

SEMIANNUAL REPORT

TO THE UNITED STATES CONGRESS

October 1, 2020 – March 31, 2021 | #63



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION



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We found the challenge of responding to the pandemic superseded and permeated the company's ability to address all other challenges, and that it would need to adapt and develop a strategy to position itself to become a transportation mode of choice in a rapidly changing economy. Additionally, we identified opportunities in safety, security, financial management, and other areas where the company has made progress, but significant work remains on improving its effectiveness and efficiency.



Kevin H. Winters | *Inspector General*

FROM THE INSPECTOR GENERAL

I am pleased to submit the Amtrak Office of Inspector General (OIG) Semiannual Report to the United States Congress for the six months ending March 31, 2021. One year ago, we were in the very early stages of the COVID-19 pandemic, a time when Amtrak's ridership and revenue plunged to record lows. Since then, the company has received more than \$3.7 billion in federal funding dedicated to addressing pandemic-related requirements, restoring long distance service, and recalling employees that were furloughed in 2020.

During this time, we made our own adjustments, which included transitioning to full-time telework to better protect our employees and balancing our oversight mission requirements against the company's urgent needs to address significant challenges associated with the pandemic. We refocused our efforts on providing oversight of pandemic-related funding, how executive decisions were impacting company operations, advising the company and our other stakeholders on the most significant management challenges the company will face in the coming years, and pursuing dozens of investigations ranging from policy violations to significant criminal activity.

We also decided to move up our bi-annual report on the most significant management challenges facing the company. We found the challenge of responding to the pandemic superseded and permeated the company's ability to address all other challenges, and that it would need to adapt and develop a strategy to position itself to become a transportation mode of choice in a rapidly changing economy. Additionally, we identified opportunities in safety, security, financial management, and other areas where the company has made progress, but significant work remains on improving its effectiveness and efficiency.

Our investigative work continued to garner significant results during this reporting period. Health care fraud remained a focus for our investigators. In one case, an Illinois chiropractor bilked Amtrak's health plans of more than \$500,000 by submitting fraudulent medical claims and paying an Amtrak employee kickbacks for providing him with medical and personally identifiable

information to aid in the generation of the falsified claims. In another, a pharmacist based in California was sentenced to prison and ordered to forfeit more than \$1.8 million in cash and personal property. We found that he was paying kickbacks to medical marketers to refer patients to his pharmacy to fill prescriptions. This resulted in fraudulent charges to Amtrak's health plans and to other insurance providers.

In other cases, our investigators identified potential patterns of Amtrak employee abuse of leave granted under the Family Medical Leave Act (FMLA) and identified weaknesses in the company's oversight of the program. Across 12 investigations from 2018-2020, we found instances in which employees used FMLA leave to circumvent their Amtrak responsibilities, while engaging in activities ranging from outside employment to serving time in prison.

We also identified several instances of employee wrongdoing such as theft, ethics violations, and criminal activity. As the result of one investigation, two employees were fired for accepting gifts from a vendor who was awarded a \$58 million contract by the company. In another, we identified an employee who skipped his shift on January 6, 2021, and participated in the unlawful entry of the U.S. Capitol.





Early in the pandemic, our Office of Audits announced our intent to review Amtrak's use, accounting for, and reporting on the funding it received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. While we pointed out some delays in verifying expenditures and recommended providing more transparent data on how service changes would affect state costs, we found that it was effectively using, accounting for, and reporting on the \$1.018 billion it received through the CARES Act—and this was in part due to our effort to engage the company early.

On the safety front, we issued reports on the company's implementation of Positive Train Control (PTC), an automated safety system, and examined the company's ability to detect and deter opioid abuse in its safety-related workforce. We found that, while the company fully implemented PTC on time, gaps remain in its ability to measure PTC reliability because it cannot easily access the data necessary for it to monitor system performance—this results in PTC reports that are incomplete and could hinder the company's ability to identify potential problems it may need to address promptly or longer-term. In our opioids report, we found that the company could strengthen its ability to detect and deter prescription opioid misuse among employees conducting safety-related work by expanding its random drug testing program.

I am extremely proud of how our team has adjusted in order to continue our critical oversight mission during the pandemic.

Over the next six months, we remain committed to providing Congress and our key stakeholders with relevant and timely oversight reporting as we continue to assess high-visibility issues like cost-sharing on state-supported routes, the Gateway Project, and the company's compliance with the American's With Disabilities Act. We trust that you will find this report informative.





