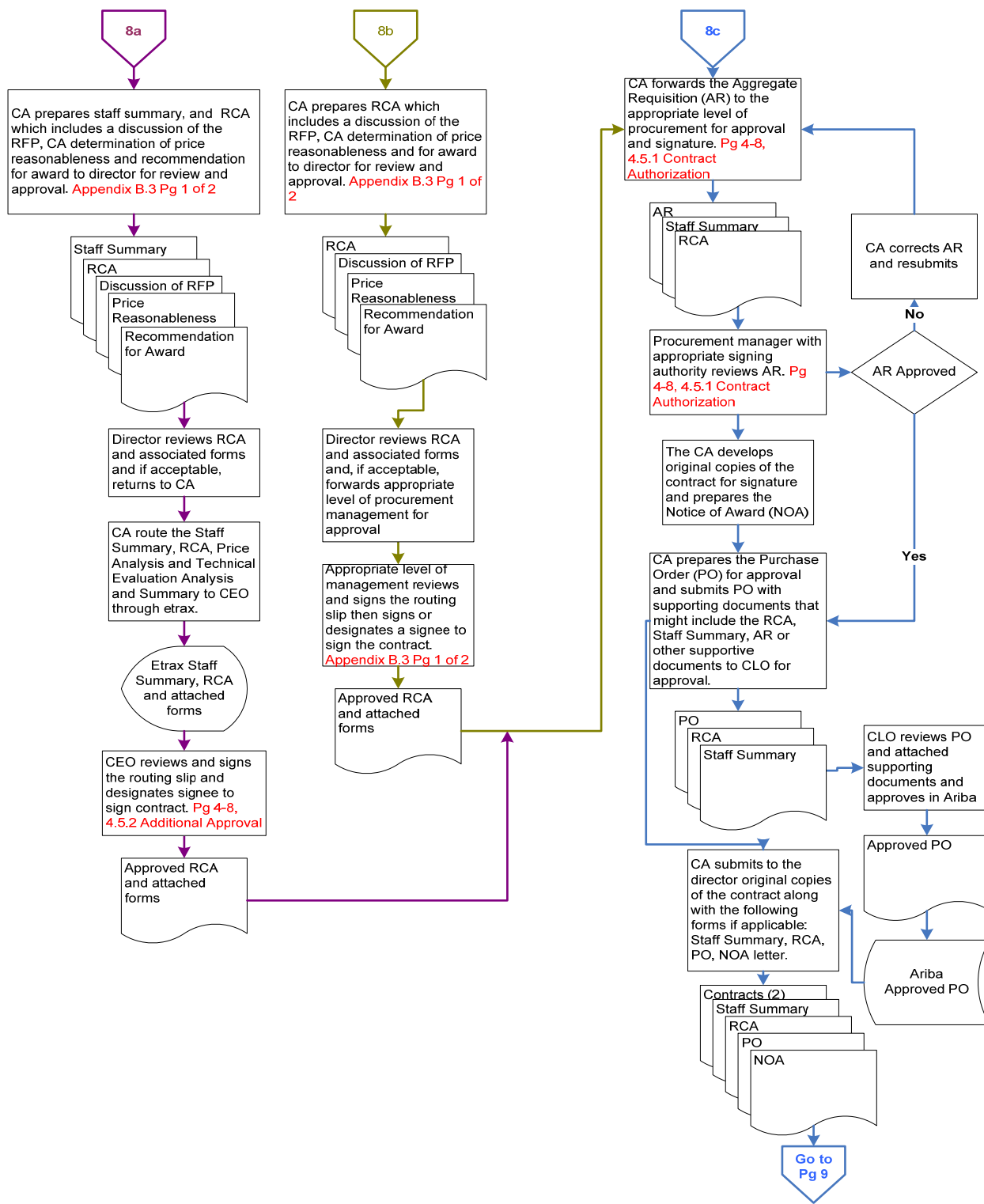
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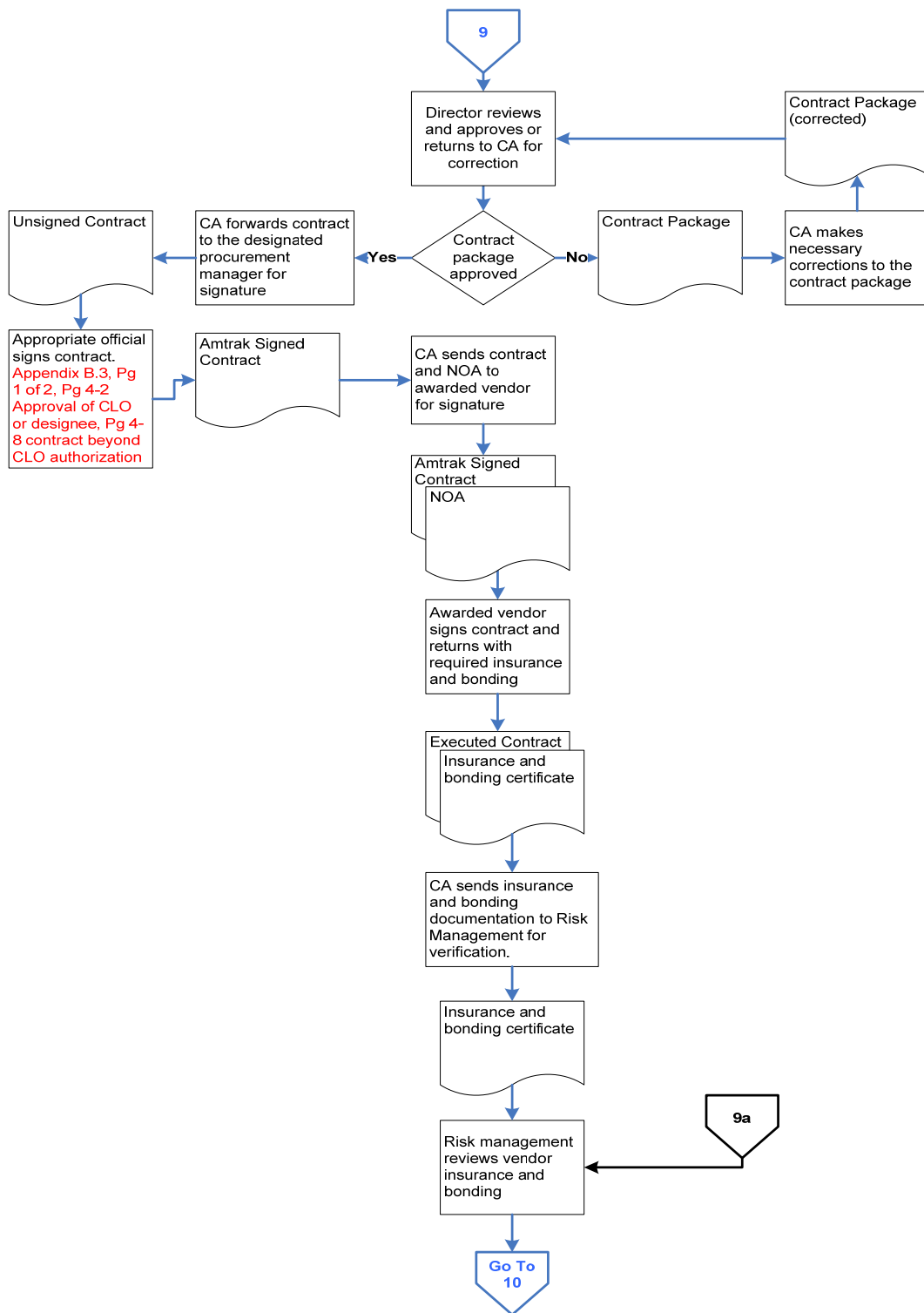
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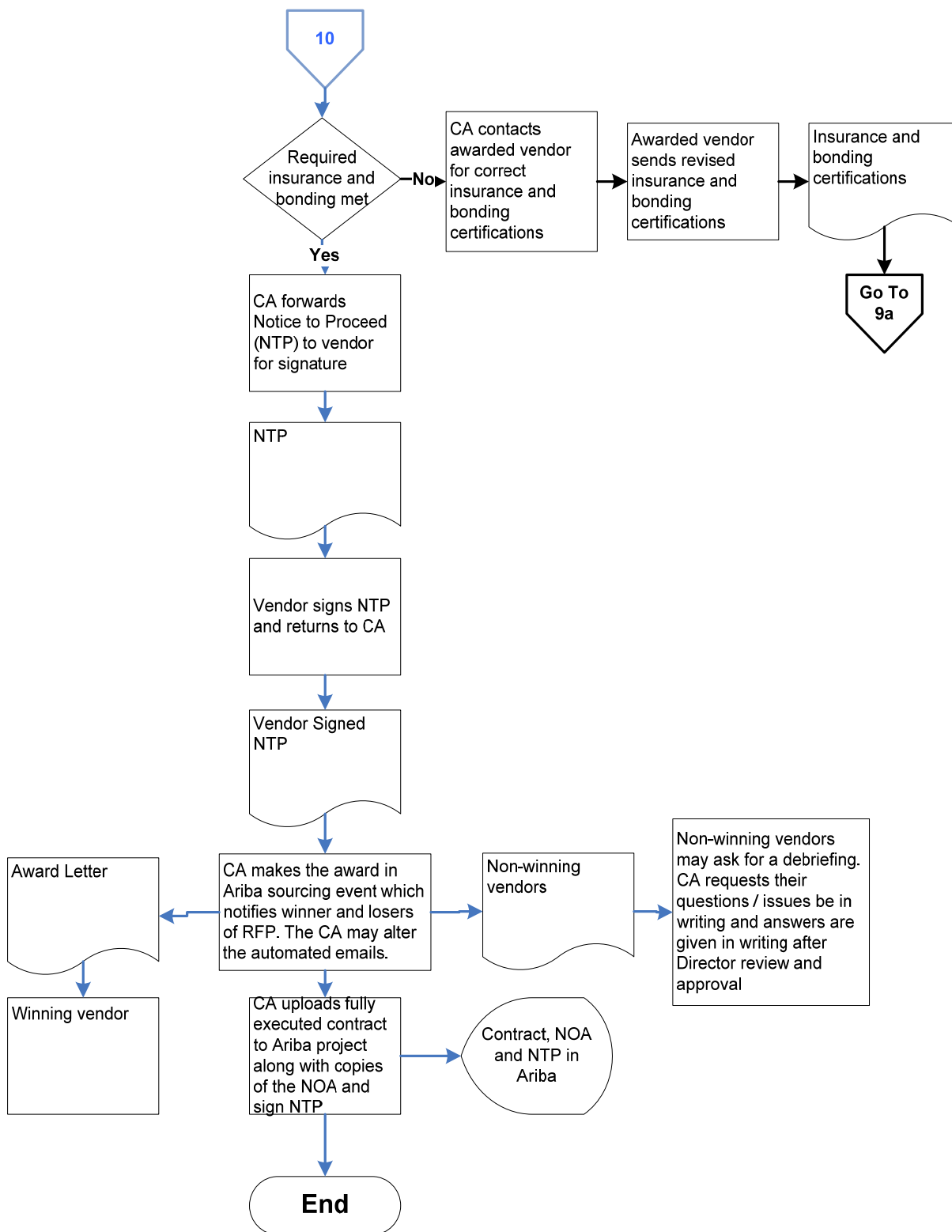
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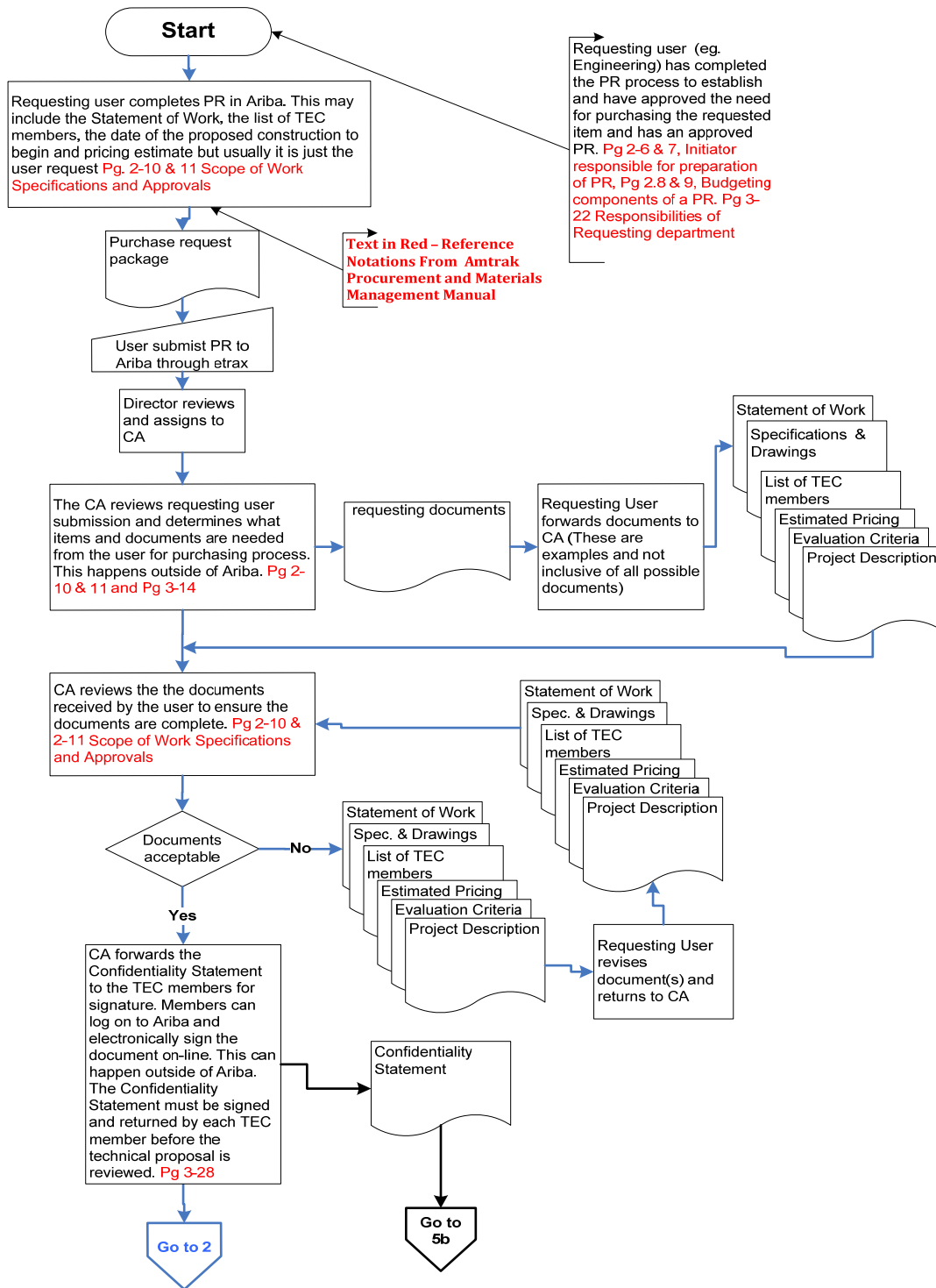
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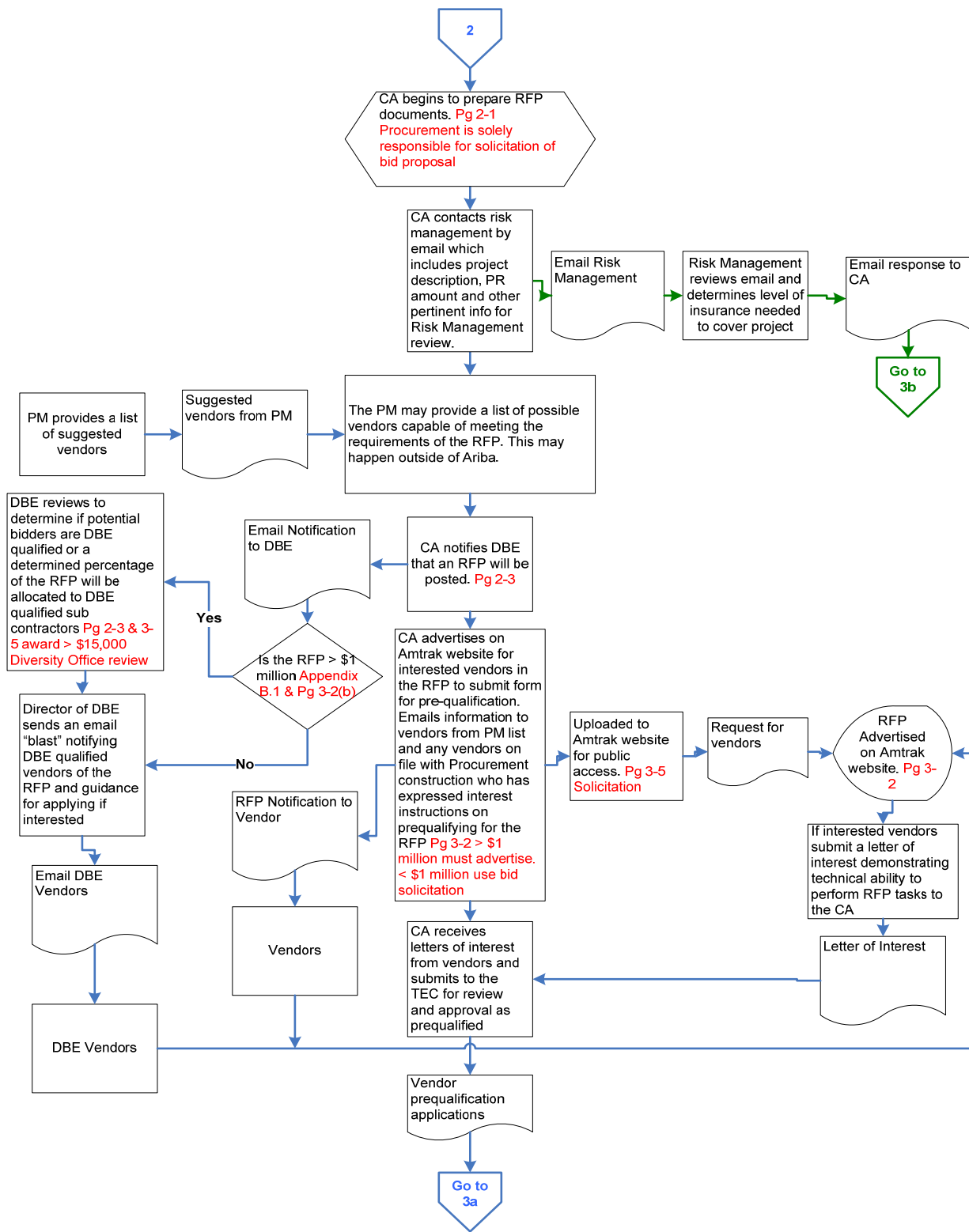
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ATTACHMENT 4 - Construction Procurement Process Flow Chart



