

SEMIANNUAL REPORT

TO THE UNITED STATES CONGRESS

APRIL 1, 2019 – SEPTEMBER 30, 2019 | #60



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION



TABLE OF CONTENTS

From the Inspector General 1

Office of Audits

Safety and Security 3
Train Operations..... 4
Asset Management..... 5
Information Technology..... 6
Governance..... 7

Office of Investigations

Ticket Fraud..... 11
Procurement Fraud..... 11
Health Care Fraud..... 12
Employee Misconduct..... 14

Appendices

A. Statistical Data..... 17
B. Review of Legislation, Regulations, and Major Policies..... 23
C. OIG Organization..... 24
D. Peer Review Results..... 25
E. Abbreviations..... 26
F. Reporting Requirements..... 27

During this period, our investigators identified a fraud scheme in which criminals used stolen credit cards to buy Amtrak tickets, cancel the tickets in exchange for electronic vouchers, and subsequently sell the vouchers via the internet.



Kevin H. Winters | *Inspector General*

FROM THE INSPECTOR GENERAL

I am pleased to submit the Amtrak Office of Inspector General *Semiannual Report to the United States Congress* for the six months ending September 30, 2019. This is the 60th semiannual report we have produced since our establishment in 1988.

During this period, our investigators identified a fraud scheme in which criminals used stolen credit cards to buy Amtrak tickets, cancel the tickets in exchange for electronic vouchers, and subsequently sell the vouchers via the internet. In one case involving over \$540,000 in fraudulent vouchers, our agents searched the subject's residence, and discovered numerous explosive devices, loaded semi-automatic weapons, armor piercing ammunition, cash, and illegal drugs. Our work in this area has led to arrests, indictments, and in the aforementioned case, a guilty plea.

Investigative work also led to a \$466,500 settlement related to a scheme in which several contractors allegedly inflated invoices and engaged in bid rigging on Amtrak construction projects. Additionally, our agents pursued multiple cases of health care fraud in which criminals bilked Amtrak's insurance plans through false

claims, excessive and unnecessary tests, and prescribing unnecessary and expensive drugs and medical equipment (oftentimes without the patients' knowledge).

Our auditors continued to generate impactful reports, such as a report on security at Washington Union Station and Ivy City maintenance facility. We found that perimeter and interior security weaknesses, some of them longstanding, put Amtrak employees and passengers at risk. We also completed the third audit in a series that examined staffing practices within the company's Mechanical department, where we found it had not systematically managed its workforce at key preventative maintenance facilities, which resulted in unnecessary costs.

Finally, we welcome our new Deputy Inspector General, Mary L. Kendall, who brings a wealth of experience to our team. In the next six months, we will continue to focus our efforts on high-impact areas important to the company, the Board of Directors, Congress, and the public. We trust that you will find this report informative.



OFFICE OF AUDITS

Safety and Security

Physical Security Vulnerabilities at Washington Union Station and Ivy City Yard

(Report No. OIG-A-2019-009, July 22, 2019)

Amtrak (the company) strives to provide efficient and reliable intercity passenger rail service while ensuring the safety and security of its passengers and employees. Located near the U.S. Capitol, Washington Union Station is the company's second-busiest station serving more than five million riders and generating about \$575 million in revenue in fiscal year (FY) 2018. Ivy City Yard is about two miles from the station and includes a maintenance facility and coach yard to service Amtrak and commuter trains. More than 1,000 employees and contractors work at these facilities. This report assessed the company's efforts to ensure the physical security of the station and the yard. It was a follow-on to our 2018 report, which identified several security vulnerabilities at the Philadelphia 30th Street Station and Penn Coach Yard.

We found that the company had taken important steps to address some security vulnerabilities at the station and yard, but other longstanding security weaknesses remained unaddressed and were placing passengers and employees at risk. We identified weaknesses in the perimeter and interior security in the station and yard, including poor lighting, nonworking video surveillance cameras, and an inefficient incident reporting process made worse by the use of obsolete radio equipment. Most of the weaknesses we identified

WE IDENTIFIED WEAKNESSES IN THE PERIMETER AND INTERIOR SECURITY IN THE STATION AND YARD, INCLUDING POOR LIGHTING, NONWORKING VIDEO SURVEILLANCE CAMERAS, AND AN INEFFICIENT INCIDENT REPORTING PROCESS MADE WORSE BY THE USE OF OBSOLETE RADIO EQUIPMENT.



could be attributed to unclear roles and responsibilities for prioritizing, addressing, and funding security projects as accountability was diffused across company departments. Further, ineffective monitoring of the company's contracted security guards exacerbated these challenges.

To improve the security in the station and yard, we recommended that the company document and initiate a plan describing how it intends to mitigate these security weaknesses, including establishing clear roles and lines of accountability, resources, and performance metrics to assess progress. The Executive Vice President / Chief Administration Officer agreed with our recommendation and identified specific actions and planned completion dates to address the risks we identified.

Ongoing Work

Audit of the Company's Police and Security

Operations. Our objective is to evaluate the company's mission and processes for providing police and security services to passengers, employees, and company assets compared to other successful organizations.

Train Operations

Rightsizing Workforce and Using It More Flexibly Could Reduce Costs at Preventative Maintenance Facilities

(Report No. OIG-A-2019-012, September 3, 2019)

This report was the third in a series about the Mechanical department's operating efficiency and focused on the department's preventative maintenance facilities. Preventative maintenance includes work performed at regular intervals on the company's rolling stock equipment, such as locomotives and passenger cars, to comply with Federal Railroad Administration regulations, equipment manufacturers' guidelines, and company policy. Employees at preventative maintenance facilities also inspect and service inbound and outbound trains. In FY 2018, the company spent approximately \$371 million to operate these facilities, including more than \$265 million (72 percent) on labor for its 2,600 employees. Our report focused on the extent to which the department efficiently staffs its 12 preventative maintenance facilities.