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6000 Pacific Business Class



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OFFICE OF AUDITS

Management Challenges

Top Management and Performance Challenges for Fiscal Year 2021

(Special Report No. OIG-SP-2021-002, October 23, 2020)

This report identified our views of the top management and performance challenges facing Amtrak (the company). As in prior years, this report focused on high-risk or high-impact activities and performance issues that affected programs, operations, and the achievement of strategic goals.

This year, the challenge of responding to the COVID-19 pandemic permeated the company's ability to address all other challenges. The assumptions underlying the company's strategic plan for 2019 through 2023 had changed dramatically since March 2020, when the United States began to feel the impact of the pandemic. In a matter of weeks, the company pivoted from being on track to post the best financial performance in its 49-year history to a 97 percent drop in ridership.¹

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



Although the urgent pressures of this operating environment posed enormous challenges, they also presented opportunities for the company to reimagine its future by taking a fresh, holistic view of its circumstances and the forces that affect it in both the short and long term. This included opportunities to revisit its purpose and vision and improve upon longstanding challenges such as safety, financial management, governance, and efficient use of information technology (IT). Regardless of the strategy the company pursues, a key challenge we identified was the extent to which it could effectively partner with its stakeholders as it navigated through the pandemic and beyond.

ALTHOUGH THE URGENT PRESSURES OF THIS OPERATING ENVIRONMENT POSED ENORMOUS CHALLENGES, THEY ALSO PRESENTED OPPORTUNITIES FOR THE COMPANY TO REIMAGINE ITS FUTURE BY TAKING A FRESH, HOLISTIC VIEW OF ITS CIRCUMSTANCES AND THE FORCES THAT AFFECT IT IN BOTH THE SHORT AND LONG TERM.

In addition to the pandemic, we reported that the company continued to face other longstanding management challenges associated with operating a railroad. We identified the following major themes and issues that we encouraged the Executive Leadership Team to consider:

- **Safety and Security.** The company continues to make safety a top priority and has made strides in furthering its safety goals including appointing a new Chief Safety Officer and implementing the Safety Management System (SMS) ahead of schedule. Nonetheless, the company faces pandemic-related safety risks,

risks to its implementation of PTC, and challenges in enforcing workforce policies such as those related to drug and alcohol impairment.

- **Financial Management and Stewardship.** In February 2020, the company was on track to have its first ever break-even year, but soon after the pandemic took hold, it found itself without sufficient funds to cover basic expenses. The company's challenges over the next few years will be demonstrating it is a good steward of federal funds, making labor a vested partner in the company's future financial success, and capitalizing on cost-saving opportunities.
- **Governance.** The company's leadership team faces challenges creating a unified team to make decisions that benefit the company as a whole. Other longstanding governance challenges include institutionalizing effective program and project management; using data to drive decisions; partnering with key stakeholders such as states, the Federal Railroad Administration, and Congress; and aligning the workforce to future needs.

- **Information Technology.** The company faces challenges updating several fundamental business systems while it anticipates adopting new technologies. The company needs to set clear and affordable technology priorities in order to agree on the most critical IT requirements and determine how to implement them in a resource-constrained environment. The company's ongoing challenge will be to continually assess its vulnerabilities and safeguard against evolving internal and external cyber security threats.

Safety and Security

The Company Can More Effectively Use Injury Claims Data to Help Reduce Risks

(Interim Audit Report No. OIG-A-2021-007, February 25, 2021)

Amtrak's top priority is to ensure the safety of its employees and passengers. In fiscal year (FY) 2018, it began developing and implementing its most recent safety initiative, commonly known as the Safety Management System.² In April 2020, we began assessing the company's progress implementing the SMS. In October 2020, we issued an interim report that found that the company had not established a baseline measurement of its safety culture.³ As our work progressed, we also identified an opportunity in the near term for the company to better manage safety risks. As a result—and in response to the Chief Safety Officer's request that we provide early alerts of needed changes—we issued a second interim report. This report assessed the extent to which the company was incorporating its injury claims financial data—which

² Unlike previous efforts, the SMS is a federal requirement, and the company must maintain compliance. See 49 C.F.R. § 270.