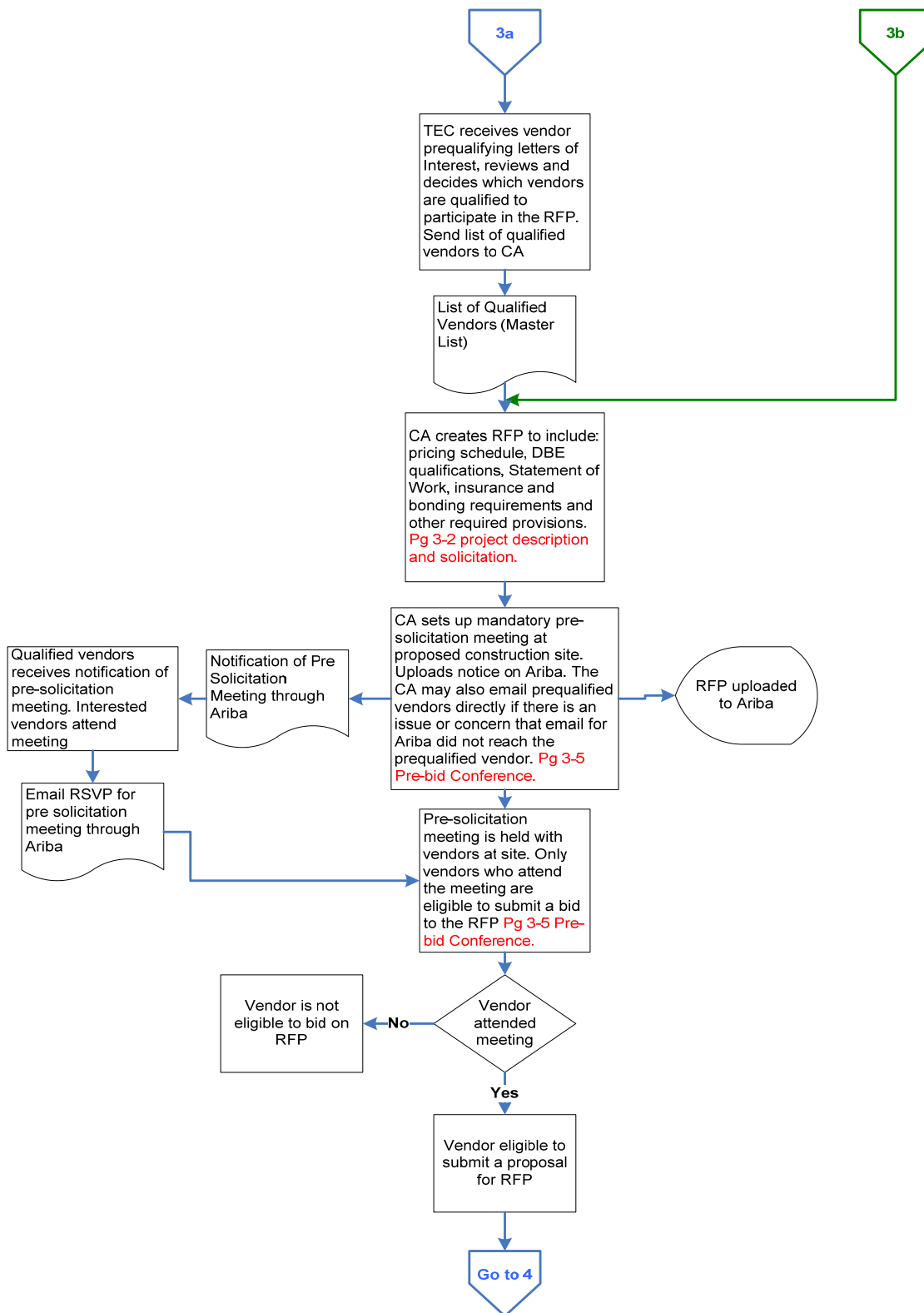
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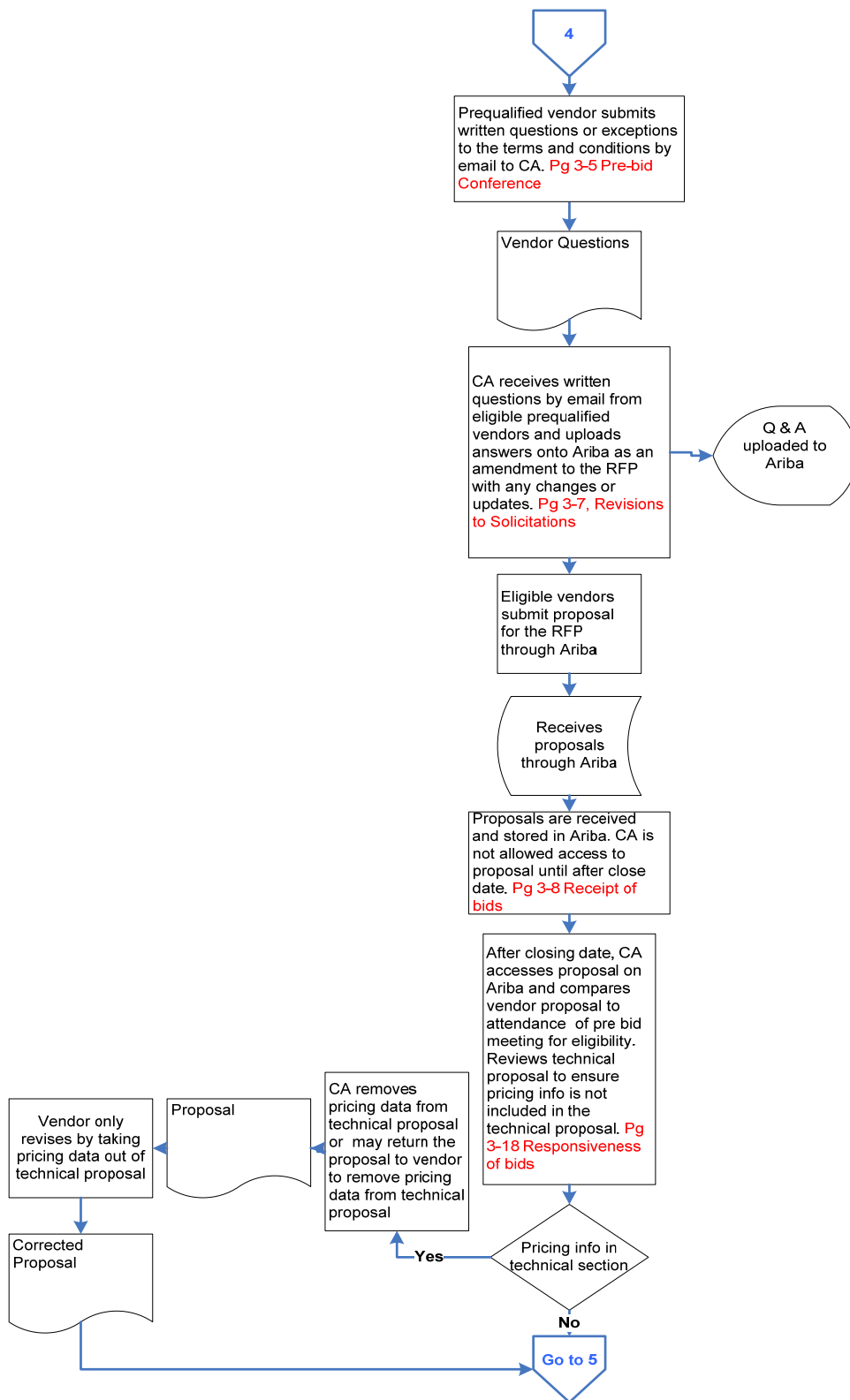
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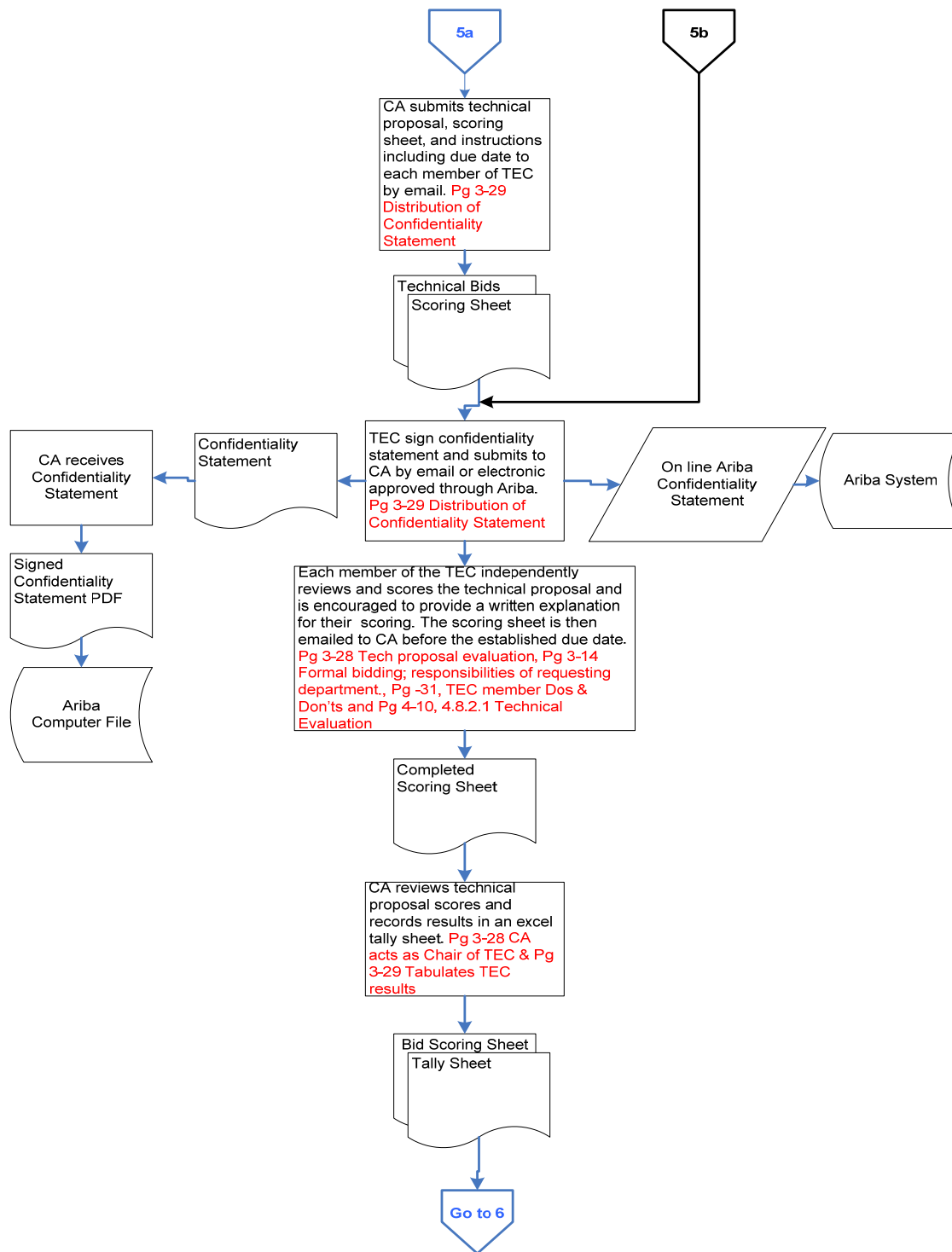
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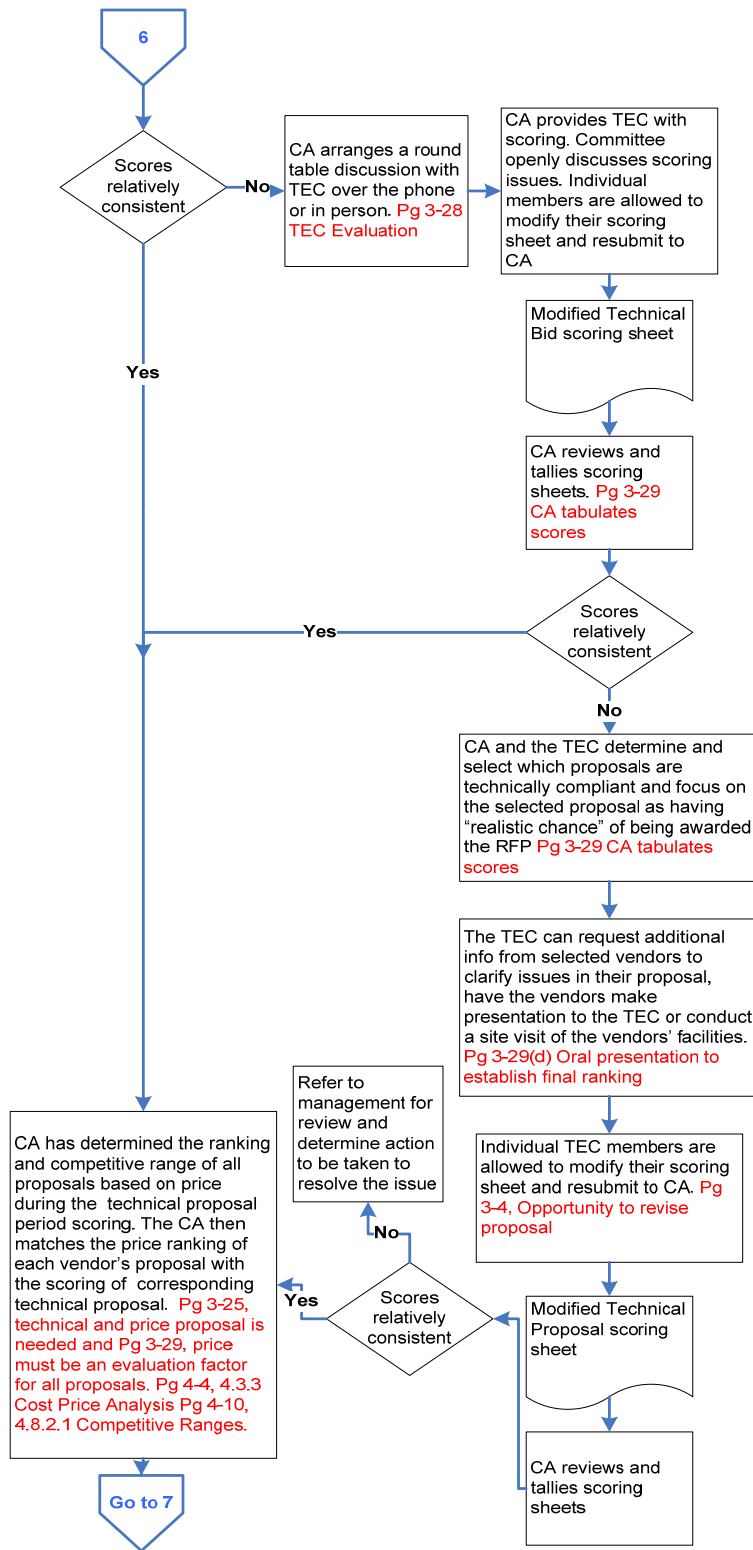
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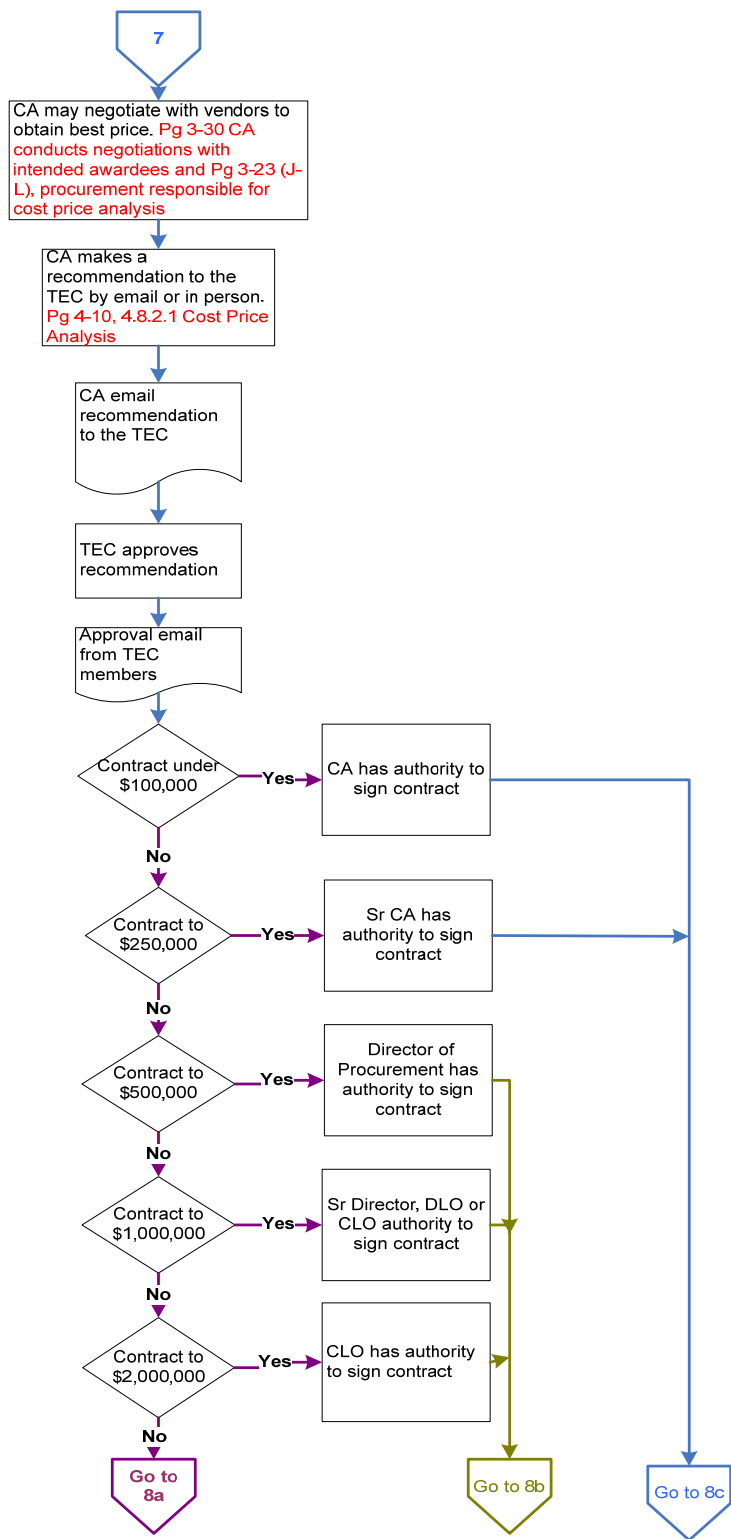