We found that the company had taken positive steps to manage the Mechanical department's workforce and reduce costs but had not systematically managed its workforce at its preventative maintenance facilities; therefore, it was incurring unnecessary costs. This occurred for two reasons:

- **No systematic workforce analysis.** The Mechanical department did not have a process to systematically analyze the workload at its preventative maintenance facilities and ensure it had the most efficient staffing for this workload. For example, we analyzed the workload at two smaller facilities and found that the company could save as much as \$2.1 million—about 10 percent of annual labor costs at these locations—by better aligning staffing to the workload.
- **Limited staffing flexibility.** The Mechanical department had limited flexibility to cross-train its union workforce under the company's collective bargaining agreements.

Our audit also identified a potential safety issue for Mechanical department employees. We identified employees working 16 hours or more in a day around heavy equipment, sometimes for multiple consecutive days, at all 12 preventative maintenance facilities.

To address these issues, we recommended that the company implement a process to analyze the workforce at its preventative maintenance facilities, identify opportunities to increase staffing flexibility, and analyze injury and work schedule data and assess whether to take additional risk-mitigation steps. In commenting on a draft of this report, the Executive Vice President / Chief Operations Officer agreed with our recommendations and highlighted efforts the company has initiated or plans to take to address our recommendations.

Ongoing Work

Controls Over Reimbursable Ancillary Services. Our objective is to assess the extent to which the company is effectively and efficiently managing these services,



including the process and controls related to identifying the full cost of and billing for these services.

Audit of Acela 21. Our objective is to assess the extent to which the company has identified and mitigated potential risks to successfully completing the program.

Audit of Amtrak Express Service. Our objective is to assess the program's costs, benefits, and security controls.

Asset Management

Improved Inventory Practices Could Help the Company Better Manage its Maintenance-of-Way and Rolling Stock Equipment

(Report No. OIG-A-2019-010, July 25, 2019)

The company owns and leases about 2,800 pieces of maintenance-of-way (MOW) and rolling stock equipment, which it uses to maintain its tracks and

other infrastructure on the Northeast Corridor and other locations. This includes 1,700 pieces of MOW equipment, such as track-laying machines, undercutters, tampers, cranes, and backhoes and 1,100 pieces of rolling stock equipment, such as hoppers and flat cars. Collectively, the equipment is worth hundreds of millions of dollars and is essential to the company's efforts to maintain its infrastructure in a state of good repair. In May 2018, the company's Board of Directors approved a five-year, \$370 million investment to acquire additional MOW and rolling stock equipment to support this work. Our report assessed how effectively the company maintains accountability for its MOW equipment and rolling stock equipment throughout the equipment's lifecycle—from its acquisition, during its use, and through its disposal or sale.

We found that the company had not effectively maintained accurate or complete inventories of this equipment. This occurred because the company had not developed and implemented effective procedures

to ensure that equipment managers recorded key information in the company's asset management system throughout the equipment's lifecycle. Specifically, the company did not consistently conduct required two-year inspections confirming the location and condition of this equipment, could not account for some equipment, and did not take action to resolve the status of this equipment. The company made efforts during our audit to account for the equipment and, as of May 2019, had accounted for the majority of the MOW equipment but could not account for an estimated \$4.1 million of this equipment. In addition, the company did not have a complete inventory of its rolling stock equipment but was in the process of building one and expected to complete it by the end of FY 2019. Furthermore, the company did not consistently comply with federal requirements to account for equipment purchased with grant funds.

THE COMPANY MADE EFFORTS DURING OUR AUDIT TO ACCOUNT FOR THE EQUIPMENT AND, AS OF MAY 2019, HAD ACCOUNTED FOR THE MAJORITY OF THE MOW EQUIPMENT BUT COULD NOT ACCOUNT FOR AN ESTIMATED \$4.1 MILLION OF THIS EQUIPMENT.

To help ensure the company maintains an accurate and complete inventory and is better positioned to manage and account for the \$370 million in new equipment it is purchasing, we recommended that the company develop and implement procedures to ensure that it records key information in its asset management system throughout the life of the equipment, inspects it as required, and consistently accounts for it. The Executive Vice President / Chief Operations Officer agreed with our recommendations and identified specific actions and planned completion dates to implement them.

Ongoing Work

Audit of the Company's Management of Its Vehicle Fleet. Our objective is to assess the effectiveness of the company's policies and practices in managing its vehicle fleet.

Information Technology

Improving Cybersecurity and Resiliency of Train Control Systems Could Reduce Vulnerabilities

(Report No. OIG-A-2019-008, July 9, 2019)

The company uses train control systems to dispatch and monitor more than 2,000 trains daily across its network of more than 500 stations and 21,000 miles of track. Given their criticality to safe train operations, we assessed the company's efforts to identify and address the train control systems' cybersecurity and resiliency. We compared the company's efforts in both areas with standards from the National Institute of Standards and Technology.

We identified areas where the cybersecurity and resiliency of the company's train control systems could be improved and recommended certain improvements to management. In commenting on a draft of this report, the Executive Vice President / Chief Operations Officer and Executive Vice President / Chief Information Officer agreed with our recommendation and identified actions that the company is taking or plans to take to address it.

Ongoing Work

Audit of Mobile Security. Our objective is to determine the extent to which the company's mobile devices are secure.

Governance

Improving Controls Over the Use of Procurement Cards Could Better Ensure Compliance and Limit Potential Misuse

(Report No. OIG-A-2019-013, September 30, 2019)

From FY 2016 through 2018, the company spent about \$39.3 million using procurement cards. Similar in function to corporate credit cards, the company issues procurement cards to selected employees (card holders) to expedite certain lower-cost business-related purchases. These efficiencies come with inherent risks, however, because the company is responsible for paying for card purchases regardless of whether they were consistent with company policy. This report assessed the effectiveness of the company's internal controls over the use of procurement cards.