³ *Safety and Security: The Company Can Take Steps to Evaluate Its Current Safety Culture* (Interim Audit Report OIG-A-2021-001); October 2, 2020.





includes settlement amounts and other costs associated with resolving claims such as the cost of investigation and defense—into its SMS.⁴

We found that better integrating injury claims data into its risk management process in the near term could help the company identify and manage safety risks. The Safety and Operations departments were using injury and accident reports to identify the most frequent incidents and help inform the SMS. They did not, however, have regular access to injury claims data, which resided with the company's Claims group, a part of the Law department. Our work determined that these data could allow the Safety and Operations departments to better identify additional risks and mitigation strategies, which would help improve safety outcomes and minimize the impact of safety incidents on the company.

We recommended that the company develop a policy and process to regularly share legally appropriate injury claims data internally and use these data to help identify and mitigate safety risks as part of its risk management process. In commenting on a draft of our report, the Law department, in conjunction with the Safety and Operations departments, said it fully supported our recommendations.

⁴ According to the company's General Counsel, there are six types of injury claims data: incidents, injuries, medical costs, lost time, settlement amounts, and other costs associated with settling claims such as the cost of investigation and defense. We use the term "injury claims financial data" to refer to the last two categories of claims data.

Amtrak Expects Positive Train Control will be Interoperable with Other Railroads but Could Better Measure System Reliability

(Audit Report No. OIG-A-2021-004, December 11, 2020)

PTC is Amtrak's key safety system for preventing train accidents. The company has invested hundreds of millions of dollars to install and operate its three systems for automatically slowing or stopping trains, including about \$370 million from FY 2008 through FY 2020. In August 2020, the company reported that it completed PTC installation on the tracks it owns or controls prior to the federally mandated deadline of December 31, 2020. To meet federal requirements, these systems must also be able to communicate with the systems of "host" railroads when it uses their tracks and "tenant" railroads that use the company's tracks. This is known as "interoperability." Our audit objective was to assess the extent to which the company's systems are interoperable with its hosts and tenants, and the company is ensuring that its systems are on and continuously operating.

We found the company was on track to be interoperable with its host and tenant railroads by the deadline, in part because of effective program management. The company could not fully measure system reliability, however, because it had not implemented electronic tools to allow it to easily access data on whether the systems are on and operating continuously. Instead, it had to manually compile these

data; as a result, its reports on PTC system reliability were incomplete. This made it difficult for the company to identify trends in system operations that may need attention. We also identified risks that could have diminished the safety benefits PTC was intended to provide. First, systems sometimes did not initialize prior to departure, or they disengaged en route, and the company had not consistently implemented more stringent practices to further reduce risks. Second, there was a risk of human error when dispatchers manually entered data on when to enforce temporary speed restrictions or prohibit trains from entering work zone locations. Program officials told us the company planned to assess the significance of both risks to determine the need for additional mitigation.

We recommended the company research tools to access system performance data and submit the preferred options for funding consideration. In addition, we recommended that it determine what, if any, additional mitigations were needed when PTC did not operate as intended, and that it initiate its plan to assess the risk of incorrect data entry. In commenting on a draft of this report, the Executive Vice President/Chief Operations Officer agreed with our recommendations and identified specific actions the company plans to complete by December 31, 2021, to implement them.

INSTEAD, IT HAD TO MANUALLY COMPILE THESE DATA; AS A RESULT, ITS REPORTS ON PTC SYSTEM RELIABILITY WERE INCOMPLETE. THIS MADE IT DIFFICULT FOR THE COMPANY TO IDENTIFY TRENDS IN SYSTEM OPERATIONS THAT MAY NEED ATTENTION. WE ALSO IDENTIFIED RISKS THAT COULD HAVE DIMINISHED THE SAFETY BENEFITS PTC WAS INTENDED TO PROVIDE.



Expanded Random Drug Testing Could Help Further Detect and Deter Prescription Opioid Misuse

(Audit Report No. OIG-A-2021-003, October 27, 2020)

Millions of Americans use prescription opioids to manage pain from surgery, injury, or illness. These types of drugs can be an effective treatment but can also cause impairment and lead to dependence, addiction, and overdose. In 2018, prescription opioids contributed to nearly 15,000 overdose deaths nationwide. Amtrak recognizes that its employees may use these prescriptions. Employees who work while impaired, however, may react slowly in emergencies, potentially leading to injuries or fatalities that could result in financial losses and reputational damage for the company. Our objective was to assess (1) the extent to which the company's employees who perform safety-related work were at risk for prescription opioid impairment and misuse and (2) the company's efforts to detect and deter this risk.