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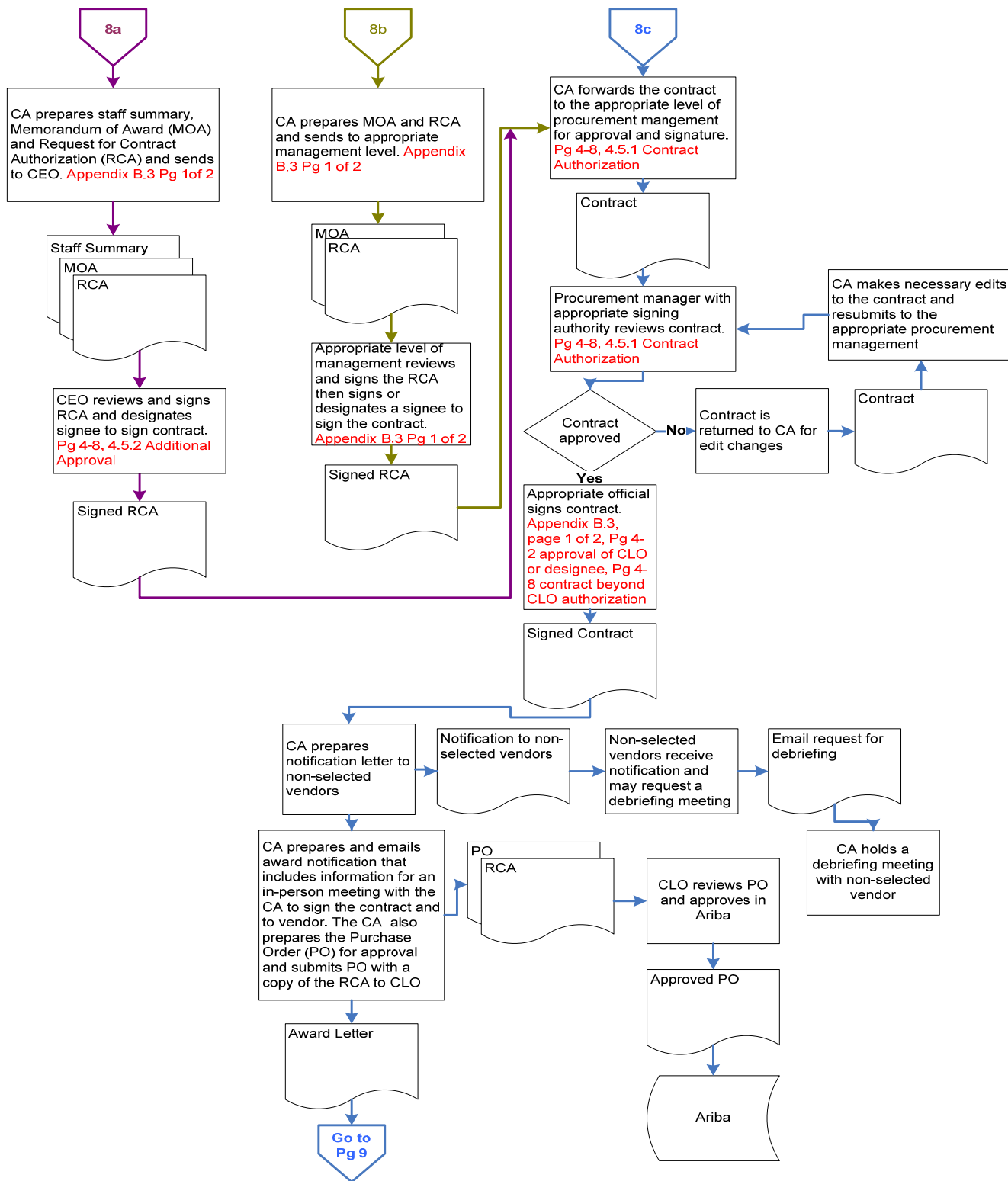
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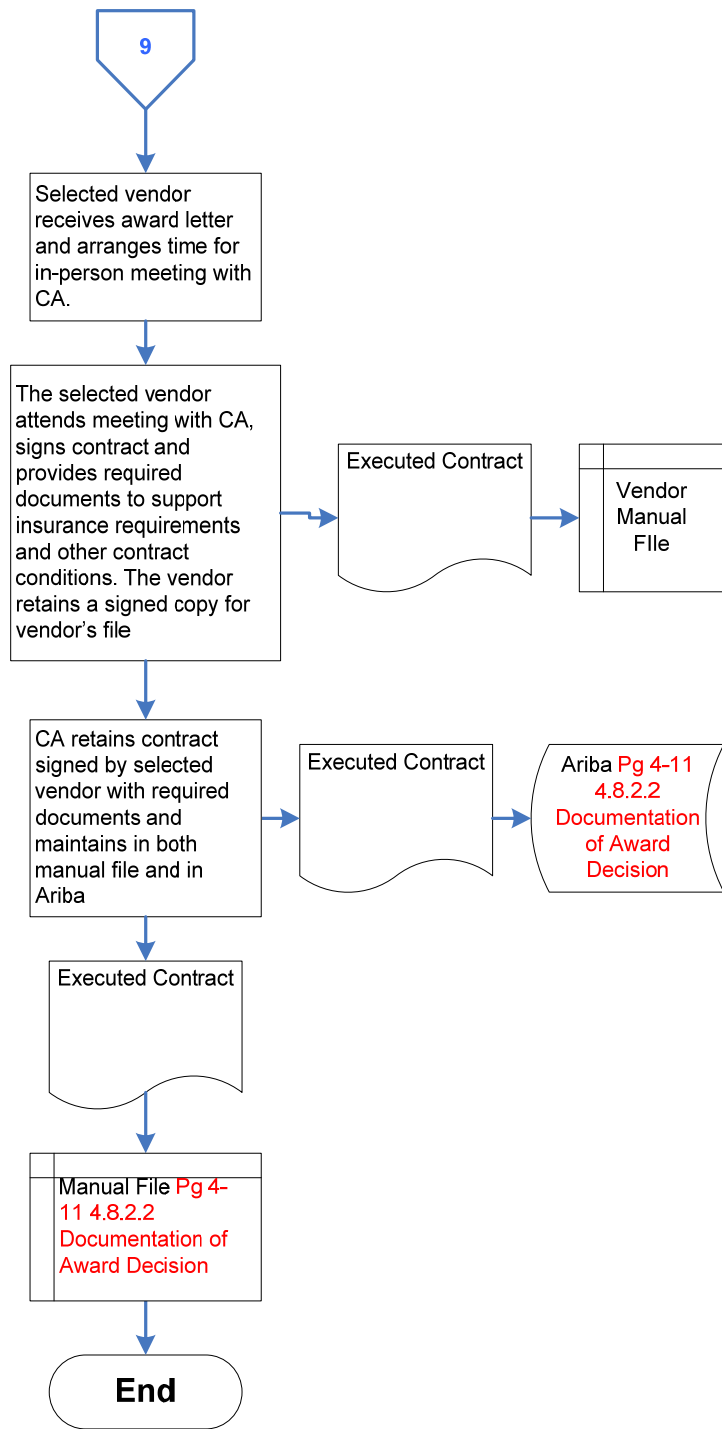
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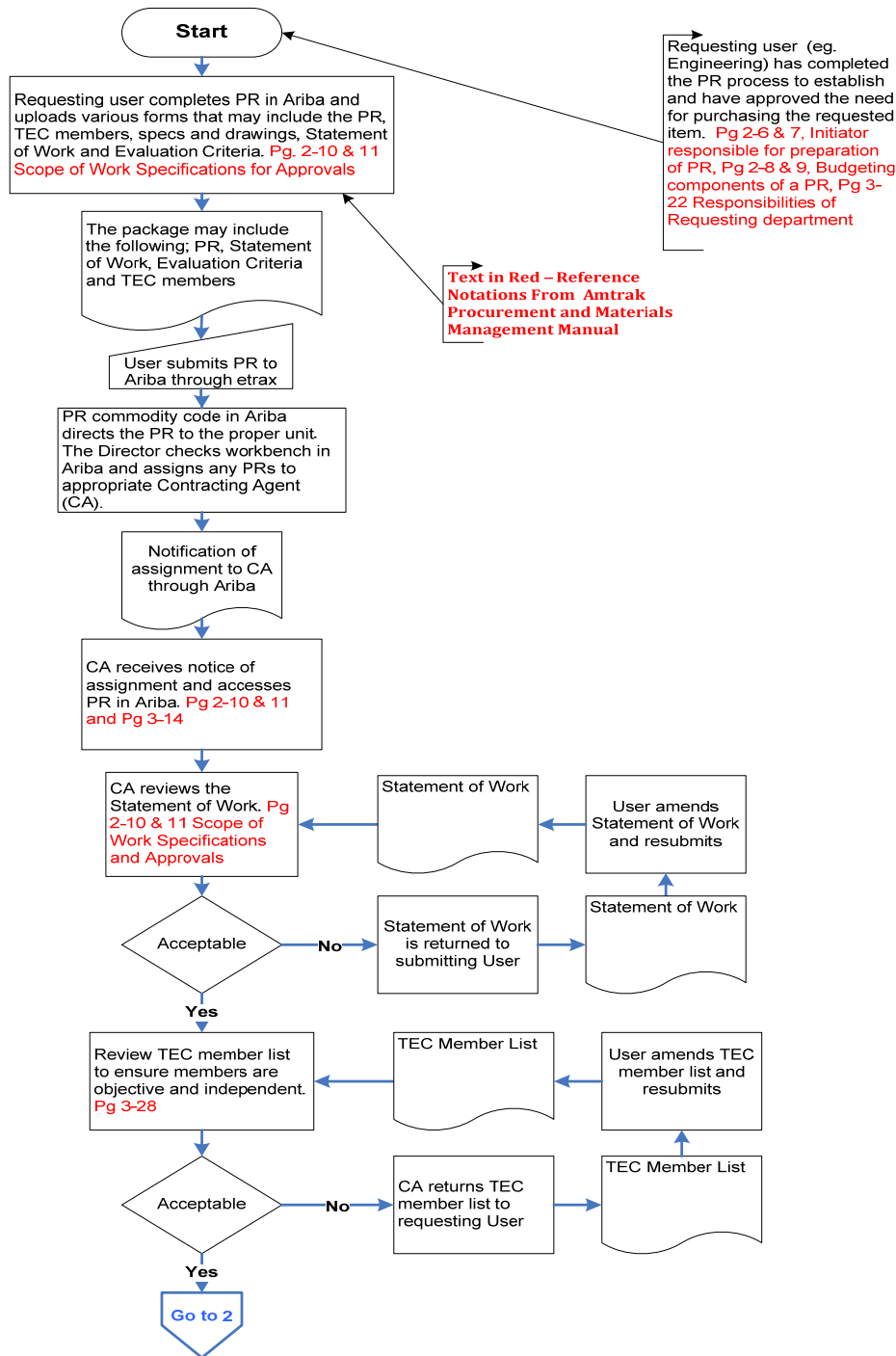
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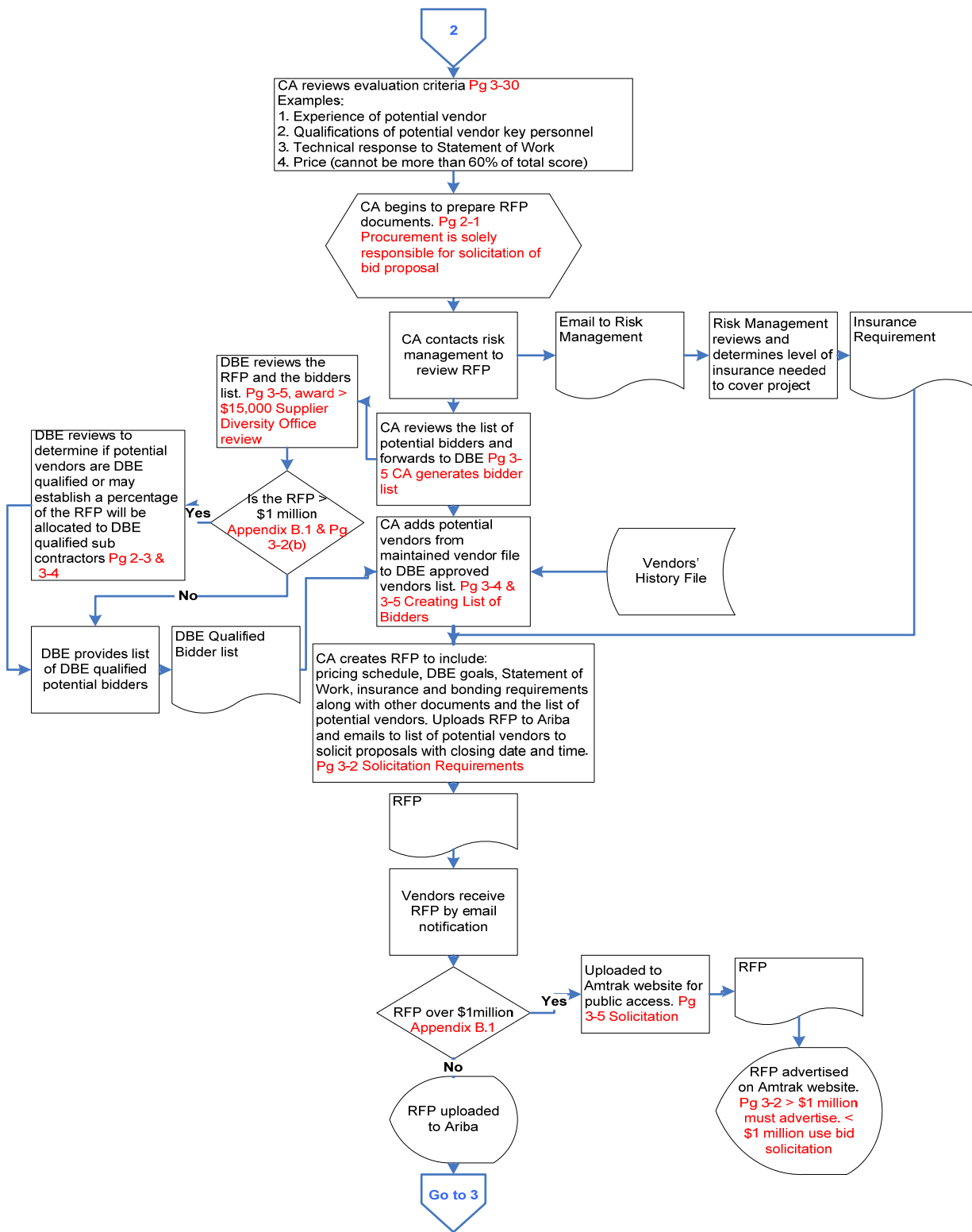
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ATTACHMENT 5 - Service Procurement Process Flow Chart



