AMTRAK OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION
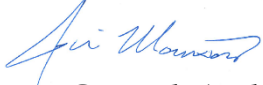
FINANCIAL MANAGEMENT:
Improving Payment Request Controls Could Provide a Better Value for Purchases and Protect the Company's Interests

This page intentionally left blank.

Memorandum

To: Tracie Winbigler
Executive Vice President and Chief Financial Officer

From: Jim Morrison
Assistant Inspector General, Audits

Date: June 15, 2022

Subject: *Financial Management: Improving Payment Request Controls Could Provide a Better Value for Purchases and Protect the Company's Interests*
(OIG-A-2022-010)

In fiscal year (FY) 2019, Amtrak (the company) spent about $31.8 million on employee purchases[1] of goods and services through its payment request process. The process allows the company's employees to expeditiously make non-recurring and low-dollar[2] purchases and certain high-dollar payments that the company cannot subject to price negotiations or the competitive bidding process.

Purchases made using payment requests are typically processed more quickly than those made with the company's standard procurement process[3] because they have fewer administrative requirements. These efficiencies, however, come with inherent risks because the standard procurement process includes controls designed to help protect the company's legal and business interests and ensure that it complies with the procurement requirements in its federal grants; therefore, bypassing this process also bypasses these controls.

---

[1] Employee purchases are acquisitions of goods or services that employees obligate the company to pay for without prior approval. They do not include other kinds of obligations the company processes through payment requests, such as payroll taxes and customer refunds, which are subject to different controls. The $21.5 million in other types of obligations that went through payment requests were outside the scope of our review. For more details, see Appendix A.

[2] We use "low-dollar purchases" to refer to those that do not exceed $10,000, and "high-dollar purchases" to refer to those greater than $10,000. Examples of non-recurring, low-dollar purchases include training courses and professional licenses. Examples of high-dollar purchases that the company may not be able to subject to price negotiations or competitive bidding include emergency equipment and supplies after a derailment.

[3] The standard procurement process includes finding, evaluating, negotiating, contracting, and acquiring equipment, supplies, materials, services, technologies, and construction goods and services. Procurement policies are codified in Chapter 11 of the *Amtrak Policy and Instruction Manual*.

Our objective was to assess the effectiveness of the company's controls over payment requests. We analyzed the company's payment request data for FY 2019 employee purchases—before the pandemic affected its purchases—to identify patterns and trends indicating that the purchases may not have complied with these policies or requirements. In addition, we examined in more detail 20 purchases that our data analysis showed were at a higher risk of not complying or not providing the best value for the company. Further, we compared the company's controls to private-sector internal control standards[4] to assess the design of the controls. For more information on our scope and methodology, see Appendix A.

SUMMARY OF FINDINGS

We found that the company's controls over payment requests appeared to be generally effective in making sure the purchases were for valid business purposes and that it correctly paid the vendors. We identified, however, opportunities to improve the following three internal controls impacting its payment request process:

- governing policies
- employee training
- oversight[5]

During our audit, the company addressed or began addressing the first two controls. Its oversight controls, however, warrant more company attention. We found that the company could better use its payment request data—through analysis—to improve its purchasing power or identify indicators of non-compliance with its policies and grant requirements. Accordingly, we recommend that the company improve these controls.

BACKGROUND

At times, employees use payment requests instead of the standard procurement process to pay for goods and services they purchased on behalf of the company. To help employees use this process as intended, the company established a governing policy

---

[4] Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control—Integrated Framework*, May 2013.

[5] Oversight controls include monitoring and other evaluations to ascertain whether the company is following its governing policies and procedures.

3

Amtrak Office of Inspector General
Financial Management: Improving Payment Request Controls Could Provide a Better Value for Purchases and Protect the Company's Interests
OIG-A-2022-010, June 15, 2022

and other policies that set forth their appropriate use.[6] For example, in addition to generally limiting their use to low-dollar and non-recurring purchases, the governing policy also prohibits employees from using this option for certain types of purchases regardless of dollar amount. This includes vehicle repairs and equipment rentals, which benefit from going through the procurement process so the company can apply contractual terms and conditions that protect its interests.

Two departments oversee employees' use of payment requests:

- **The Accounting department**, led by the Vice President and Controller, is responsible for establishing, administering, and interpreting the governing policy and approving any exceptions to it. The Accounting department also reviews approved requests prior to paying them to make sure it pays the correct vendor and amount.