We found that, in FY 2019, 113 of the 11,356 employees in positions we defined as safety-related filled opioid prescriptions in ways that indicate they may be at risk for misuse. These included 42 employees who had prescriptions for the equivalent of at least 10 tablets per day of Vicodin® for at least 3 months, which, according to the Centers for Disease Control and Prevention, doubles a patient's risk of an overdose. Furthermore, nearly 10 percent of employees in safety-related positions (1,157 employees) filled opioid

prescriptions while they were in active service. Any of these employees who did not follow the company's restrictions on when they could use these prescriptions were at risk of impairment while on duty.

WE FOUND THAT, IN FY 2019, 113 OF THE 11,356 EMPLOYEES IN POSITIONS WE DEFINED AS SAFETY-RELATED FILLED OPIOID PRESCRIPTIONS IN WAYS THAT INDICATE THEY MAY BE AT RISK FOR MISUSE.

We also found that the company did not know the extent to which prescription opioids pose safety risks because it limited its random drug testing program to the U.S. Department of Transportation's (DOT) minimum requirements for determining which employees to test and which drugs to include. The DOT permits rail carriers to test more employees and test for more drugs than its regulations require. The company, however, had not assessed its workforce to determine which additional positions it deemed to be safety-related, whether to add these positions to its testing, or whether it was testing for the most relevant prescription opioids. Company managers told us they saw value in expanding the random testing program but said that doing so would require union approval for any positions covered by collective bargaining agreements, which would become eligible for renegotiation in 2021.

We also found that the Benefits group in the company's Human Resources department did not require its health benefit administrators to report key information it could use to supplement the company's other programs to detect and deter prescription opioid misuse. The company's benefit administrators have data identifying employees who are at risk for misuse and abuse, but federal law prohibits them from providing these data to the company. Benefit administrators, however, are able to provide detailed summary data and metrics,

such as prescription patterns they detect, trends in specific opioid risk factors, and the number and status of interventions the administrators have taken. Access to this information would allow the Benefits group to provide useful information and guidance to the company as it makes decisions on how to strengthen its own efforts to detect and deter misuse.

Accordingly, we recommended that the company (1) assess its workforce and identify all positions in which employees' use of prescription opioids could impair their ability to safely perform job-related tasks, (2) identify whether additional prescription opioids were of substantial concern for safety-related work, and (3) develop a strategy to negotiate with unions to expand its random drug testing program to cover these additional positions and any additional opioids. In addition, we recommended that the Benefits group identify and require benefit administrators to provide additional data, subject to U.S. Health Insurance Portability and Accountability Act of 1996 requirements, that would help support effective decision-making.

The company's management agreed with our recommendations and identified specific actions the company planned to complete by December 31, 2021, to implement them.

The Company Can Take Steps to Evaluate Its Current Safety Culture

(Interim Audit Report No. OIG-A-2021-001, October 2, 2020)

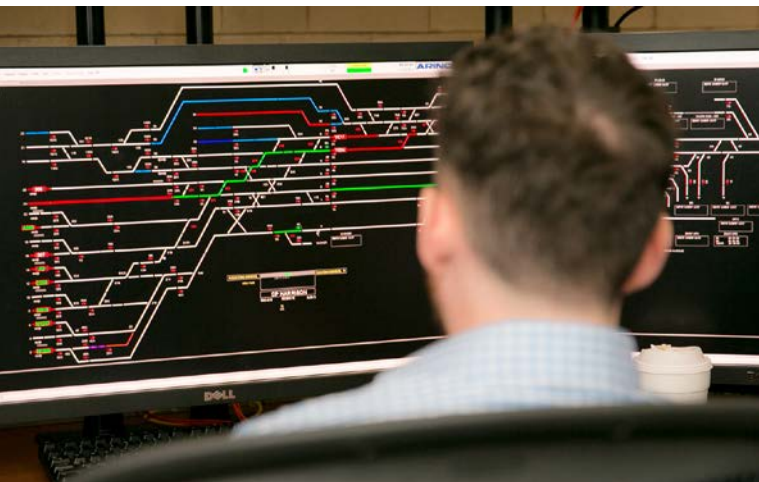
Amtrak's top priority is to ensure the safety of its employees and passengers, and the company has devoted significant resources to this effort. From FYs 2015 through 2019, however, safety incidents resulted in 26 passenger and employee fatalities, numerous injuries, and more than \$208 million in actual and estimated liability payments. The National Transportation Safety Board investigated at least four accidents and found that the company's weak safety culture contributed to three of these incidents. These safety problems persist; the company has reported three employee fatalities in