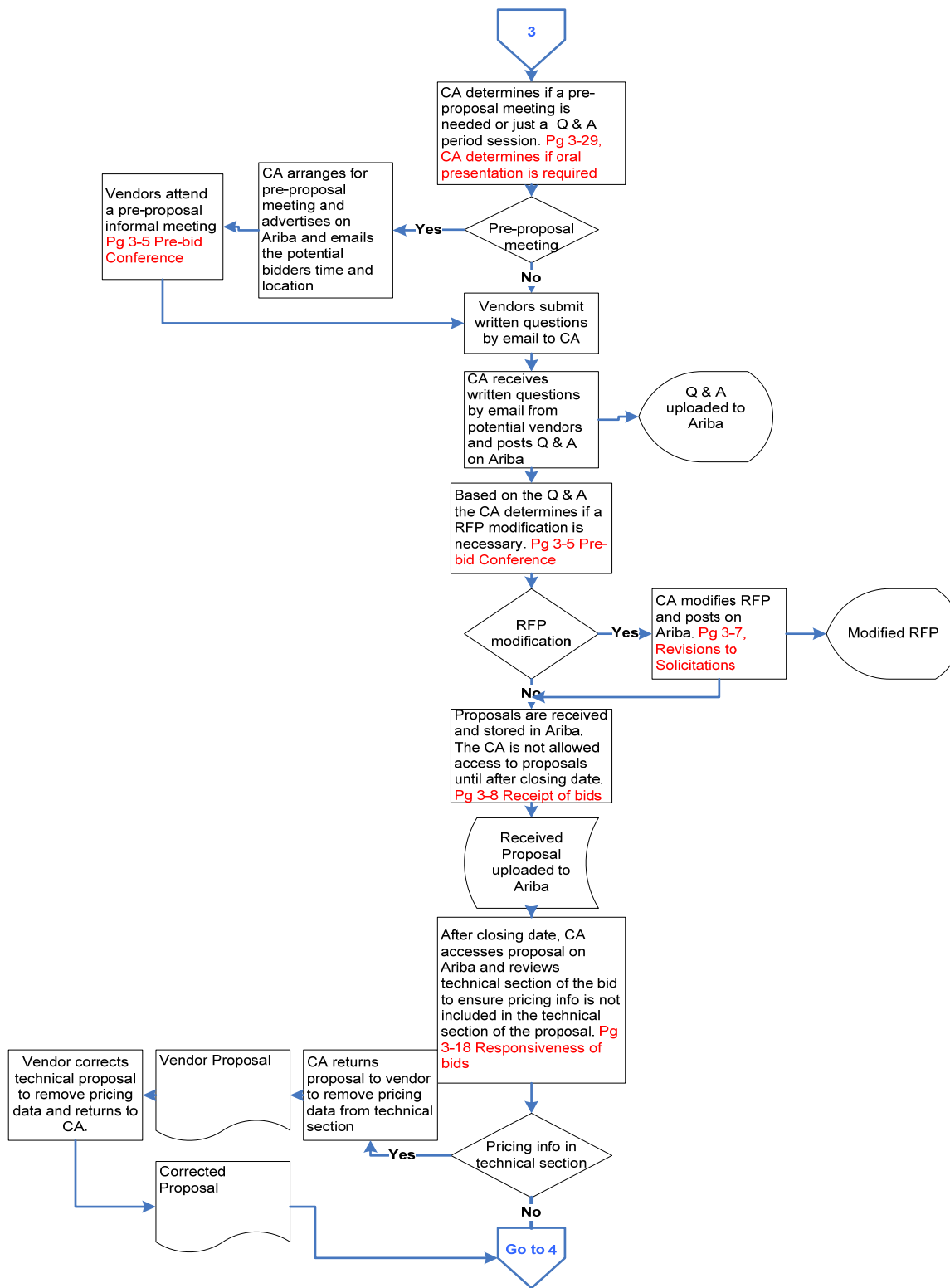
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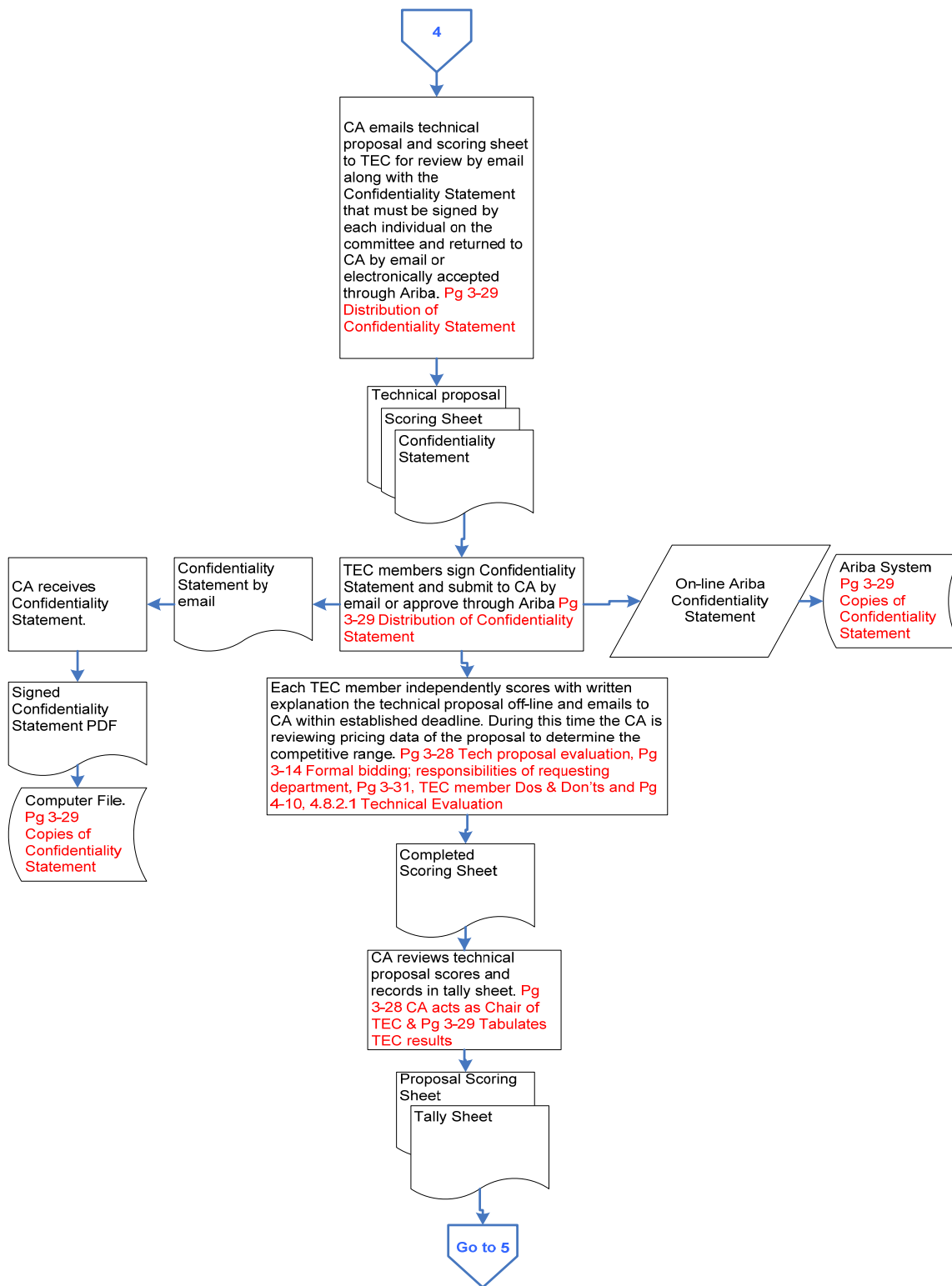
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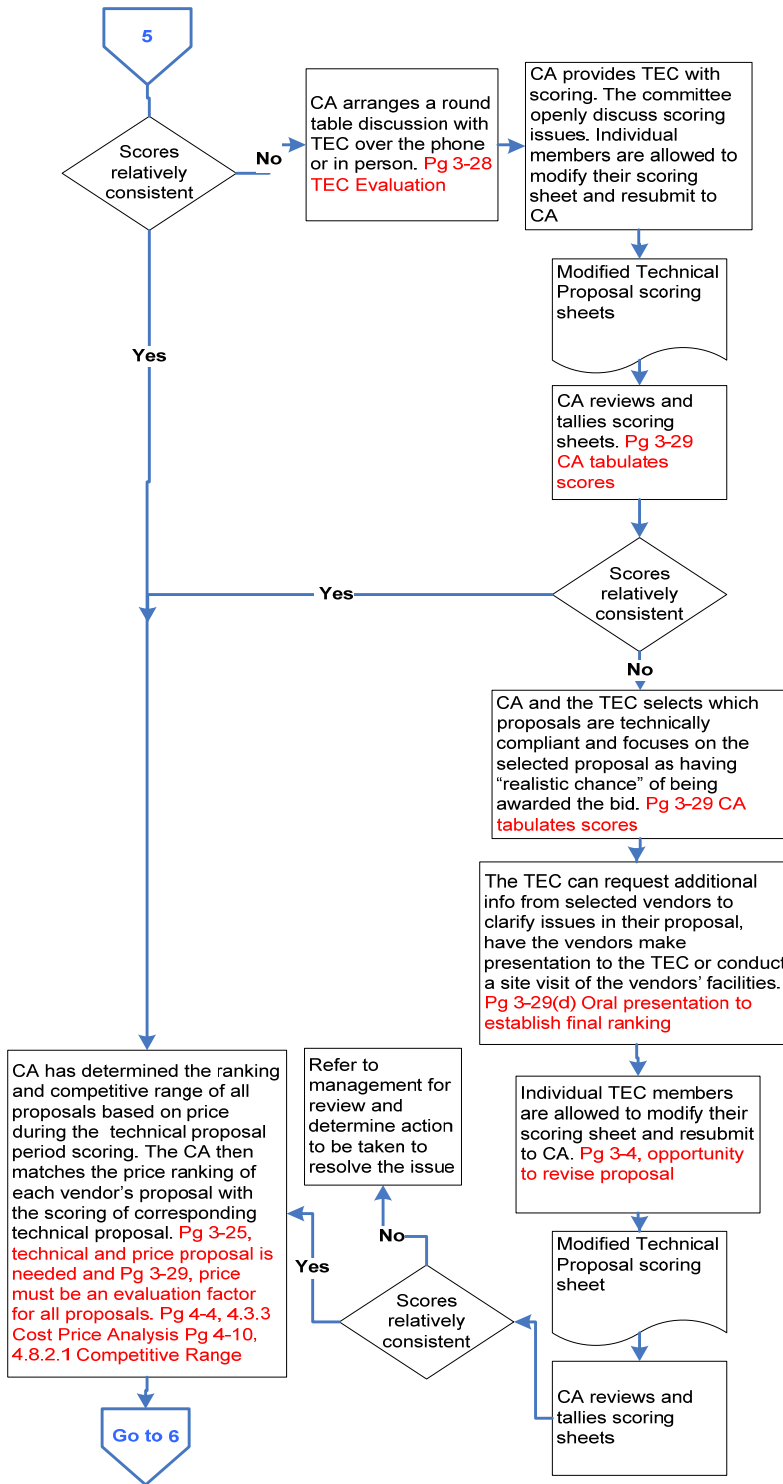
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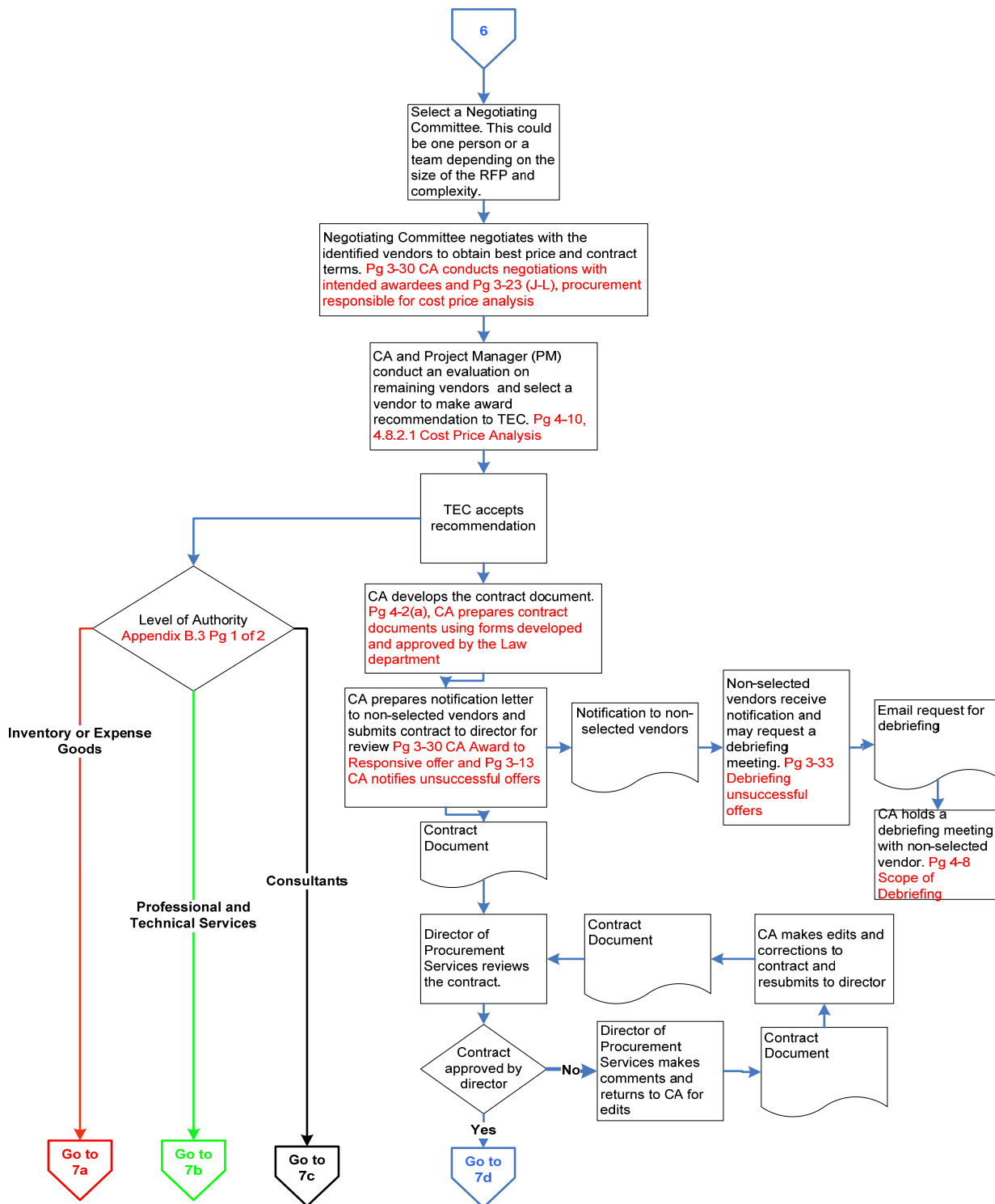
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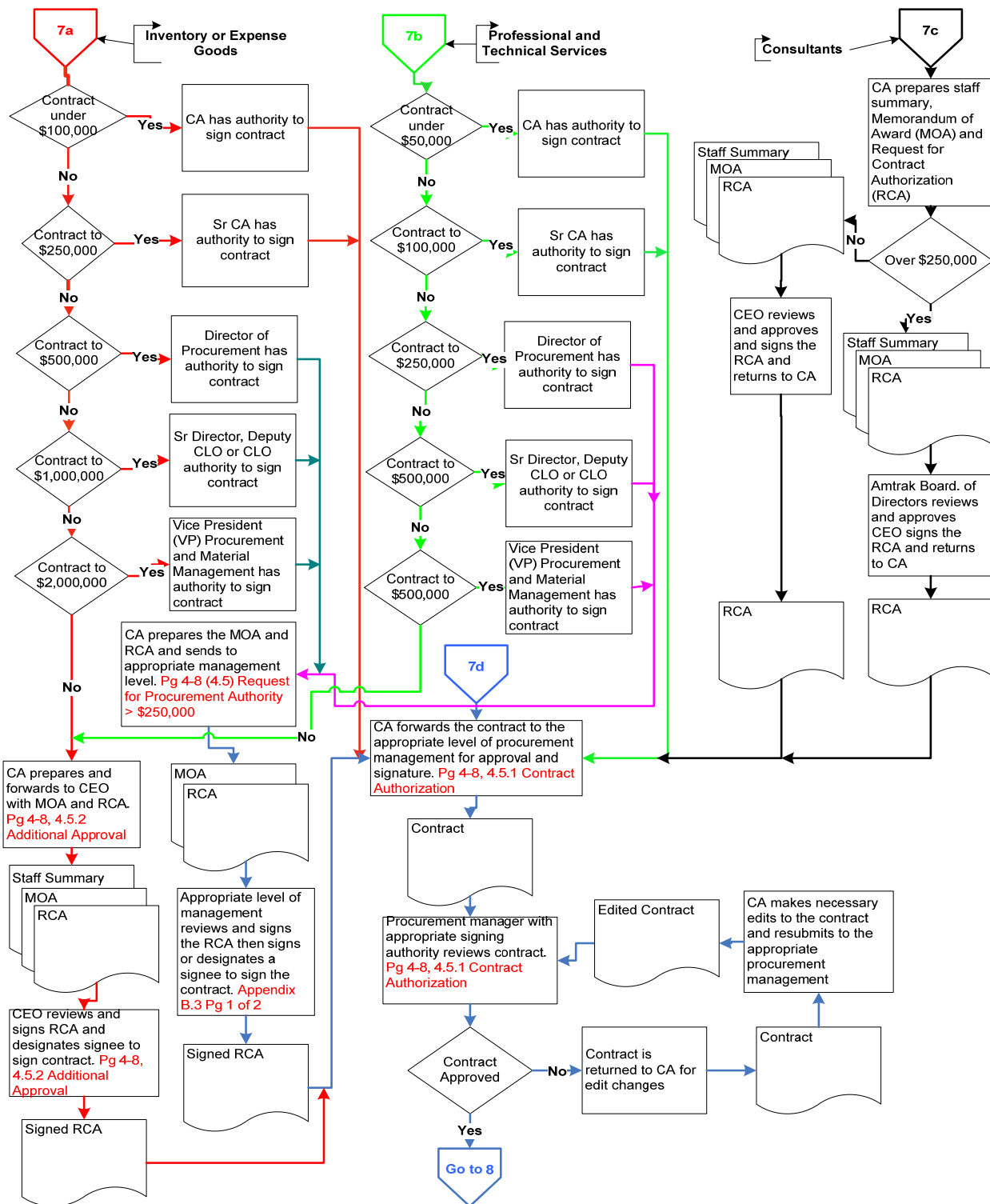