We found that the company's policies and practices for controlling its use of procurement cards appeared to be generally effective. Nevertheless, we found performance gaps and opportunities for improvement in key areas. For example, we found that about 11,700 of the 87,000 transactions during our review period (13.4 percent) were potentially noncompliant with company policy. These included instances in which card holders may have split their purchases to circumvent single purchase spending limits or purchased goods or services that may have been available at lower prices. In addition, some card holders may not have competitively bid purchases when required, and some may have paid sales tax—as much as \$81,000—even though the company was exempt from these taxes. We identified weaknesses in

FOR EXAMPLE, WE FOUND THAT ABOUT 11,700 OF THE 87,000 TRANSACTIONS DURING OUR REVIEW PERIOD (13.4 PERCENT) WERE POTENTIALLY NONCOMPLIANT WITH COMPANY POLICY.

the company's key controls for the use of procurement cards—namely, that program administrators did not systematically monitor card transactions, and that the company did not require card holders and supervisors to take training on their responsibilities.

We recommended that the company strengthen these controls by ensuring program administrators monitor transactions for policy noncompliance and potential misuse, requiring card holders and supervisors to take training on their responsibilities, and updating its policy to reflect these new requirements. In commenting on a draft of this report, the company's Executive Vice President / Chief Administration Officer agreed with our recommendations and identified specific actions the company plans to complete by February 2020.

Quality Control Review of Amtrak's Single Audit for Fiscal Year 2018

(Report No. OIG-A-2019-011, July 31, 2019)

The company is required to have an independent audit of its compliance with federal financial assistance in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The objective of the Single Audit was to test internal control over compliance with major federal program award requirements and determine whether the company complied with the laws, regulations, and provisions of contracts or grant agreements that may have a direct and material effect on its major federal programs.

As authorized by the Inspector General Act of 1978, we monitored the audit activities of Ernst & Young to help ensure audit quality and compliance with generally accepted government auditing standards. Our review disclosed no instances in which Ernst & Young did not comply, in all material respects, with generally accepted government auditing standards and Uniform Guidance requirements.

Quality Control Review of the Independent Audit of Amtrak’s Consolidated Financial Statements for Fiscal Year Ended 2018

(Report No. OIG-A-2019-007, May 2, 2019)

The company contracted with the independent certified public accounting firm of Ernst & Young LLP to audit its consolidated financial statements as of September 30, 2018, and for the year then ended, and to provide a report on internal control over financial reporting and on compliance and other matters. Because the company receives federal funding, it must obtain an audit performed in accordance with generally accepted government auditing standards.

As required by the Inspector General Act of 1978, we monitored the audit activities of Ernst & Young to help ensure audit quality and compliance with auditing standards. Our review disclosed no instances in which Ernst & Young LLP did not comply, in all material respects, with generally accepted government auditing standards.

Ongoing Work

Financial Impact of the Company’s On-Time Performance. Pursuant to the Conference Report (H.R. Rep. No. 116-9) accompanying the Consolidated Appropriations Act of 2019, we are conducting an audit of the financial impact of the company’s on-time performance. The Conference Report directs us to update a 2008 Department of Transportation OIG report titled “Effects of Amtrak’s Poor On-Time Performance” no later than 240 days after the enactment of the Act.

Controls Over Medical Payments to Health Care Facilities. Our objective is to assess the effectiveness of the company’s controls to mitigate the risk of fraud in claims for medical services provided by health care facilities, such as ambulatory surgery centers, independent laboratories, and durable medical equipment suppliers.

Monitoring the Work of the Independent Public Accountant Conducting the FY 2019 Audit of Amtrak’s Consolidated Financial Statement. Our objectives are to (1) determine whether the independent public accountant performed the audit of the company’s consolidated financial statements in accordance with generally accepted government auditing standards and (2) monitor the company’s administration and facilitation of the audit.

Monitoring the Work of Amtrak’s Independent Public Accountant Conducting the FY 2019 A-133 Audit. The objective is to determine whether the Independent Public Accountant performed the single audit in accordance with generally accepted government auditing standards and the Office of Management and Budget Circular A-133.





OFFICE OF INVESTIGATIONS

Ticket Fraud

Amtrak Ticket Scheme

August 2019

Christian Newby, 31, of Milan, Michigan, pleaded guilty in the U.S. District Court, Eastern District of Michigan, to charges of wire fraud, unlawful possession of a firearm by a drug user, and aggravated identity theft on August 14, 2019. As part of the plea agreement, Newby agreed to a forfeiture amount of \$550,000, and to forfeit jewelry, gold and silver coins, and various weapons and ammunition.

Our investigation disclosed that Newby participated in a scheme to defraud Amtrak and others by using stolen credit card information from more than 1,100 credit cards to purchase Amtrak tickets online. Newby then canceled the Amtrak tickets and received vouchers for the value of those tickets from Amtrak. Newby sold the Amtrak vouchers on eBay at a fraction of their face value. As a result, Newby fraudulently caused Amtrak to issue more than \$540,000 in ticket vouchers.

Newby was arrested on January 31, 2019, and a search warrant was executed at his residence. The search resulted in the seizure of cash, jewelry, gold and silver coins, counterfeit identification and credit cards, semi-automatic weapons with high-capacity magazines, armor piercing ammunition, and numerous pipe bombs and improvised explosive devices.

Newby will be sentenced at a future date.

Procurement Fraud

Bid Rigging

April 2019

The United States reached a \$466,500 settlement with a Michigan-based electric company and two construction firms after our investigation uncovered alleged bid rigging and inflated invoices for work performed at Amtrak locations.