FYs 2020.⁵ Research by the DOT and others has also shown that a strong safety culture—the shared values, actions, and behaviors that demonstrate a commitment to safety—reduces incidents and accidents.

In 2017, the company began its latest safety initiative, commonly known as the Safety Management System. In April 2020 we began auditing the company’s progress implementing and overseeing its SMS. During our work, we found a potential issue that the company could address in the near term related to its safety culture. As a result—and in response to the Chief Safety Officer’s request to provide early alerts of needed changes—we provided a separate interim report. Our objective for this report was to assess the extent to which the company had taken steps to determine employees’ current perspectives on safety.

We found that while company leadership acknowledged longstanding challenges with the company’s safety culture, they did not know the extent of these challenges because they did not have data to establish a baseline against which to measure improvement. We identified an opportunity for the company to efficiently conduct a survey of nearly all of its frontline employees as part of safety training it

⁵ Two of these employee fatalities were on-duty employees, and the third was an off-duty employee struck by an Amtrak train.



launched in October 2020. Moreover, we found that the DOT Safety Council has defined 10 elements of a strong safety culture, which other commuter and freight railroads use to survey their employees and assess their safety cultures.

We recommended that the company develop and deploy a survey as soon as practical, use the results to establish a measurable safety culture baseline, assess progress improving the safety culture over time, and take action to address issues the survey identifies. The Executive Vice President/Chief Safety Officer agreed with our recommendations and said the company would begin implementing a survey by December 31, 2020, and with follow-up assessments every two years.

Ongoing Work

Monitoring Positive Train Control. Our objective will be to monitor the company’s efforts to operate PTC, measure its performance, and assess safety risks, in keeping with the recommendations we made in our recent audit report.

Audit of the Company’s implementation of the Safety Management System. Our objective is to assess the company’s progress in implementing and overseeing the SMS and to identify risks, if any, to meeting the company’s safety goals.

Governance

Quality Control Review of the Independent Audit of Amtrak’s Consolidated Financial Statements for Fiscal Year Ended 2020
(Audit Report No. *OIG-A-2021-006*,
December 23, 2020)

The company contracted with the independent public accounting (IPA) firm of Ernst & Young LLP to audit its consolidated financial statements as of September 30, 2020, 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 did not comply, in all material respects, with generally accepted government auditing standards.

Final Observations on Amtrak's Use of CARES Act Funds

(Audit Report No. OIG-A-2021-005, December 15, 2020)

Beginning in March 2020, Amtrak experienced a sharp drop in ridership and passenger revenues as a result of the coronavirus pandemic. Congress responded by providing the company with \$1.018 billion through the CARES Act.⁶ In August 2020, we issued an interim report that found the company demonstrated fiscal responsibility over its use of these funds, but that additional focus on data transparency with its state partners, more timely verification of pandemic-related expenses, and controls to safeguard pandemic-related supplies would help reduce risks.⁷ Our objective for this report was to complete our review of the company's use of CARES Act funds and its controls to accurately track and report on them.

⁶ Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, div. B, title XII, 134 Stat. 281 (2020).

⁷ *Governance: Observations on Amtrak's Use of CARES Act Funds* (OIG-MAR-2020-013), August 5, 2020.

We found that the company was effectively using, accounting for, and reporting on these funds, and that it had addressed the initial risks we identified in our prior report. We also identified two opportunities for the company to improve its controls. First, the company could improve its consistency in obtaining medical documentation to support paid leave for coronavirus-related absences. Second, the CARES Act established a formula that reduced the amount states had to reimburse the company for operating certain routes in those states and provided funds to Amtrak to make up the difference.⁸ We found that some states had anomalies in their agreements that affected the application of the legislative formula. For any additional pandemic-related funds it receives, the company may consider proactively checking for such anomalies.