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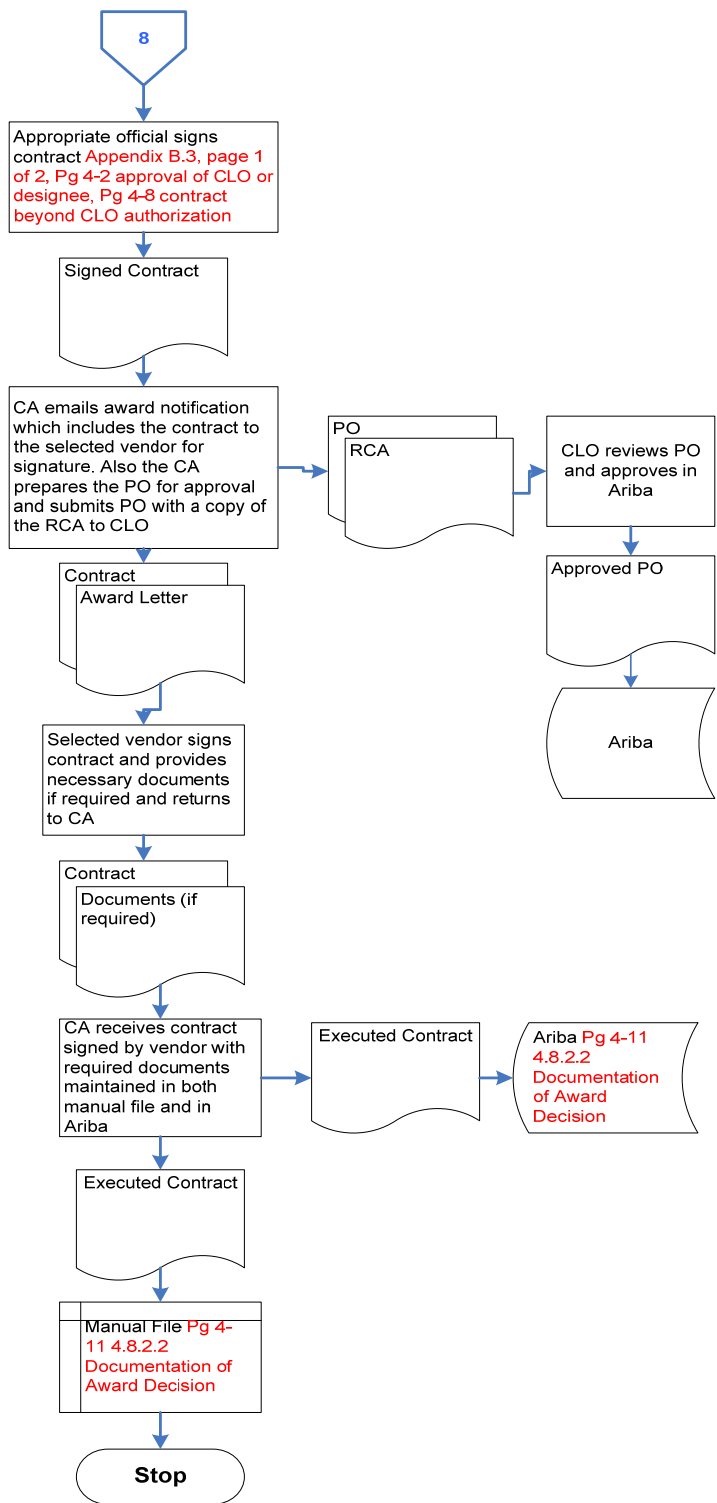
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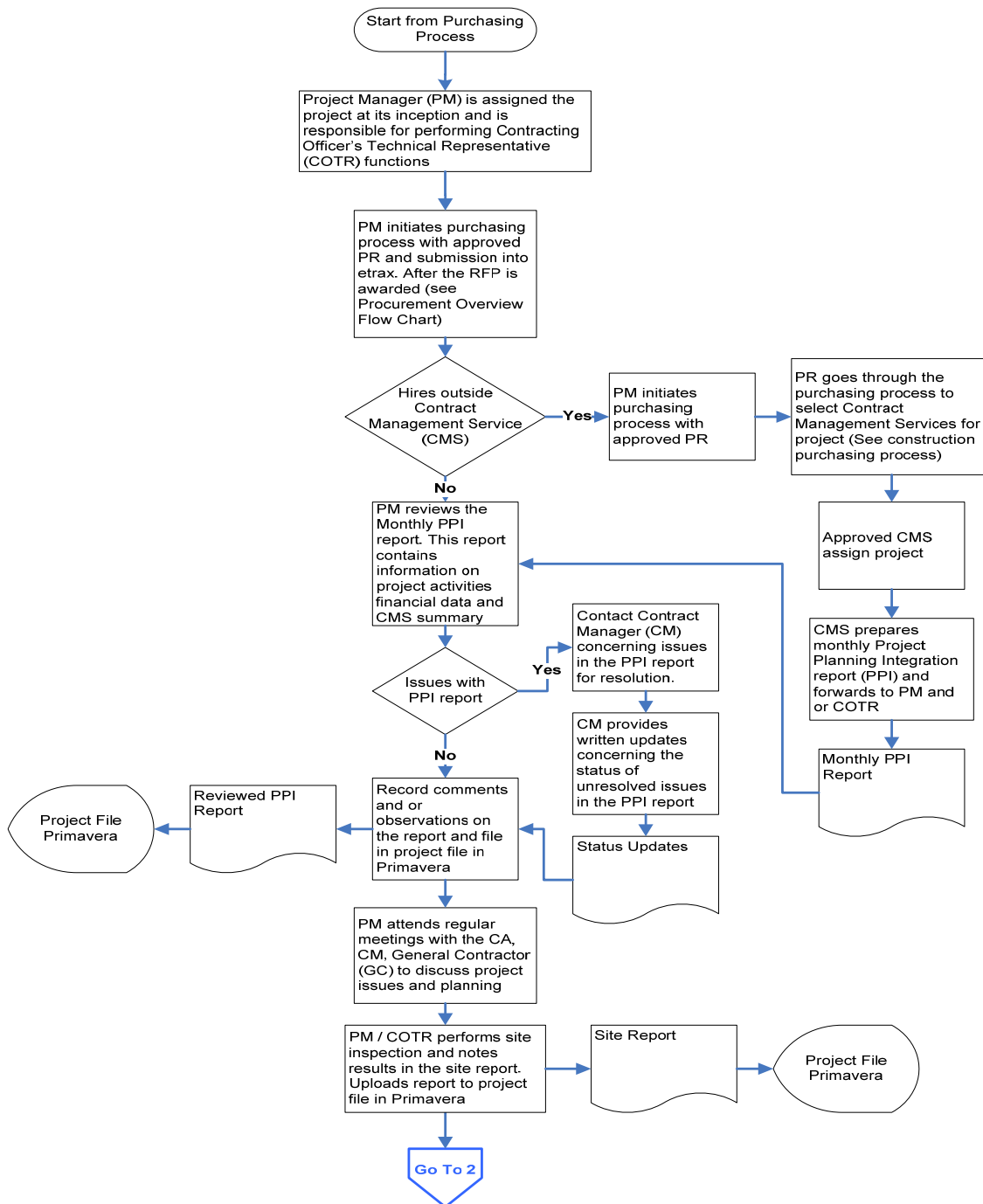
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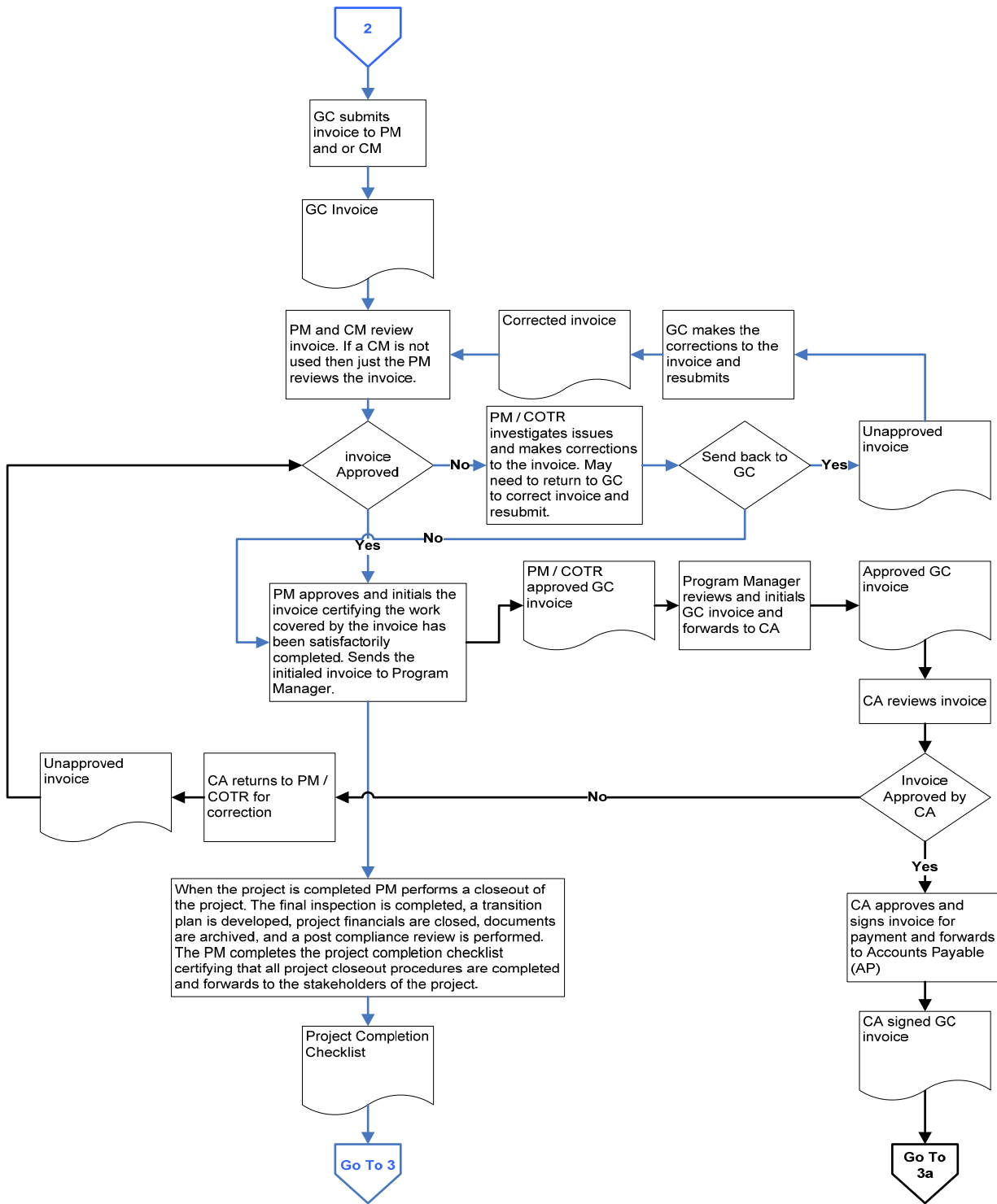
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ATTACHMENT 6 - Project Manager/Contracting Officer's Technical Representative Project Monitoring Process Flow Chart