- **The Procurement department,** led by the Vice President and Chief Procurement Officer, has primary responsibility for purchasing goods and services for the company and reviewing payment requests over $10,000 to identify purchases that should have gone through the procurement process. When Procurement officials identify an out-of-compliance request, they consult with the Accounting department—and, in some cases, the employees—to understand the nature of the request and advise employees of the procurement process they should have followed. The Procurement department is also responsible for making sure that purchases going through the procurement process comply with the grant procurement requirements.[7]

SOME PURCHASES DID NOT COMPLY WITH COMPANY POLICIES AND GRANT REQUIREMENTS

The company's controls for preparing and approving requests appeared to be effective in making sure the goods and services employees purchased were for valid business

---

[6] The primary policy is Finance Policy 8.21, *Request for Payment,* which we refer to in this report as the payment request policy. Two other company policies also include requirements that apply to employees' use of payment requests: Amtrak Policy No. 1.12, *Internal Delegations;* and Procurement Policy No. 11.6, *Emergency Procurements*.

[7] In addition to other policies, Amtrak Procurement and Supply Chain Standard Operating Procedure No. 1008, *Procurement 2 CFR 200 Thresholds Procedure* (Amtrak SOP No. 1008) is the company policy that establishes the processes to comply with the 2 C.F.R. § 200 procurement requirements incorporated by reference in the federal grants.

purposes.[8] These controls also ensured that employees submitted the required invoice to document the purchase, and that the Accounting department paid vendors the correct amounts. The controls were not as effective, however, in making sure that employees complied with company policies and its grant procurement requirements. In our detailed review of 20 payment requests, we found that 16 were out of compliance. Additionally, our broader analysis of the company's FY 2019 payment request data identified patterns and trends indicating that these weaknesses were more widespread, but a more detailed examination of these data was outside the scope of our review.

Specifically, we identified the following types of non-compliance:

- **Prohibited types of purchases.** Three of the 20 requests in our detailed review were for types of goods or services that the policy specifically prohibited from going through payment requests, such as non-emergency equipment rentals and significant vehicle repairs. The company's broader FY 2019 payment request data, however, did not include details to allow us to accurately identify purchases prohibited by policy from going through payment requests.

- **Purchases that could have been covered by contracts.** Eleven of the 20 requests in our detailed review were for purchases for which the company already had a contract with the vendor. Under company policy, these purchases should not be submitted through payment requests. Similarly, our broader analysis of the company's FY 2019 payment request data, which focused on patterns and trends, showed that 4,478 requests totaling $7.1 million were for purchases for which the company had a contract in place with the vendor that may have covered the goods or services it purchased. For the purchases we identified in the analysis, the company may have missed opportunities to benefit from the price discounts and other beneficial terms it typically negotiates into its contracts.

- **High-dollar purchases that do not comply with the grant requirements.** One of the 10 high-dollar requests in our detailed review, a $60,000 non-emergency vehicle repair, did not comply with the company's procurement policy or grant

---

[8] The sample we reviewed in detail was non-generalizable; therefore, we are not projecting our results to the rest of the company's payment requests, and our broader analysis of the company's FY 2019 payment request data focused on patterns and trends that may indicate non-compliance rather than specific instances of non-compliance. Estimating the frequency of non-compliance or how much the company may have overpaid was outside the scope of this review.

5

Amtrak Office of Inspector General
Financial Management: Improving Payment Request Controls Could Provide a Better Value for Purchases and Protect the Company's Interests
OIG-A-2022-010, June 15, 2022

procurement requirements. In addition to being a high-dollar purchase, the company's policy specifically requires vehicle repairs to go through a contract because it must perform certain safety inspections before putting the vehicle back in service. Further, the request did not include the company's justification for not competing it or documentation showing that it verified that the vendor was not suspended or debarred as its grants require.[9] Our broader analysis of the company's payment request data found 341 high-dollar employee purchases totaling about $10.5 million in FY 2019 with patterns and trends indicating that these purchases may not have complied with the grant procurement requirements or may not have been the best value for the company, which our sample demonstrates.

- **Recurring purchases.** Four of the 20 requests in our detailed review were for recurring purchases that the company may have been able to consolidate under a contract to get a better value. Company policy specifically provides that payment requests should not be used for these types of purchases. Similarly, our broader analysis of the company's payment request data showed 18,345 purchases totaling about $19.5 million with patterns or trends indicating that they could have been recurring purchases, such as multiple purchases of the same type of item from the same vendors.