THE SEARCH RESULTED IN THE SEIZURE OF CASH, JEWELRY, GOLD AND SILVER COINS, COUNTERFEIT IDENTIFICATION AND CREDIT CARDS, SEMI-AUTOMATIC WEAPONS WITH HIGH-CAPACITY MAGAZINES, ARMOR PIERCING AMMUNITION, AND NUMEROUS PIPE BOMBS AND IMPROVISED EXPLOSIVE DEVICES.

According to the U.S. Attorney's Office, Eastern District of Pennsylvania, Toolles Contracting Group, LLC, of Detroit; Commercial Contracting Corporation of Auburn Hill, Michigan; and G&B Electric, Inc., and G&B's president, James Gierlach, both of Ferndale, Michigan, agreed to pay the settlement to resolve allegations that Gierlach, G&B Electric, and Toolles engaged in bid rigging and inflating invoices for work performed for Amtrak.

Bribery Involving Amtrak Contracts

July 2019

An executive from a small, Delaware-based manufacturing firm was sentenced for his role in bribing an Amtrak contract administrator in exchange for awarding the firm with millions of dollars in contracts for Amtrak seat cushions.

According to the U.S. Attorney's Office, Eastern District of Pennsylvania, Donald Scott Crothers, 45, of Milford, Delaware, was sentenced to 18 months' incarceration and three years' supervised release for federal program bribery. Crothers served as the firm's vice president for marketing and contract administration.

Crothers and co-conspirator John Gonzalez, the former chief financial officer and executive vice president for the firm, bribed Timothy Miller, a former Lead Contract Administrator for Amtrak, with approximately \$20,000 in cash and trips to Rehoboth Beach, Delaware. In turn, Miller steered four fleet maintenance contracts to their firm. Miller was sentenced to a year and one day incarceration for federal program bribery in January while Gonzalez's sentencing will occur at a later date.

In addition to Amtrak OIG, the case was investigated by the FBI, U.S. Department of Transportation OIG, and the Internal Revenue Service.

**CROTHERS AND CO-CONSPIRATOR
JOHN GONZALEZ, THE FORMER CHIEF
FINANCIAL OFFICER AND EXECUTIVE VICE
PRESIDENT FOR THE FIRM, BRIBED TIMOTHY
MILLER, A FORMER LEAD CONTRACT
ADMINISTRATOR FOR AMTRAK, WITH
APPROXIMATELY \$20,000 IN CASH AND
TRIPS TO REHOBOTH BEACH, DELAWARE.**

Health Care Fraud

Health Care Fraud

June 2019

John McKoy pleaded guilty in U.S. District Court, Eastern District of Pennsylvania, on June 14, 2019, to multiple health care fraud charges related to involvement in a scheme to defraud a health care benefit plan, which provided coverage to Amtrak employees and their dependents.

McKoy was the owner and operator of several neighborhood health care facilities, including Mt. Pleasant Medical Management, Inc. and Harris Medical Management, Inc. Between November 2004 and October 2007, McKoy submitted, and caused to be submitted, hundreds of false and fraudulent claims to United Health Care Corporation totaling more than \$321,000 for services purportedly rendered to predominately Amtrak patients who were never seen or treated.

McKoy's fraud caused Amtrak a loss of approximately \$291,000. This joint investigation was conducted with the U.S. Postal Inspection Service, Department of Labor OIG, and the FBI.

Health Care Fraud

July 2019

Three Florida residents pleaded guilty in June and July 2019 in U.S. District Court, Southern District of Florida, to criminal charges related to health care fraud as the result of an Amtrak OIG-supported investigation.

Eric Snyder, owner of a substance abuse treatment facility and a sober home residence located in Delray Beach, pleaded guilty to conspiracy to commit health care fraud on July 23, 2019. Christopher Fuller and Joseph Lubowitz, patient brokers who recruited patients for Snyder's substance abuse treatment center, pleaded guilty to the same charge on June 26, 2019.

Snyder owned Real Life Recovery Delray, LLC, a purported substance abuse treatment center that offered clinical treatment services for alcohol and drug addiction. Additionally, Snyder owned a sober home, Halfway There, a residence purported to provide a drug-free living environment for those undergoing substance abuse treatment.

As part of a scheme to bilk patients' insurance, including Amtrak's insurance plan, Real Life Recovery required clients to undergo excessive and medically unnecessary tests, fraudulently billing insurance providers for the tests and other treatment that patients did not attend. In exchange for submission to such tests, kickbacks and bribes in the form of free or reduced rent, payment

**AS PART OF A SCHEME TO BILK
PATIENTS' INSURANCE, INCLUDING
AMTRAK'S INSURANCE PLAN,
REAL LIFE RECOVERY REQUIRED
CLIENTS TO UNDERGO EXCESSIVE
AND MEDICALLY UNNECESSARY
TESTS, FRAUDULENTLY BILLING
INSURANCE PROVIDERS FOR THE
TESTS AND OTHER TREATMENT
THAT PATIENTS DID NOT ATTEND.**

for travel, and other benefits were provided to insured individuals who agreed to reside at Snyder's sober home and attend treatment at Real Life Recovery.

According to court documents, in addition to recruiting patients for Snyder's business, Fuller and Lubowitz both knew of the kickbacks and bribes, and were aware of or indifferent to the fact that insurance claims based on medically unnecessary drug testing and treatment, as well as therapy sessions that were never provided, were submitted to Real Life Recovery's patients' insurance plans.

Money Laundering – Health Care

July 2019

The owner of a substance abuse treatment center pleaded guilty in U.S. District Court, Middle District of Florida, for his role in a \$57 million money laundering and pass-through billing scheme.

According to the U.S. Department of Justice, Kyle Ryan Marcotte, 36, of Jacksonville Beach, pleaded guilty to a one-count information charging him with conspiracy to commit money laundering. As part of his guilty plea, Marcotte agreed to a forfeiture judgment of \$10,220,281.42.