The company emphasized the seriousness with which the company takes its fiduciary responsibility to spend CARES Act funds wisely. The company also stated its intent to consider the two opportunities we identified to enhance its controls if Congress provides further assistance.

Ongoing Work

Monitoring the Work of Amtrak's Independent Public Accountant Conducting the FY 2020 A-133 Audit. The objective is to determine whether the IPA performed the single audit in accordance with generally accepted

⁸ Under cost-sharing agreements with the states, the company provides intercity train service to 17 states on 28 routes that are less than 750 miles. Under these agreements, the company invoices each state monthly for the amount that its operating costs for these services exceed the related ticket revenues.

government auditing standards and the Office of Management and Budget Circular A-133.

Monitoring the Work of the Independent Public Accountant Conducting the FY 2021 Audit of Amtrak's Consolidated Financial Statement.

Our objectives are to (1) determine whether the IPA 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 2021 A-133 Audit. The objective is to determine whether the IPA performed the single audit in accordance with generally accepted government auditing standards and the Office of Management and Budget Circular A-133.

Audit of Amtrak's Gateway Program Management and Oversight. Our objective will be to assess the company's planning, governance structure, and capacity to effectively manage and oversee its commitments to the program.

Monitoring and Assessing Fiscal Year 2021 Special Appropriations Related to Coronavirus Impacts. Our objective will be to assess how the company uses, accounts for, and reports on these funds and any other special appropriations related to the coronavirus pandemic.

Audit of Amtrak's Customer Property Safeguards. Our objective is to assess the company's processes and policies for managing customer property to determine the extent to which the company safeguards lost items and returns them to customers in a timely manner.

Audit of Amtrak's Unified Operations Center Program. Our objective will be to assess the company's management and oversight of the program, and the extent to which it has identified and mitigated risks.

Audit of Amtrak's Compliance with the Americans with Disabilities Act. Our objective will be to assess the company's progress toward achieving compliance with the Americans with Disabilities Act.

Audit of Cost-Sharing on State-Supported Routes.

Our objective will be to evaluate the company's actions to address longstanding concerns with cost-sharing methodology and the company's billing process with its state partners.

Human Resources

Ongoing Work

Audit of Amtrak's Downsizing of its Management Workforce. Our objective will be to assess the effectiveness of the company's efforts to ensure it has the skilled management workforce it needs to recover from and rebuild after the COVID-19 pandemic.