THE COMPANY IS STRENGTHENING CONTROLS OVER PAYMENT REQUESTS BUT HAS OPPORTUNITIES TO IMPROVE OVERSIGHT

The company has strengthened—or is in the process of strengthening—its controls over payment requests to minimize the risk of employees not complying with its policies and the applicable grant procurement requirements. The company implemented some of these changes before we started our audit, including making the procurement process easier for employees to use and implementing a new payment request system that integrates with its accounting system. In addition, as a result of feedback we provided during our audit, the company improved its governing policy, training, and oversight controls, but it still has opportunities to further strengthen its oversight.

Making the procurement process more accessible. Some of the purchases we identified that could have gone through the procurement process went through payment requests instead because the contract and vendor were not set up in the company's procurement

---

[9] We confirmed that the vendor was not suspended or debarred.

6

Amtrak Office of Inspector General
Financial Management: Improving Payment Request Controls Could Provide a Better Value for Purchases and Protect the Company's Interests
OIG-A-2022-010, June 15, 2022

system. Since the company implemented the Ariba on Demand (AoD) system in November 2019, the company has begun setting up contracts and vendors in the system, allowing employees to use the procurement process for some purchases instead of using payment requests. For example, the company is enrolling vendors that provide bus services to or between train stations; employees can, therefore, use the procurement process and obtain preapproval for future purchases with these vendors instead of using payment requests. As of April 2022, the company had set up most of these vendors and was in the process of setting up the remainder. Company officials told us they expect to have set up all of these existing bus services contracts and vendors in the system by the end of June 2022.

Implementing a new payment request system. In November 2021, the company implemented a new payment request system—Systems Applications and Products (SAP) Concur—which better integrates with its accounting system and has enhanced reporting capabilities. This allows the Accounting department to use one system to both review payment requests and pay vendors. The company is in the process of using the system's customizable reporting capabilities to develop reports it can use in its oversight.

Updating governing policies. Some of the problems we identified were caused by gaps in the governing policies. During our audit, in response to our preliminary findings, the company began updating its payment request policy to more clearly identify when employees can use requests. Its November 2021 revised draft includes the following:

- specific examples of the kinds of purchases employees can and cannot make using payment requests

- a requirement for employees to research whether the company has a contract with the vendor for the goods or services they are purchasing before using payment requests

- cross-references to other applicable policies

- alignment of the dollar threshold it cites in this policy for when employees can use purchase requests in an emergency with the one it cites in its emergency procurement policy

- definitions for the "repetitive" or "recurring" purchases that the policy prohibits

- a section on how the company will hold individual employees accountable for not complying with its provisions

Developing and requiring training. Several employees who submitted non-compliant payment requests told us they had no formal or recent training on their use. Historically, the company has not provided training on payment requests, but during our audit, the company began offering training on its procurement policies and practices, including how and when to work with Procurement to set up contracts. Starting in September 2020, Procurement began providing live training sessions to some user groups, and in November 2021 it transitioned to a web-based, on-demand training module (eLearning) that the company requires all AoD users to take. Procurement designed this training to help employees understand the company's procurement processes and the company's controls for complying with federal procurement requirements and its grant agreements. Although the training does not specifically cover payment request policies and practices, which are the Accounting department's responsibility, this training helps employees better understand the types of purchases that should go through procurement, which should reduce their use of payment requests for these types of purchases.

In addition, in November and December 2021, the Accounting department offered optional, one-time training on the use of the new payment request system and provided a high-level overview of the payment request process and policy. The Vice President and Controller told us that, as of the end of December 2021, Accounting had conducted more than 40 of these training sessions for 502 employees.

Further, in response to a briefing we gave the company during our audit, the Vice President and Controller told us the company plans to further strengthen training by developing two eLearning training modules—one for the employees who submit payment requests and another for the supervisors who review and approve them—that will be continuously available to all employees. Once it develops the modules, it plans to update the governing policy to require users and reviewers to complete them annually. It expects to launch the eLearning modules by December 31, 2022.

Improving oversight. The company has opportunities to further strengthen its oversight by periodically and more comprehensively analyzing its payment request data. Prior to our audit, the company performed some oversight of individual payment requests, but it did not analyze its payment request data more broadly to identify opportunities to better leverage its purchasing power by consolidating purchases. As a result, the company may have missed opportunities to negotiate contracts with vendors to get a better value for its purchases and better protect its interests. Also, the company did not comprehensively analyze its data to identify indicators of non-compliance with

its policies and grant requirements. As a result, the company did not identify 14 of the 16 requests that we determined were out of compliance.