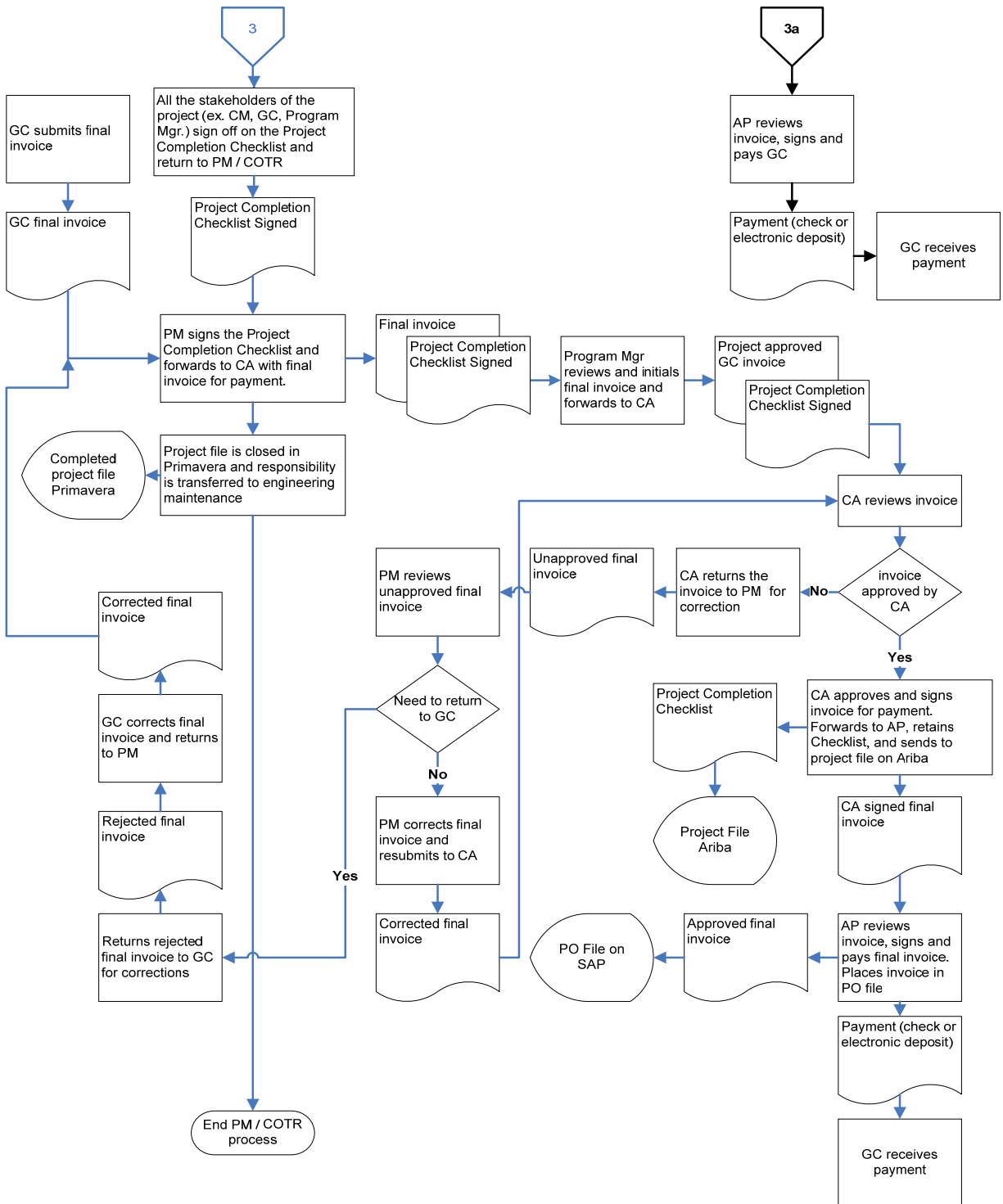
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Appendix C