Information Technology

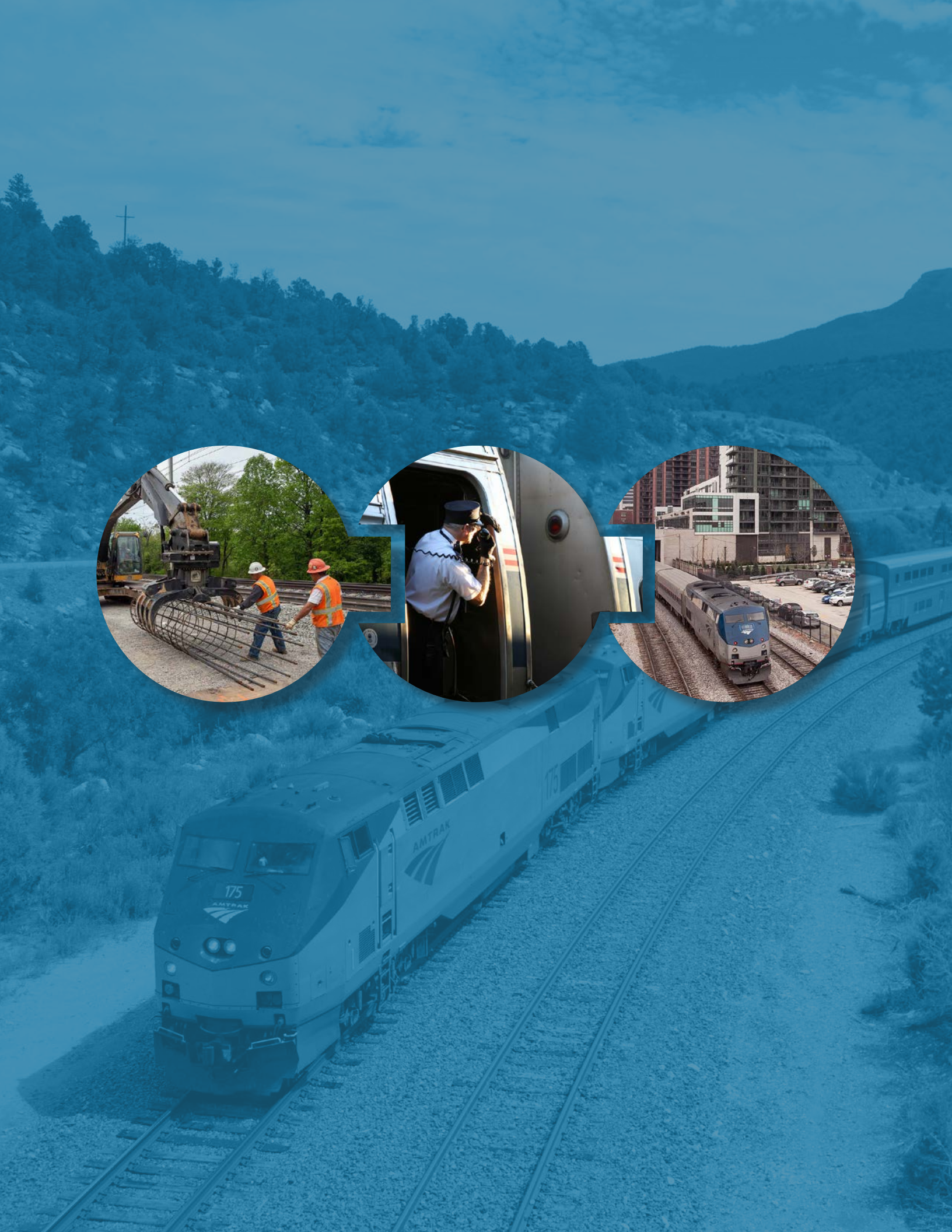
Ongoing Work

Audit of the Company's Processes to Determine its Information Technology Needs. Our objective will be to assess how the company's departments identify their IT needs and collaborate with the IT department to prioritize and meet them.

Financial Management

Ongoing Work

Review of the Company's Payment Request Practices. Our objective is to assess the company's controls to ensure that employees comply with payment request policies and are getting the best value for these purchases.



OFFICE OF INVESTIGATIONS

Family Medical Leave Act Violations

Engaging in Outside Employment While on FMLA Leave

January 2021

Two Amtrak coach cleaners based in Sanford, Florida, resigned from the company on January 21, 2021, prior to their administrative hearings. Our investigation found the former employees violated company policy by engaging in outside employment and other activities, such as traveling on a personal vacation, which interfered with their job duties and responsibilities, and they improperly used FMLA leave or sick leave to do so.

November 2020

A secretary based in Chicago, Illinois, resigned from the company on November 10, 2020, while under investigation for engaging in outside employment while taking FMLA leave and while on a medical leave of absence. Our investigation found that the former employee violated company policy by working as a personal assistant as part of a program funded through the Illinois Department of Human Services while also working for Amtrak. She conducted her job as a personal assistant during times that she was taking FMLA leave, a medical leave of absence, or sick leave. We also found that the former employee falsified a Railroad Retirement Board (RRB) application for sickness benefits by stating she had no income while she was receiving RRB benefits, when in fact she did have income from the state of Illinois.

Observations and Opportunities to Detect and Reduce FMLA Abuse and Improve Efficiencies in the Program *(Management Information Report No. OIG-I-2021-504, October 20, 2020)*

The Family Medical Leave Act is a federal law that entitles eligible employees to take unpaid, job-protected leave when the employee is unable to work due to a serious health condition or to care for a family member with a serious health condition. FMLA requires employers to

FOR EXAMPLE, WE UNCOVERED INSTANCES IN WHICH EMPLOYEES USED FMLA LEAVE TO CIRCUMVENT ATTENDANCE VIOLATIONS, ENGAGE IN ILLEGAL CONDUCT, ATTEND COURT HEARINGS FOR ILLEGAL CONDUCT AND SERVE JAIL TIME, AND ENGAGE IN OUTSIDE EMPLOYMENT WITHOUT AMTRAK'S KNOWLEDGE OR AUTHORIZATION.

maintain employees' health benefits during leave and to restore employees to their same job or an equivalent job after they return. To be eligible for FMLA leave, Amtrak employees must have 12 months of completed service and must have worked a minimum of 1,250 hours in the 12-month period preceding the leave start date. FMLA generally guarantees employees up to 12 weeks of leave in a 12-month period.