Company officials told us they did not perform more comprehensive analyses of the data in the past because of resource constraints. A senior procurement official, however, acknowledged that using the company's limited resources on after-the-fact reviews of individual requests does not provide as much of a return on investment as using them for more comprehensive analyses. For example, the company could benefit from looking for patterns in the data indicating that purchases may not have complied with policies and procurement requirements. Senior officials also said that the prior payment request system did not have the capability to report data in a format conducive to this type of analysis, but the new SAP Concur system has this capability.

In November 2020, Procurement began analyzing the payment request data to look for vendors in the procurement system that the company paid using payment requests. These payments represent purchases (1) in which an employee could have used an existing contract or (2) that presented opportunities for Procurement to have easily established a contract with the vendor. Starting in October 2021, in response to our briefings and the results of Procurement's analysis, the company implemented a new control over payment requests. Now, before paying the vendor, the Accounting department reviews the request, and if it finds that the vendor has a profile in the procurement system, it sends the request back to the employee to submit through the procurement system unless doing so would meaningfully delay paying the vendor. The company could have also benefited, however, from looking for patterns in which employees were making recurring purchases through payment requests with vendors not currently in the procurement system and for opportunities to consolidate similar purchases across vendors.

In February 2022, in response to our preliminary findings, the company began analyzing its payment request data to identify the vendors with the most payment requests to look for opportunities to establish contracts. The company is in the process of acting on the opportunities it identified. Although this is a positive first step, the company has not expanded its analysis to target specific indicators of potential non-compliance, such as the type of expense and individual request amount.

9

Amtrak Office of Inspector General
**Financial Management: Improving Payment Request Controls Could Provide a Better
Value for Purchases and Protect the Company's Interests**
OIG-A-2022-010, June 15, 2022

CONCLUSIONS

The company has begun addressing many of the issues we identified during our audit but has opportunities to further strengthen its oversight of payment requests. Improving its oversight would help the company verify that its purchases comply with its policies and grant procurement requirements, that it receives the best value for its goods and services, and that it protects its business and legal interests.

RECOMMENDATION

To strengthen the company's controls over payment requests, help ensure employee compliance with governing policy and grant requirements, and make better use of its resources, we recommend that the company more comprehensively and periodically analyze its payment request data to identify patterns of possible non-compliance and opportunities in which the company could do more to protect its interests and get a better value for its purchases through a contract. As part of this, it should consider potential risk indicators, including dollar amounts paid to a vendor and the type of expense.

MANAGEMENT COMMENTS AND OIG ANALYSIS

In commenting on a draft of this report, the company's Executive Vice President and Chief Financial Officer agreed with our recommendation and described the company's actions and plans to address it, which we summarize here.

Recommendation 1: Management agreed with our recommendation to more comprehensively and periodically analyze its payment request data to identify patterns of possible noncompliance and opportunities where the company could do more to protect its interests and get a better value for its purchases through a contract. The company has developed a customized quarterly report of payment request data that will allow it to comprehensively and periodically analyze the payment request data. Management performed its initial analysis of the payment request data from November 2021 through March 2022. It is still, however, in the process of refining its analysis, which it plans to complete by September 2022.

For management's complete response, see Appendix C. Management also provided technical comments that we have incorporated in this report as appropriate.

APPENDIX A

Objective, Scope, and Methodology

This report provides the results of our audit of the company's controls over its use of payment requests. Our objective was to assess the effectiveness of the company's controls over payment requests. The scope of our work focused on evaluating the company's controls and analyzing its data related to payment request use in FY 2019. We also examined 20 individual transactions for non-compliance. We performed our audit work from January 2021 through March 2022 in Washington, D.C.

To address our objective, we examined the company's policies and procedures governing the use of payment requests. We reviewed and compared these to the private-sector internal control standards and the federal procurement requirements[10] prescribed by reference in the company's federal grant agreements. To better understand these controls, we examined company documentation such as policies and process narratives. We inquired about related training and examined the company's training materials. We also interviewed officials in the Accounting and Procurement departments and employees in user groups who request and approve payment requests. We asked them how the company oversees their use of requests, including any analyses of the data. We obtained and reviewed evidence of their oversight.