Marcotte was the owner of a Jacksonville Beach substance abuse treatment facility. According to admissions made as part of his guilty plea, Marcotte entered into an arrangement with a laboratory owner to send urine samples from patients at his facility to the lab for drug testing in exchange for receiving 40 percent of the insurance reimbursements. To date, Amtrak's health care plan has been billed in excess of \$300,000 by Marcotte's facility.

The lab owner, in turn, arranged with the managers of Campbellton–Graceville Hospital and Regional General Hospital Williston, rural hospitals in Florida, to have the testing billed to private insurers through the hospitals and reimbursed at favorable rates under the hospitals' in-network contracts with insurers. Marcotte also admitted that he brokered deals with other substance

abuse treatment centers to have their drug tests billed through the hospitals in exchange for Marcotte receiving 10 percent of the insurance reimbursements, while the other substance abuse facilities would receive 30 percent of the insurance reimbursements. Amtrak's health care plan was billed in excess of \$900,000 through Campbellton-Graceville Hospital, related laboratories, and other rural hospitals.

Amtrak OIG, the FBI, Office of Personnel Management OIG, Department of Labor OIG, and the U.S. Attorney's Office, Middle District of Florida, supported the joint investigation.

AMTRAK'S HEALTH CARE PLAN WAS BILLED IN EXCESS OF \$900,000 THROUGH CAMPBELLTON-GRACEVILLE HOSPITAL, RELATED LABORATORIES, AND OTHER RURAL HOSPITALS.

Health Care Fraud

September 2019

Special agents from Amtrak OIG and multiple federal agencies supported a far-reaching health care fraud enforcement action in Southern California on September 18, 2019, in which charges were announced against 25 defendants.

Among those charged, 14 were doctors or medical professionals, according to the U.S. Attorney's Office, Central District of California. Charges announced targeted schemes to defraud health care plans for services, testing, prescriptions, and medical equipment that was not medically necessary or not actually provided to beneficiaries. Amtrak OIG agents supported action in two cases.

The first case involved a California-based chiropractor, Susan H. Poon, 54, who allegedly submitted false claims to Amtrak's insurance provider and others for services and equipment that were never provided,

medical diagnoses never given, and office visits that never occurred. Poon's fraudulent claims against various insurance providers totaled approximately \$2 million.

In the other case, the owner of a Los Angeles-based pharmacy and co-conspirators allegedly entered into an illegal kickback scheme in which a percentage of insurance claims paid for medically unnecessary compounded drugs was distributed among the co-conspirators in exchange for patient referrals. Navid Vahedi, 40, of Los Angeles, owned Fusion Rx Compounding Pharmacy and paid so-called marketers to generate and steer prescriptions for compounded drugs to Fusion Rx. Vahedi and co-conspirators also attempted to conceal kickback payments as "marketing fees" and through other efforts in an attempt to circumvent a federal anti-kickback statute, according to Vahedi's indictment.

To help ensure patients would not take their prescriptions to other pharmacies to be filled, Fusion Rx waived patient copayments, according to the indictment. When pharmacy benefit managers audited Fusion Rx, in part to determine if copayments had been collected, Vahedi and co-conspirators allegedly attempted to conceal the lack of such payments by using American Express prepaid gift cards to make more than \$100,000 worth of payments to satisfy patient copayment obligations.

Judicial proceedings are pending.

**POON'S FRAUDULENT CLAIMS AGAINST
VARIOUS INSURANCE PROVIDERS
TOTALED APPROXIMATELY \$2 MILLION.**

Employee Misconduct

Adjustment of Ticket Prices

April 2019

An Amtrak Customer Service Representative in Salinas, California, was terminated from employment on April 5, 2019, following an administrative hearing for violating company policies. Our investigation found that the Customer Service Representative manually adjusted ticket prices for the benefit and financial gain of family members and then lied to his supervisor when questioned about it.

Improper Use of Social Security Number

May 2019

An Amtrak Service/Train Attendant in Chicago, Illinois, was terminated from employment on May 23, 2019, following an administrative hearing for violating company policy. Our investigation found that the employee used a Social Security number that did not belong to her and lied to Human Resources personnel when questioned about it.

Working Outside Jobs on Company Time

July 2019

An Amtrak Electrician in Providence, Rhode Island, resigned from employment on July 10, 2019, following our investigation, which revealed the employee violated company policies by engaging in outside employment multiple times per week for several months in 2016 and 2017 and that, in early 2019, the employee left his work-site to preview another potential side job. During an interview, the employee admitted to leaving the Amtrak job site and performing electrical work for a side job during his shifts. The employee resigned from Amtrak prior to his disciplinary hearing.

Family Medical Leave Act Violation

July 2019

An Amtrak employee in Chicago, Illinois, resigned from employment on July 5, 2019, following our investigation, which revealed the employee violated company policies by engaging in outside employment

while taking leave from the company under the Family Medical Leave Act. During an interview, the employee admitted that he worked at his private business while on leave. The employee resigned from Amtrak prior to his disciplinary hearing.

Unauthorized Pay Increase

September 2019

Three Amtrak employees in Los Angeles, California, were terminated from employment on May 15, 2019, June 19, 2019, and September 5, 2019, following administrative hearings for violating company policies. Our investigation found that these employees changed their employment codes in the company’s electronic time keeping system resulting in an unauthorized increase in pay. One employee received an overpayment of over \$35,000, another received an overpayment of over \$23,000 and the final employee received an overpayment of over \$21,000.

OUR INVESTIGATION FOUND THAT THESE EMPLOYEES CHANGED THEIR EMPLOYMENT CODES IN THE COMPANY’S ELECTRONIC TIME KEEPING SYSTEM RESULTING IN AN UNAUTHORIZED INCREASE IN PAY.