FRAMEWORK ASSESSMENT QUESTIONS

ASSESSING THE PROCUREMENT FUNCTION

ORGANIZATIONAL ALIGNMENT and LEADERSHIP

ELEMENT: Aligning Procurement with the Company's Missions and Needs

CRITICAL SUCCESS FACTOR: Assuring Appropriate Placement of the Procurement Function

1. What percentage of the company's funding was spent to purchase goods and services?
2. Where is the procurement function currently placed in the company?
3. What are the roles and responsibilities of the procurement function and procurement personnel?
4. Do the company's leaders, management, and staff view the procurement function as a strategic asset in achieving their missions or supporting the company's operations at lowest possible cost?
5. To what extent is the company's procurement spending managed or influenced by the Procurement department?

CRITICAL SUCCESS FACTOR: Organizing the Procurement Function to Operate Strategically

6. Has the company assessed the current structure of the procurement function and related controls? If so, what were the results of the study?
7. Has the company experienced significant changes in its missions, budget, workforce, technology, or other internal or external factors? What changes, if any, did the company make in response to such factors?
8. Does the company have mechanisms to anticipate, identify, and react to risks presented by changes in conditions that can affect company-wide or procurement-related goals?

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Organizational Alignment and Leadership

9. Does the company have metrics related to procurement efficiency, effectiveness, and results that are included as part of an overall performance plan and communicated regularly to senior leaders and management? Are these metrics linked to the company's mission and goals?
10. Does the company use its strategic and annual performance plans to document the contribution that company officials expect the procurement function will make towards its mission, strategic goals, and annual goals?

CRITICAL SUCCESS FACTOR: Clearly Defining and Integrating Roles and Responsibilities

11. What are the roles and responsibilities of stakeholders in the procurement process?
12. Does the company empower stakeholders to coordinate, integrate, and ensure consistency among procurement actions?
13. How are stakeholders held accountable for their actions?

ELEMENT: Commitment from Leadership

CRITICAL SUCCESS FACTOR: Clear, Strong, and Ethical Executive Leadership

14. Does the company have a chief acquisition officer? Is the officer's primary responsibility managing procurements?
15. Has senior leadership articulated a strategic, integrated, and company-wide vision for the procurement function?
16. Is senior leadership actively involved in pursuing changes, if appropriate, to how the company acquires goods and services?
17. Are managers at all levels held accountable for their contributions to the procurement process?

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Organizational Alignment and Leadership

18. Does senior leadership promote integration and coordination among the company's budgetary processes and human capital, procurement, and financial management functions?
19. Do senior leadership and management have a positive and supportive attitude toward internal control?
20. Has management recently reviewed its key procurement-related internal controls? If so, what were the results? Are all aspects of the procurement program covered in the internal control review?
21. Does management take a proactive stance to correct any deficiencies identified in its acquisition-related internal controls?
22. Has the company established policies, such as a code of conduct, communicating appropriate ethical standards? How does the company ensure that it interacts with the contractor community in a fair, equitable, and ethical fashion?

CRITICAL SUCCESS FACTOR: Effective Communications and Continuous Improvement

23. How does senior leadership communicate the company's mission, values, and guiding principles, as well as its vision and expectations for the procurement function, to personnel?
24. Have personnel been asked for their views on the effectiveness of this communication?
25. Does senior leadership facilitate and support clear lines of communication among all parties?
26. Have stakeholders been asked for their views on the effectiveness of the existing procurement process and areas needing improvement?
27. What metrics does the company use to demonstrate the impact and value of the procurement function in supporting its mission?

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Organizational Alignment and Leadership

28. What process does the company use to develop these metrics?
29. Are control activities an integral part of the company's planning, implementation, review, and accountability activities to ensure results and stewardship of government resources?
30. Does the company or an independent organization continuously monitor control activities for their effectiveness at ensuring that acquisition objectives are met?

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POLICIES and PROCESSES

ELEMENT: Planning Strategically

CRITICAL SUCCESS FACTOR: Partnering with Internal Organizations

31. Do user departments of the goods and services acquired work with the procurement department to discuss requirements for meeting their needs?
32. Do stakeholders work together to develop a joint strategy for procurements?
33. How receptive are user departments to evaluating different procurement approaches and solutions, and making tradeoff decisions?
34. How does the company promote coordination among the user departments as procurement actions move through the various steps in the process?
35. Do stakeholders work together to understand each other's needs?

CRITICAL SUCCESS FACTOR: Assessing Internal Requirements and the Impact of External Events

36. Does management strategically assess its needs and develop acquisition approaches to help it meet those needs?
37. Does management leverage purchasing volume by identifying company-wide acquisitions of goods and services?
38. Does management systematically identify and analyze company-wide procurements planned for the next 12 to 24 months?
39. Are needs identified in the budget request submission consistent with planned procurement strategies?
40. Does procurement track the types of acquisition methods used for acquiring goods and services to ensure that it is employing the most appropriate contract type?

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41. Does procurement have a mechanism to review planned acquisitions and identify opportunities for suppliers from the small or disadvantaged business community? Has procurement achieved its goals in each of the socioeconomic acquisition categories?
42. Has management determined the type or extent of work that is and should be performed in-house and which could be contracted out?
43. Has management assessed its core competencies and identified opportunities to compete activities?
44. Do company officials track new or pending legislation that might affect acquisition policies and processes, training, and workload?
45. Have management officials assessed whether their acquisition processes are capable of responding to unforeseen external events and emergencies?
46. Do management officials carefully consider how to meet competing demands on the procurement system?

ELEMENT Effectively Managing the Acquisition Process

CRITICAL SUCCESS FACTOR: Empowering Cross-Functional Teams

47. To what extent does management use cross-functional teams in performing acquisition activities? Is staff from field offices involved at any level? How?
48. Do team members feel empowered to make decisions and are they invested in the project's outcome?
49. Do the teams use a project plan to manage and control project implementation?
50. Does the project plan include performance measurement baselines for schedule and cost, major milestones, and target dates and risks associated with the project?
51. Do individuals outside the project team regularly review the status of cost, schedule, and performance goals?

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- 52. Are incentives in place to encourage teams to meet project goals?
- 53. How are teams held accountable for meeting cost, schedule, and performance goals?
- 54. Is there good communication among stakeholders?

CRITICAL SUCCESS FACTOR: Managing and Engaging Suppliers

- 55. Does management have a process to identify key suppliers?
- 56. Does management use a rigorous supplier-selection process to create a strong supplier base?
- 57. Has the Procurement department established commodity managers for key goods and services?
- 58. What is the role of the commodity manager?
- 59. Has management embraced effective supplier relationships as a core business strategy?
- 60. Does procurement management train its workforce on how to manage supplier relationships?
- 61. Has procurement established an effective communication and feedback system with its suppliers to continually assess and improve its own and its suppliers' performance?
- 62. Does management foster an environment in which suppliers invest their intellectual capital—their ideas—into the venture?