To determine potential control gaps, we also analyzed the company's FY 2019 payment request data of employee purchases to look for patterns and trends of noncompliance. We obtained these data from the following:

- **eTrax,** the system the company uses to process these requests

- **SAP Enterprise Resource Planning**, the software the company uses to process data from various business areas, including Accounting and Procurement

The data included 32,314 requests totaling $53.3 million. We focused on payment requests for employee purchases and excluded the obligations of the Law department ($12.7 million), the Real Estate department (about $1.4 million), the Host Railroad Partnerships department ($4.9 million), and other obligations such as payments that were not for purchases (customer refunds, credit memos, payroll withholding

---

[10] 2 C.F.R. § 200, *Uniform Administrative Requirements, Cost Principles, And Audit Requirements For Federal Awards* § 200.318—200.326 (2019).

payments, taxes, fines, and penalties), and obligations of the Amtrak Office of Inspector General (OIG)[11] that are not company obligations ($2.5 million). The exclusions resulted in 30,883 payment requests for employee purchases, totaling about $31.8 million, that were within the scope of our analysis.

We used Excel to analyze these 30,883 requests using indicators we developed to identify (1) purchases that potentially did not comply with applicable company policies or grant procurement requirements and (2) purchases that the company may have had opportunities to make sure were more economical. These indicators included the following:

- **Purchases that potentially did not comply with policy due to recurrence and could have been more cost-effective by competing them.** We looked for purchases that employees made with the same vendor for the same expense type 12 or more times in FY 2019.

- **Purchases that potentially should have gone through existing contracts.** With the assistance of our Data Analytics team, we looked for purchases that employees made with vendors that had active contracts in the company's procurement system in FY 2019.

- **High-dollar purchases were at risk of not complying with grant procurement requirements.** We looked for purchases that were individually more than $10,000, equal to or more than $25,000, and more than $250,000. We considered vendors to be the same if they were with the same national company because the company has different vendor numbers for some vendors based on location.

To further support our analysis of the data, we selected a non-generalizable sample of 20 requests for testing to determine if the risks identified in our analysis resulted in actual non-compliance. We selected 20 requests that our data analysis, as described above, showed were at a high risk of non-compliance with policy or grant procurement requirements, or missed opportunities for dollar savings. We selected 10 requests for purchases greater than $10,000, and 10 for purchases less than $10,000. We selected our sample requests from higher-risk expense types (specifically prohibited from going through payment requests, larger dollars), vendors with the largest dollar-value of

---

[11] OIG is independent of the company and receives an appropriation to fund its operations. We share the company's accounting system, however, and the company uses payment requests to pay some vendors on our behalf.

purchases, and individual requests with the largest dollar-value. For each of the 20 requests, we reviewed vendor invoices, contracts (where applicable), amounts paid, and payment request forms. We also interviewed employees in the user groups who submitted these requests, including approvers, to understand the nature and circumstance of each purchase. Due to the small size of our sample and the fact that we selected the items based on risk, the results may not be representative of all employee purchases. However, we believe that our sample selection was appropriate for our design and objectives and that an examination of them would generate valid and reliable evidence to support our work.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

To assess the company's controls over payment requests, we reviewed its practices and compared them to the applicable company policy and procedures, as well as the grant procurement requirements. We assessed the internal control components and underlying principles, and we determined that the following four internal control components were significant to our audit objective:

- **Control environment.** Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives and hold individuals accountable for their internal control responsibilities.

- **Control activities.** Management should design control activities and the entity's information system to achieve objectives and respond to risks. Management should implement control activities through policies.

- **Information and communication.** Management should use quality information to achieve company objectives and should communicate internally the necessary quality information.

- **Monitoring.** Management should establish and operate activities to monitor the internal control system and evaluate the results. Management should remediate identified internal control deficiencies on a timely basis.

We developed our audit work to make certain that we assessed each of these internal control areas. This included reviewing the extent to which the company followed internal controls standards:

- establishing and delegating authority to approve and pay requests

- communicating control activities through policies, procedures, and training

- developing and implementing control activities to make sure employees use requests as the company intended

- developing monitoring and oversight of employees' use of requests

Because our review was limited to the internal control components and underlying principles relevant to our audit objective, we may not have identified all of the internal control deficiencies that existed at the time of this audit.