Travel Pass Fraud

September 2019

An Amtrak Program Manager based in Washington, D.C., was terminated July 1, 2019, for allowing a family member to use her company travel pass and Amtrak identification card to frequently travel on Amtrak trains between May 2018 and June 2019. The company’s travel pass policy allows Amtrak employees to ride Amtrak regional and Acela trains for free or at a discounted rate. While this privilege is also extended to the Amtrak employee’s spouse or dependents, Amtrak employees are not permitted to provide their employee travel pass for use by any other person. Judicial proceedings are pending.



Theft of Funds

May 2019

A former Amtrak Lead Service Attendant in Chicago, Illinois, entered into an agreement with the Circuit Court of Cook County, Illinois, to participate in the Veteran’s Treatment Court program for a period of two years for the theft of funds from the company. The former employee was also ordered to pay \$2,418 in restitution. The former employee was previously arrested on June 1, 2018, and was subsequently terminated by the company on August 23, 2018. Amtrak OIG conducted this joint investigation with the Amtrak Police Department.

Distribution of Drugs

July 2019

A former Amtrak Maintainer was sentenced to 12 months of probation on July 19, 2019, in the Pennsylvania Court of Common Pleas for advertising the sale of drug paraphernalia. A joint investigation by Amtrak OIG and the Drug Enforcement Agency determined that the company employee was involved in a scheme where chemicals were ordered from China, manufactured into steroids, and then distributed throughout the Bucks County area.

Falsified Training Records

May 2019

An Amtrak Trainer was terminated from employment on May 7, 2019, and an Amtrak Foreman was terminated on May 17, 2019, after our investigation determined both employees violated company policy. We found that the Chicago-based employees falsified company training records for required safety-related tasks on passenger equipment. The Trainer and the Foreman both signed the training rosters attesting that the Foreman participated in the training classes when, in fact, the Foreman did not attend the training.

WE FOUND THAT THE CHICAGO-BASED EMPLOYEES FALSIFIED COMPANY TRAINING RECORDS FOR REQUIRED SAFETY-RELATED TASKS ON PASSENGER EQUIPMENT.



APPENDIX A: STATISTICAL DATA

TABLE A.1. FINANCIAL IMPACT

MONETARY BENEFIT TYPE	AMOUNT THIS PERIOD
Better Use of Funds	\$12,300,000
Questioned Costs	—
Recoveries and Restitution	\$470,250.50

TABLE A.2 AUDIT ACTIVITY DURING THE PERIOD

REPORT INFORMATION	BETTER USE OF FUNDS	QUESTIONED COSTS
Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements, for Fiscal Year Ended 2018 <i>Issued 5/2/19 Report OIG-A-2019-007</i>	\$—	\$—
Improving Cybersecurity and Resiliency of Train Control Systems Could Reduce Vulnerabilities <i>Issued 7/9/19 Report OIG-A-2019-008</i>	6,000,000	—
Physical Security Vulnerabilities at Washington Union Station and Ivy City Yard <i>Issued 7/22/19 Report OIG-A-2019-009</i>	—	—
Improved Inventory Practices Could Help the Company Better Manage its Maintenance-of-Way and Rolling Stock Equipment <i>Issued 7/25/19 Report OIG-A-2019-010</i>	—	—
Quality Control Review of Amtrak's Single Audit for Fiscal Year 2018 <i>Issued 7/31/19 Report OIG-A-2019-011</i>	—	—
Rightsizing Workforce and Using it More Flexibly Could Reduce Costs at Preventative Maintenance Facilities <i>Issued 9/3/19 Report OIG-A-2019-012</i>	6,300,000 ^a	—
Improving Controls Over the Use of Procurement Cards Could Better Ensure Compliance and Limit Potential Misuse <i>Issued 9/30/19 Report OIG-A-2019-013</i>	—	—
Total Monetary Impact	\$12,300,000	\$—

Note:

^a \$2.1 million annually, projected over three years.

TABLE A.3. ONGOING AUDITS

ONGOING PROJECT STATUS	NUMBER OF PROJECTS
Audit Projects In-process, as of 3/31/2019	11
Audit Projects Canceled	—
Canceled Audit Projects Not Disclosed to the Public	—
Audit Projects Started Since 3/31/2019	6
Audit Products Issued Since 3/31/2019	7
Audit Projects In-process, as of 9/30/2019	10

TABLE A.4. ADVISORY FUNCTIONS DURING THE PERIOD

ACTIVITY	ACTIONS
Freedom of Information Act (FOIA) Requests Received	20
FOIA Requests Processed	17
FOIA Requests Referred to Amtrak	7
FOIA Requests with Responses Pending	3
FOIA Appeals Received	—
FOIA Appeals Processed	—
Legislation Reviewed	—
Regulations Reviewed	8
Outside Agency Consultation	1

TABLE A.5. INVESTIGATIVE ACTIVITY DURING THE PERIOD

INVESTIGATIVE CASELOAD	NUMBER
Investigations Opened	25
Investigations Closed	33
Closed Investigations of Senior Employees Not Publicly Disclosed	1 ^a

CASES OPENED	NUMBER
Major Misconduct and General Crimes	15
Health Care Fraud	3
Contract and Procurement Fraud	8
Federal Employers' Liability Act and Other Claims Fraud	1

HOTLINE ACTIVITY	NUMBER
Referred to Amtrak Management	109
Referred to Customer Service	50
Referred to Amtrak Police Department	4
Referred for Investigation	13
Referred to Other Agency	—
Request from Other Agency	1
No Action Warranted	68

JUDICIAL AND ADMINISTRATIVE ACTIONS	NUMBER
Criminal Referrals to Department of Justice	25
Criminal Referrals to State and Local Prosecuting Authorities	13
Criminal Referrals Declined	4
Arrests	8
Indictments/Informations	15 ^b
Convictions	11
Investigative Reports Issued to the company	8
Administrative Actions	12

Notes:

^a The allegation was not substantiated.