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CRITICAL SUCCESS FACTOR: Monitoring and Providing Oversight to Achieve Desired Outcomes

63. Does procurement track the types of acquisition methods used for acquiring goods and services to assess workload and training requirements?
64. What tools, processes, and controls does procurement and operations management use to ensure effective oversight of contractor performance?
65. What tools, processes, and controls does management use to ensure effective oversight of employees making purchases?
66. What incentives does the procurement workforce have to effectively monitor contractor performance?
67. Does the company clearly define the roles and responsibilities of those who perform contract management and oversight?
68. What actions has management taken to ensure that it has adequate staff with the right skills, knowledge, and training to implement policies and processes and to oversee contractors?
69. Does procurement or other management personnel or external parties with appropriate knowledge, skills, and responsibilities monitor internal control over the acquisition process on a continuous basis?
70. Does management effectively use and require its contractors to use earned value management as an investment planning and control tool?

CRITICAL SUCCESS FACTOR: Enabling Financial Accountability

71. Does the procurement workforce have access to and use timely contractual financial information to monitor and oversee individual acquisitions?

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- 72. Is the company's financial management system integrated with its contract management system?
- 73. Does the financial management system report frequently enough to provide reasonable assurance of accountability in acquisitions?
- 74. Are financial data resulting from new contracts, task orders, and contract modifications clear and recorded properly?
- 75. Does procurement management measure how often erroneous or improper payments are made? Is a risk-assessment process in place to address improper payments?

ELEMENT: Promoting Successful Outcomes for Major Projects

CRITICAL SUCCESS FACTOR: Using Sound Capital Investment Strategies

- 76. Are the company's capital investments linked to and driven by its mission and long-term strategic goals?
- 77. Has the company completed a comprehensive capital investment needs assessment?
- 78. Does the company thoroughly consider alternatives to capital investments?
- 79. Does management perform an annual needs assessment on large capital investment projects lasting more than 1 year?
- 80. Does management maintain an asset inventory? If so, does it contain assessments of the condition of the assets?
- 81. Does management ensure that it has the necessary resources available before beginning investments in capital projects?
- 82. Does management develop a decision or investment package, such as a business case, to justify capital project requests?

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- 83. Does management have pre-established criteria and a relative ranking of investment proposals?
- 84. Does management develop a long-term capital plan that defines capital asset decisions?
- 85. Does management budget for useful segments of capital projects?
- 86. Do managers have the necessary information to plan for capital investment projects? For example, does the company have systems to estimate the full cost of a project?
- 87. Are alternatives to full up-front funding considered when they may be in the best economic interest of the company?

CRITICAL SUCCESS FACTOR: Employing Knowledge-Based Acquisition Approaches

- 88. Is a knowledge-based approach used to develop new products?
- 89. What techniques does management use to match end-users' requirements with the technology resources available and the program's ability to meet cost and schedule predictions?
- 90. Does management have an established metric or benchmark, such as the percentage of engineering drawings complete or similar criterion, to demonstrate that the product's design is stable?
- 91. Is there an established metric or benchmark, such as having 100-percent statistical control over key manufacturing processes, to demonstrate that the product can be reliably produced and with high quality?
- 92. Do program managers quantify the extent to which development efforts fail to achieve established benchmarks and assess whether those shortcomings are critical and correctable during the following phase?
- 93. Does management measure the extent to which new product development activities meet the baseline cost, schedule, or performance requirements of the activities?

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94. Does management use lessons learned from programs that did not meet their baseline requirements to improve the company's procurement processes?

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HUMAN CAPITAL

ELEMENT: Valuing and Investing in the Procurement Workforce

CRITICAL SUCCESS FACTOR: Commitment to Human Capital Management

95. How does leadership demonstrate commitment to the procurement workforce?
96. What is the role of procurement officials in developing human capital strategic plans?
97. Does the company have performance expectations for senior leaders and managers to foster collaboration within and across organizational boundaries and demonstrate a commitment to lead and facilitate change?
98. How are senior leaders and managers held accountable for effectively managing the procurement workforce?

CRITICAL SUCCESS FACTOR: Role of the Human Capital Function

99. What are the roles and responsibilities of human capital officials with respect to the procurement workforce?
100. How do procurement managers collaborate with human capital personnel to make hiring and staffing decisions?

ELEMENT: Strategic Human Capital Planning

CRITICAL SUCCESS FACTOR: Integration and Alignment

101. Is there a strategic human capital plan that incorporates the needs of the procurement function? If not, does the procurement function have its own plan?
102. Does the strategic human capital plan address the use of contractors that provide commercial-type services?
103. Does succession planning and management of the procurement workforce: receive active support from top leadership; link to strategic planning; identify people with

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critical skills; emphasize development assignments in addition to formal training; and address such human capital challenges as diversity, leadership capacity, and retention?

104. Do teams that develop plans for the procurement workforce consist of all stakeholders, such as customers or end users, contracting officers, representatives from budget and finance, legal counsel, and human capital personnel?
105. How does the company track the effectiveness of human capital strategies for its procurement workforce?

CRITICAL SUCCESS FACTOR: Data-Driven Human Capital Decisions

106. Who is included in the procurement workforce?
107. How is data on the procurement workforce tracked?
108. How does the company determine the appropriate size of its procurement workforce?
109. Is the mix of entry-level, mid-level, and top-level executives appropriate, given the company's mission and role of the procurement function?
110. What training and professional certifications have current employees attained?
111. How does the company track procurement staff workload?
112. Does the company have a skills inventory for the procurement workforce? How is it used to make human capital decisions?
113. How long does the recruitment process take?
114. What has the attrition rate been for the procurement workforce?
115. Are exit interviews conducted with departing procurement workforce employees to determine why people are leaving? If so, how are lessons learned used?
116. What is the acceptance rate of applicants offered positions?

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117. How are training and development programs and results evaluated, and how does the company track, report, and use this information?

ELEMENT: Acquiring, Developing, and Retaining Talent

CRITICAL SUCCESS FACTOR: Targeted Investments in People

118. What process is followed to determine the appropriate level of spending on training, recruiting, and retention?
119. Are individual training plans established for all employees?
120. Do employees have opportunities for continuous learning—such as attending meetings, seminars, and summits—to hear about best practices or otherwise stay up-to-date on issues in their fields?
121. What are the training requirements for new and current procurement staff and related positions?
122. How is staff trained regarding new procurement practices?
123. Does the company have a comprehensive training management system that can track the delivery of training? Does it identify and track the associated costs of specific training and development programs?
124. Do managers consistently provide resources (funds, people, equipment, and time) to support training and development priorities for staff?
125. Does the company actively work with colleges and universities to market opportunities available for procurement professionals?
126. Are model career paths charted for procurement staff?

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Human Capital

CRITICAL SUCCESS FACTOR: Human Capital Approaches Tailored to Meet Organizational Needs

127. What human capital flexibilities have officials used over the past few years and with what results?
128. What laws, regulations, or policies, if any, do officials view as limiting flexibility in human capital approaches?

ELEMENT: Creating Results-Oriented Organizational Cultures

CRITICAL SUCCESS FACTOR: Empowerment and Inclusiveness

129. Does the company seek ideas from the procurement workforce?
130. Do managers involve employees when planning and sharing performance information?
131. Has the company established a communications strategy to create shared expectations about the procurement function and to report progress?

CRITICAL SUCCESS FACTOR: Unit and Individual Performance Linked to Organizational Goals

132. Has the company recently assessed whether its performance management systems for the procurement workforce adequately meet its needs?
133. What efforts, if any, are underway to review or improve existing performance management systems?
134. Does the performance management system provide:
- candid and constructive feedback to help individuals understand their contributions and help the organization achieve its goals?
 - objective information to reward top performers?
 - documentation and information to deal with poor performers?

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KNOWLEDGE and INFORMATION MANAGEMENT

ELEMENT: Identifying Data and Technology that Support Acquisition Management Decisions

CRITICAL SUCCESS FACTOR: Tracking Acquisition Data

135. What acquisition-related data does the company collect? Are data kept current?
136. Are the company's financial (including budgetary), acquisition, operating, and management information systems integrated? Do the systems provide timely, accurate, and relevant information?
137. Do stakeholders believe the company's information systems meet their business needs?
138. How does the company make needed data available to stakeholders within the acquisition process, such as user departments, commodity managers, and contracting officers?
139. How does the company manage institutional knowledge and identify and share best practices?
140. Has the company established specific goals and metrics—and collected data in support of those metrics—to assess the performance of the procurement function?

CRITICAL SUCCESS FACTOR: Translating Financial Data into Meaningful Formats

141. Do finance executives work with procurement executives and managers to determine their information needs?
142. What types of financial data or reports are regularly provided to procurement officials?
143. To what extent do procurement personnel use financial information to support procurement decisions?

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Knowledge and Information Management

CRITICAL SUCCESS FACTOR: Analyzing Goods and Services Spending

144. Does the company regularly conduct and make use of spend analyses for key goods and services?
145. What process does the company use to conduct a spend analysis?
146. Does the company include purchases made with purchase cards in its spend analysis?
147. If spend analyses have been conducted, how were the results used?
148. Does the company use a standard taxonomy to uniquely identify the products and services being analyzed?

ELEMENT: Safeguarding the Integrity of Operations and Data

CRITICAL SUCCESS FACTOR: Ensuring Effective General and Application Controls

149. When was the last information systems control reviews performed?
150. What documentation exists of the reviews?
151. What issues or problems did the reviews identify?
152. How were the issues and problems addressed?
153. What are the unresolved issues or problems?
154. What is the impact of the unresolved issues and problems?
155. What practices and procedures does the company use to ensure that hardware and software are reliable, secure, and user-friendly?

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Knowledge and Information Management

CRITICAL SUCCESS FACTOR: Data Stewardship

156. How does the company ensure that data reflected in its knowledge and information management systems have the following properties:
- integrity,
 - synchronization of data collection,
 - reduced data redundancy,
 - accessibility,
 - transferability, and
 - flexibility in the data management process

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Appendix D

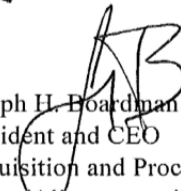
**COMMENTS FROM AMTRAK'S PRESIDENT AND
 CHIEF EXECUTIVE OFFICER**

NATIONAL RAILROAD PASSENGER CORPORATION
 60 Massachusetts Avenue, NE, Washington, DC 20002
 tel (202) 906-3960, fax (202) 906-2850

Memo



Date April 23, 2014
 To Tom Howard, Inspector General

From  Joseph H. Boardman
 Department President and CEO
 Subject Acquisition and Procurement:
 Closer Alignment with Best
 Practices Can Improve
 Effectiveness (Draft Audit Report
 for Project No. 009-2012)

cc Gerald Sokol
 Eleanor Acheson
 Byl Herrmann
 Paul Vilter
 Bernard Reynolds
 Matthew Gagnon
 Melantha Paige
 Peggy Reid

Message This is in response to the Office of the Inspector General ("OIG") draft audit report, project number: 009-2012, dated March 31, 2014 "Acquisition and Procurement: Closer Alignment with Best Practices Can Improve Effectiveness."

As you may know, we have been searching for a new Chief Logistics Officer over the past several months. We anticipate our proposed candidate will receive Amtrak Board approval at our meeting on April 29- 30. Once approved, the new candidate will start immediately. One of the first deliverables I will require of the new Chief Logistics Officer will be to analyze the above referenced OIG report and respond back to me with an action plan for addressing the OIG's findings within 90 days. Once reviewed, I will provide to the OIG the action plan, with specific goals, objectives, and milestones, no later than 30 days of receipt.

In the meantime, I have asked our Chief Financial Officer and our acting Chief Logistics Officer to respond back to you in the next day or so with their initial thinking and a plan to start the process of addressing the OIG's recommendations.

Thank you for your time and insights. Procurement is a critical Amtrak function; therefore, it is our goal to ensure we do everything possible to drive efficiency and thoughtful decision making.

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Appendix E

ABBREVIATIONS

AP	Accounts Payable
AR	aggregate requisition
CA	contracting agent
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLO	Chief Logistics Officer
CM	contract manager
CMS	contract management service
COTR	contracting officer's technical representative
DBE	diversity business enterprise
DLO	Deputy Logistics Officer
FY	fiscal year
GAO	Government Accountability Office
GC	general contractor
IT	Information Technology
MOA	memorandum of award
NOA	notice of award
NTP	notice to proceed
OIG	Office of Inspector General
PM	project manager
PMM	Procurement and Materials Management department
PO	purchase order
PPI	project planning integration
PR	purchase request
Q&A	question and answer
RCA	request for contract authorization
RFP	request for proposal
SAM	Strategic Asset Management System
SAP	Systems Applications and Products
TEC	technical evaluation committee
Total Rewards	Total Rewards & Integrated Talent Management
VP	Vice President

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Appendix F

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Edward Stulginsky, Deputy Assistant Inspector General, Audits

Matthew Simber, Senior Director, Audits

Cheryl Chambers, Audit Manager

Thelca Constantin, Senior Auditor

John Flynn, Senior Auditor

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OIG MISSION AND CONTACT INFORMATION

Amtrak OIG's Mission

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

Obtaining Copies of OIG Reports and Testimony

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To Report Fraud, Waste, or Abuse

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

Web: www.amtrakoig.gov/hotline
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