Computer-processed Data

To achieve our objective, we relied on computer-processed data from the company's procurement, payment request, and financial systems—AoD, eTrax, and SAP. We downloaded financial data related to all payment requests in FY 2019 from SAP. We also downloaded the approval workflow of these requests from eTrax. To confirm that these data were complete and accurate, we observed and assessed the logic that a subject matter expert in the Accounting department used to generate the same data. We found that the total population and total amounts the company paid for these requests our queries produced matched the results the Accounting department representative produced, except that we obtained additional data fields from SAP and eTrax. We linked the vendors associated with the payment requests to contracts with that vendor in AoD that were noted in the system as active in FY 2019.

We further confirmed the accuracy of the data as part of our sample testing. Specifically, we verified that all the sample items with vendors identified in AoD as having a contract active in FY 2019 were covered by a contract with that vendor for the period. For the sample items, we compared relevant key data fields from SAP and eTrax to source documents—images of vendor invoices and payment request forms that employees submit in the eTrax system—to validate that the data were consistent with

documents that employees used to support each purchase. Based on these tests, we concluded that the data were sufficiently reliable for us to use in meeting our objective.

Prior Reports

In conducting our analysis, we reviewed the analysis and findings from the following OIG reports:

- *Governance: Improved Procurement Practices Could Help Ensure Lowest Prices for Materials and Maximum Savings* (OIG-A-2020-008); April 15, 2020

- *Governance: Improving Controls Over the Use of Procurement Cards Could Better Ensure Compliance and Limit Potential Misuse* (OIG-A-2019-013); September 0, 2019

15

Amtrak Office of Inspector General
**Financial Management: Improving Payment Request Controls Could Provide a Better
Value for Purchases and Protect the Company's Interests**
OIG-A-2022-010, June 15, 2022

APPENDIX B
Results from Sample Testing and
Analysis of Payment Request Data

We tested a sample of 20 of the company's FY 2019 payment requests to determine if its controls were operating effectively for the sample. In addition, we more broadly analyzed the company's FY 2019 payment request data for employee purchases to identify patterns and trends in the data that could indicate non-compliance—for example, multiple purchases to the same vendor and expense type, high-dollar purchases, and purchases covered by an existing contract. This appendix provides additional details on the results of this testing and analysis.

Instances of Confirmed Non-compliance in our Sample

We tested a sample of 20 payment requests to determine if the company's controls over payment requests were operating effectively for the sample. We found that all 20 of these payment requests were for goods and services that appeared to be for valid business purposes, that the required invoice was included to document the purchase, and that the Accounting department paid vendors the correct amounts. We also found, that 16 of these requests did not comply with company policies, and one request[12] was also out of compliance with the company's grant procurement requirements.

The company's reviews of these requests, however, identified only two of these as out of compliance. Table 1 provides additional details about the 20 requests in our sample.

---

[12] The purchase could have benefited from competition and negotiated terms but was not subject to competitions or covered by a contract. Also, the purchase amount was above the dollar thresholds for which the grant procurement requirements call for adequate price quotes or justification for using sole source contracts and checking the vendor for suspension and debarment, which did not occur for this sample. See sample 2 in Table 1 below.

**Financial Management: Improving Payment Request Controls Could Provide a Better
Value for Purchases and Protect the Company's Interests**
OIG-A-2022-010, June 15, 2022

Table 1. Compliance Testing Results
for the 20 Sample Payment Requests, FY 2019

Types of Non-Compliance

Sample	Dollar Amount	Good or Service Purchased	Recurring Purchase	Existing Contract	Prohibited Purchase Type	Violated Grant Requirements	Did Amtrak Identify the Non-Compliance? Y/N
1	$98,034	Interline bus service[a]	X	X			N
2	$60,819	Vehicle repair			X	X	Y
3	$3,262	Inventory items	X	X			N
4	$3,730	Equipment rental	X		X		N
5	$3,300	Preventive maintenance	X				N
6	$9,538	Health screenings	X				N
7	$118,804	State-supported advertising[b]	X	X			N
8	$2,664	Janitorial supplies					N/A[c]
9	$235,062	Fuel card					N/A[c]
10	$4,396	Forklift rental					N/A[d]
11	$2,994	Industrial paint materials	X	X	X		N
12	$3,125	Tools and materials	X	X			N
13	$15,708	Passenger inconvenience					N/A[c]
14	$4,398	Uniform cleaning services	X	X			Y
15	$1,054	Spring water and cups	X				N
16	$92,905	Interline bus service	X	X			N
17	$62,176	Interline bus service	X	X			N
18	$32,085	Interline bus service	X	X			N
19	$62,276	Interline bus service	X	X			N
20	$21,380	Interline bus service	X	X			N

Source: OIG analysis of FY 2019 payment requests

Notes:
ᵃ Interline bus service involves agreements with bus companies to accept Amtrak tickets for bus travel on certain routes between Amtrak train stations and lines.