^b Indictments/Informations include all indictments, informations, and complaints sealed and unsealed, of individuals who were charged during this reporting period by federal, state, and local prosecutors. Of the 15 indictments/informations/complaints reported during this reporting period, 4 were referred for prosecution this reporting period and 11 were referred for prosecution in a prior reporting period.

TABLE A.6. REPORTS DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS FOR WHICH CORRECTIVE ACTIONS ARE NOT COMPLETE^{a,b}

REPORT INFORMATION	BETTER USE OF FUNDS	QUESTIONED COSTS
Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps <i>Issued 6/23/11 Report E-11-03</i>	\$—	\$—
Americans with Disabilities Act: Leadership Needed to Help Ensure that Stations Served by Amtrak Are Compliant <i>Issued 9/29/11 Report 109-2010</i>	—	—
Food and Beverage Service: Potential Opportunities to Reduce Losses <i>Issued 10/31/13 Report OIG-A-2014-001</i>	154,200,000 ^c	—
Adopting Leading Practices Could Improve Passenger Boarding Experience <i>Issued 9/7/16 Report OIG-A-2016-011</i>	—	—
Adopting Additional Leading Practices to Manage the Baltimore Penn Station Redevelopment Could Help Mitigate Project Risks <i>Issued 12/14/16 Report OIG-A-2017-002</i>	—	—
Master Services Agreements Are Not Strategically Managed, and Award and Oversight Processes Can Be Improved <i>Issued 2/22/17 Report OIG-A-2017-006</i>	—	—
Better Adherence to Leading Practices for Ethics Programs Could Reduce Company Risks <i>Issued 6/26/17 Report OIG-A-2017-012</i>	—	—
Opportunities to Improve Controls over Medical Claim Payments <i>Issued 3/14/18 Report OIG-A-2018-005</i>	—	23,400,000
Background Checks Process Has Improved, but Some Inefficiencies and Gaps Persist <i>Issued 11/1/18 Report OIG-A-2019-001</i>	—	—
Opportunities Exist to Improve Private Railcar Management and Business Practices <i>Issued 2/6/19 Report OIG-A-2019-003</i>	—	—

REPORT INFORMATION	BETTER USE OF FUNDS	QUESTIONED COSTS
Weaknesses in Contract Oversight Pose Financial, Operational, and Legal Risks <i>Issued 3/4/19 Report OIG-A-2019-004</i>	—	—
Opportunities to Improve the Effectiveness of Controls for Detecting Drug- and Alcohol-Related Issues of Employees in Safety-Sensitive Positions <i>Issued 3/13/19 Report OIG-A-2019-005</i>	—	—
Improving Management Processes Could Reduce Costs and Generate Additional Revenues <i>Issued 3/29/19 Report OIG-A-2019-006</i>	23,200,000	—
Total Monetary Impact	\$177,400,000	\$23,400,000

Notes:

^a We received comments for all audit reports within 60 days.

^b Please visit <https://www.amtrakoig.gov/reports/audits> for a copy of the reports listed in this table.

^c \$51.4 million annually, projected over three years.

TABLE A.7. RESOLUTION STATUS OF AUDITS WITH QUESTIONED COSTS

RESOLUTION STATUS	NUMBER	DOLLAR VALUE
Reports with No Management Decision Made by the Commencement of the Reporting Period	—	\$—
Reports Issued During the Reporting Period	—	—
MANAGEMENT DECISIONS DURING THE PERIOD		
Amounts Agreed to by Management	—	—
Amounts not agreed to by management	—	—
NO MANAGEMENT DECISION AT END OF PERIOD		
Reports Carried Over to Next Reporting Period	—	—

TABLE A.8. RESOLUTION STATUS OF AUDITS WITH RECOMMENDED FUNDS TO BE PUT TO BETTER USE BY MANAGEMENT

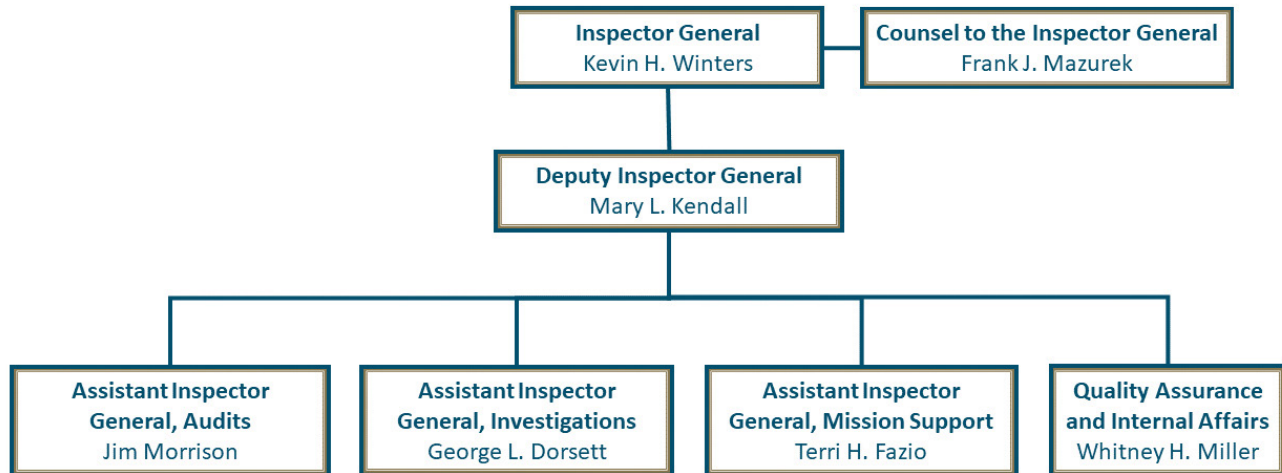
RESOLUTION STATUS	NUMBER	DOLLAR VALUE
Reports with No Management Decision Made by the Commencement of the Reporting Period	—	\$—
Reports Issued During the Reporting Period	2	12,300,000
MANAGEMENT DECISIONS DURING THE PERIOD		
Amounts Agreed to by Management	2	12,300,000
Amounts Not Agreed to by Management	—	—
NO MANAGEMENT DECISION AT END OF PERIOD		
Reports Carried Over to Next Reporting Period	—	—