ᵇ The company operates 28 routes in partnership with 20 states. State-supported advertising costs are advertising that the company purchases with funds its state partners provide to advertise their routes.

ᶜ We did not consider this to be out of compliance because when the company needed to pay the vendor, the contract had run out of funds.

ᵈ We did not consider this to be out of compliance because it was for a documented emergency.

Indicators of Non-compliance in Payment Request Data

Our broader review of the company's FY 2019 payment request data for 30,883 employee purchases totaling about $31.8 million identified the following patterns and trends that indicate non-compliance with company policies and federal grant agreements beyond those we identified from our sample testing.[13]

Purchases that appeared to be recurring. We identified 18,345 purchases totaling about $19.5 million that were for multiple separate purchases (at least 12) from the same vendor and for the same type of expense. These patterns indicate that these may be recurring purchases. For example, we identified 191 purchases totaling $261,518 with one vendor for expenses the company categorized as building materials. Two employees from the same department submitted 181 of these requests, which totaled $245,913. Company policy prohibits employees from using payment requests for such purchases, and it may have been more cost-effective to compete them.

Purchases that potentially should have gone through contracts. We found that 4,478 payment requests totaling $7.1 million were for goods or services that may have been covered by contracts the company had with the vendor.[14] For example, one employee used 144 payment requests totaling $175,311 for the same types of purchases from the same vendor and for the same user group. We verified that for one of these purchases, using contracts the company already had in place with the vendor would have saved the company about 9 percent of the total cost. Through our interviews, we learned that the user group did not know it had contracts in place with the vendor for those goods; therefore, the company never used one of the existing contracts. As a result, the company likely lost out on similar discounts for the other purchases as well.

---

[13] Estimating the frequency of non-compliance or how much the company may have overpaid was outside the scope of this review

[14] A more detailed examination to confirm whether the contracts would have covered the underlying purchase was outside the scope of this review.

18

Amtrak Office of Inspector General
Financial Management: Improving Payment Request Controls Could Provide a Better Value for Purchases and Protect the Company's Interests
OIG-A-2022-010, June 15, 2022

High-dollar purchases that were at risk of not complying with grant procurement requirements. We also identified millions of dollars in payment requests that potentially did not comply with the company's grant procurement requirements and policies. These purchases individually exceeded the thresholds for which additional grant procurement requirements could apply, and the payment request policy does not incorporate these requirements. If employees used these requests for high-dollar purchases that the company intended to go through procurement and did not make the purchase under a contract, the purchase would not comply with the grant procurement requirements.[15] Specifically, we found indicators that the company may not have complied with the following grant requirements:

- **Obtaining price quotes or providing justification for using sole source contracts.** The company's grant requirements state that for high-dollar purchases—purchases for more than $10,000—it should obtain price quotes from at least two qualified vendors. Otherwise, it should provide justification for the noncompetitive purchase—for example, that only one vendor is qualified. We found that 341 requests totaling about $10.5 million were each for more than $10,000 and may not have complied with one of these two requirements.

- **Verifying that a vendor was not suspended or debarred.** The company's grant requirements state that for purchases with a given vendor totaling $25,000 or more, the company should verify that the vendor has not been suspended or debarred before making the purchase. We found that 137 requests totaling about $7.4 million were each for $25,000 or more, and the company may not have checked the vendor for suspension or debarment.

---

[15] Testing each request to determine whether it complied with the grant procurement requirements was outside the scope of our review. Additionally, from our detailed examination of the 10 high-dollar purchases in our sample of 20 requests, we found that (1) the risk of grant non-compliance is somewhat lessened because the vendor associated 9 of these purchases with existing contracts with the company, and (2) the company's procurement contract process is designed to comply with the additional grant procurement requirements.

APPENDIX C

Management Comments

NATIONAL RAILROAD PASSENGER CORPORATION

Memo

Date	June 1, 2022		**From**		
				Tracie Winbigler, EVP CFO	
To	Jim Morrison, Assistant Inspector General, Audits		**Department**	Finance	
			cc	Stephen Gardner, CEO & President	
				Eleanor Acheson, EVP General Counsel	
				Robin Buonopane, Sr. Director Accts Payable	
				Shirley Craun, AVP Strategic Procurement	
				Carol Hanna, VP Controller	
				Roger Harris, EVP Marketing & Revenue	
				Laura Mason, EVP Capital Delivery	
				Scot Naparstek, EVP COO	
				Dennis Newman, EVP Strategy & Planning	
				Steven Predmore, EVP CSO	
				Mark Richards, Sr. Director Amtrak Risk & Controls	
				Qiana Spain, EVP CHRO	
				Mark Vierling, VP CPO	
				Christian Zacariassen, EVP CIO	

Subject: Management Response to *FINANCIAL MANAGEMENT*: Improving Payment Request Controls Could Provide a Better Value for Purchases and Protect the Company's Interests (*Draft Interim Audit Report for Project No. 006-2021*)

This memorandum provides Amtrak's response to the draft interim audit report titled, *"Improving Payment Request Controls Could Provide a Better Value for Purchases and Protect the Company's Interests"*. Management appreciates the opportunity to respond to the OIG's recommendations.

Recommendation #1:

To strengthen the company's controls over payment requests, help ensure employee compliance with governing policy and grant requirements, and make better use of its resources, the OIG recommends that the company more comprehensively and periodically analyze its payment request data to identify patterns of possible noncompliance and opportunities where the company could do more to protect its interests and get a better value for its purchases through a contract. As part of this, it should consider potential risk indicators, including dollar amounts paid to a vendor and the type of expense.

Management Response/Action Plan:

Management agrees with the OIG recommendation to strengthen the company's controls over payment requests, help ensure employee compliance with governing policy and grant requirements and make better use of its resources. To achieve these goals, we are designing and implementing a plan to:

20

Amtrak Office of Inspector General
Financial Management: Improving Payment Request Controls Could Provide a Better Value for Purchases and Protect the Company's Interests
OIG-A-2022-010, June 15, 2022

NATIONAL RAILROAD PASSENGER CORPORATION

- Utilize a quarterly analytical report that will be reviewed collaboratively by Accounts Payable and Procurement. We have already developed the report and produced results covering the period from when Concur was implemented (November 2021) through the end of the second quarter of the fiscal year ending September 30, 2022. Going forward, we will produce the report at the end of each quarter.

  We will use the data from the report to determine spend amounts by vendor, by category and by type. This additional level of detail will allow us to to identify opportunities to incorporate vendors into the procurement system and set up contracts, identify employee compliance with Amtrak policies, and review spend frequencies and values across our vendor base. We will analyze trends and patterns to further identify opportunities and drive compliance.

- Expand payment request training opportunities available to employees through the Amtrak eLearning center.

<u>*Responsible Amtrak Official(s):*</u>
Robin Buonopane, Senior Director, Accounts Payable
Shirley Craun, AVP Strategic Procurement, Procurement and Supply Chain

<u>*Target Completion Date:*</u>

Analytics report - completed.
The additional level of detail that will be used for analysis will be fully developed by September 30, 2022

eLearning Module - module will be developed by the end of calendar year 2022 for deployment on January 1, 2023

APPENDIX D

Acronyms and Abbreviations

AoD	Ariba on Demand
eLearning	web-based, on-demand training module
FY	fiscal year
OIG	Amtrak Office of Inspector General
SAP	Systems Applications and Products
the company	Amtrak

APPENDIX E

OIG Team Members

Eileen Larence, Deputy Assistant Inspector General, Audits

Katherine Moore, Senior Director, Financial and Audit Operations

Vijay Chheda, Senior Director Data Analytics

David Yoder, Senior Audit Manager

Dean Gehringer, Senior Auditor, Lead

Michelle Root, Auditor

Alison O'Neill, Communications Analyst

Barry Seltser, Methodologist

Sid Schwartz, Statistician

OIG MISSION AND CONTACT INFORMATION

Mission

The Amtrak OIG's mission is to provide independent, objective oversight of Amtrak's programs and operations through audits 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 Reports and Testimony
Available at our website www.amtrakoig.gov

Reporting Fraud, Waste, and Abuse
Report suspicious or illegal activities to the OIG Hotline
www.amtrakoig.gov/hotline
or
800-468-5469

Contact Information
Jim Morrison
Assistant Inspector General, Audits
Mail: Amtrak OIG
10 G Street NE, 3W-300
Washington, D.C. 20002
Phone: 202-906-4600