APPENDIX B. REVIEW OF LEGISLATION, REGULATIONS, AND MAJOR POLICIES

Section 4(a)(2) of the Inspector General Act of 1978, as amended, provides that the Inspector General shall review existing and proposed legislation and regulations relating to programs and operations of such establishment. Also, the Inspector General shall make recommendations in the semiannual reports concerning the impact of such legislation or regulations on the economy and efficiency in the administration of such programs and operations administered or financed by such establishment—or the prevention and detection of fraud and abuse in such programs and operations.

During the last reporting period, the OIG reviewed and provided comments on eight Amtrak corporate policies and continued its efforts to ensure the American taxpayers' dollars entrusted to Amtrak were protected.

APPENDIX C. OIG ORGANIZATION



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

The Inspector General provides policy direction and leadership for the OIG and serves as an independent and objective voice to management, the Board of Directors, and Congress by identifying opportunities

and promoting solutions for improving the company's programs and operations, while preventing and detecting fraud, waste, and abuse.

The Deputy Inspector General serves in the stead of the Inspector General, as required, and leads the operational and support staffs within the OIG.

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

Audits. This office conducts independent and objective audits across the spectrum of the company's programs and operational activities. It produces reports aimed at improving the company's economy, efficiency, and effectiveness, while seeking to detect and prevent fraud, waste, and abuse.

Investigations. This office pursues allegations of fraud, waste, abuse, and misconduct that could affect the company's programs, operations, assets, and other resources. It refers investigative findings to the Department of Justice for criminal prosecution or civil litigation, or to management for administrative action. It also develops recommendations to reduce vulnerability to abuse and criminal activity.

Mission Support. This office provides budget and financial management; contracting and procurement; information technology; general administrative support and human capital, which ensures that the best qualified people are hired, developed, retained, and rewarded appropriately in accordance with applicable laws, regulations, and OIG policy. It also ensures that an effective and efficient performance management system is implemented to provide employees with timely and meaningful feedback and coaching on performance.

APPENDIX D. PEER REVIEW RESULTS

The *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P. L. 111–203, July 21, 2010) requires that OIGs include in semiannual reports to Congress the results of any peer review conducted by another OIG during the reporting period, or—if no peer review was conducted—a statement identifying the date of the last peer review. Also required is a list of all peer reviews conducted during the period by the OIG of another OIG, and the status of any recommendations made to or by the OIG.

During fiscal year 2019, our Office of Audits was the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review by the Tennessee Valley Authority OIG. The Tennessee Valley Authority OIG determined that the system of quality control for our audit function has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

Accordingly, the Tennessee Valley Authority OIG provided a “pass” rating and made no recommendations. The report was released on April 15, 2019.

Also during fiscal year 2019, our Office of Investigations was the subject of a CIGIE peer review by the Federal Deposit Insurance Corporation (FDIC) OIG. The FDIC OIG concluded that the system of internal safeguards and management procedures for our investigative function was in compliance with the quality standards established by CIGIE and the Attorney General’s Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority. The FDIC OIG identified a number of best practices in our investigative operations that they believed warranted acknowledgement.

Our office did not complete any peer reviews of any other OIG during the reporting period.

APPENDIX E. ABBREVIATIONS

CIGIE Council of the Inspectors General on Integrity and Efficiency

FBI Federal Bureau of Investigation

FY Fiscal Year

OIG Office of Inspector General

MOW Maintenance Of Way

FDIC Federal Deposit Insurance Corporation

APPENDIX F. REPORTING REQUIREMENTS

INSPECTOR GENERAL ACT CITATION	REPORTING REQUIREMENT	PAGE
4(a)(2)	Review of Legislation and Regulations	23
5(a)(1)	Significant Problems, Abuses, and Deficiencies	3-16
5(a)(2)	Recommendations for Corrective Action to Significant Problems	3-16
5(a)(3)	Audit Reports Described in Previous Semiannual Reports for Which Corrective Actions are Not Complete	20-21
5(a)(4)	Matters Referred to Prosecutive Authorities	19
5(a)(5)	Information Assistance Refused or Not Provided	N/A
5(a)(6)	Audit Reports Issued in This Reporting Period	17
5(a)(7)	Summary of Significant Reports	3-16
5(a)(8)	Audit Reports with Questioned Costs	22
5(a)(9)	Audit Reports with Recommendations That Funds Be Put to Better Use	22
5(a)(10)	Previous Audit Reports Issued with No Management Decision Made by End of This Reporting Period	22
5(a)(11)	Significant Revised Management Decisions	N/A
5(a)(12)	Significant Management Decisions with Which the OIG is in Disagreement	N/A
5(a)(13)	Federal Financial Management Improvement Act-Related Reporting	N/A
5(a)(14–16)	Peer Review Results	25
5(a)(17-18)	Investigative Reporting Statistical Tables	19
5(a)(19)	Investigations on Senior Government Employees Where Allegations are Substantiated	11-16
5(a)(20)	Instances of Whistleblower Retaliation	N/A
5(a)(21)	Instances of Interference with Independence or Restrictions on Access	N/A
5(a,b)(22)	Instances of Inspections, Evaluations, Audits, and Investigations Not Disclosed to the Public	18-19

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**

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