In a series of investigations on employee misconduct from 2018 to 2020, we identified potential patterns of FMLA leave abuse and identified weaknesses in Amtrak's oversight of the program. For example, we uncovered instances in which employees used FMLA leave to circumvent attendance violations, engage in illegal conduct, attend court hearings for illegal conduct and serve jail time, and engage in outside employment without Amtrak's knowledge or authorization.

Weaknesses in Amtrak's controls may have contributed to FMLA abuse. For example, the company does not have an FMLA training program for department or supervisory staff, and some managers said they do not try to hold employees accountable for potential FMLA misuse because they fear potential disciplinary repercussions or litigation if they inadvertently do something incorrectly. Additionally, we found the company could make more FMLA data available to managers which would allow them to review employees' FMLA use, regularly monitor

for potential abuse, improve its FMLA Unit response to field managers, develop a process to refer potential FMLA abuse to our office, and use provisions in the law and the company's leave policy to seek medical recertification if an employee uses more FMLA leave than allotted or is suspected of alleged abuse.

The company acknowledged our observations and described plans to address them.

Health Care Fraud

Illegal Kickbacks to Marketers for Pharmacy Referrals *March 2021*

Hootan Melamed, a pharmacist based in Los Angeles, California, was sentenced in United States District Court, Southern District of California, on March 29, 2021, to six months in prison and three years' probation for conspiracy to commit health care fraud. Melamed was also ordered to forfeit \$1,816,038.82 in cash and personal property.

Our investigation found that Melamed paid kickbacks to medical marketers who referred patients to his pharmacy to fill the patients' prescriptions for compound creams and other pharmaceuticals. Melamed previously pleaded guilty on November 2, 2020, to the conspiracy charges. As a result of the scheme, Amtrak's insurance providers were fraudulently charged approximately \$22,000. Criminal judicial proceedings for other defendants in this case are pending.

Health Care Fraud, Money Laundering, Securities/Wire Fraud, Identity Theft *March 2021*

The co-founders of a San Francisco-based microbiome testing company were charged March 18, 2021, with multiple federal crimes including conspiracy to commit securities fraud, conspiracy to commit health care fraud, money laundering, and related offenses in

connection with alleged schemes to defraud health insurance providers and investors to raise capital for their now-bankrupt company, uBiome.

Zachary Schulz Apte, 36, and Jessica Sunshine Richman, 46, who both resided in San Francisco at relevant times, co-founded uBiome in October 2012. Ultimately, they adopted several fraudulent practices with respect to its clinical tests, according to the indictment. Specifically, the defendants developed, implemented, and oversaw practices designed to deceive approving health care providers and reimbursing insurance providers regarding tests that were not validated and not medically necessary. The indictment alleges that between 2015 and 2019, uBiome submitted more than \$300 million in reimbursement claims to private and public health insurers of which uBiome was paid more than \$35 million. Amtrak's health care plans were billed approximately \$62,000 as part of the scheme and paid a total of approximately \$18,000 to uBiome. In April 2019, we supported the execution of an FBI-led search warrant operation at uBiome's headquarters in San Francisco.

Apte and Richman were charged with conspiracy to commit health care fraud, 1 count each; health care fraud, 14 counts each; aggravated identity theft and aiding and abetting, 6 counts each; conspiracy to commit wire fraud and securities fraud, 1 count each; wire fraud and aiding and abetting, 10 counts each; fraud in connection with the purchase and sale of securities, 9 counts each; and engaging in monetary

SPECIFICALLY, THE DEFENDANTS DEVELOPED, IMPLEMENTED, AND OVERSAW PRACTICES DESIGNED TO DECEIVE APPROVING HEALTH CARE PROVIDERS AND REIMBURSING INSURANCE PROVIDERS REGARDING TESTS THAT WERE NOT VALIDATED AND NOT MEDICALLY NECESSARY.

transactions with proceeds of specified unlawful activity (Apte, 2 counts; Richman, 4 counts). The charges and allegations contained in the indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

Illegal Kickbacks to Marketers for Pharmacy Referrals
February 2021

A pharmacy and its owner pleaded guilty on February 5, 2021, to charges related to a health care fraud and kickback scheme in which so-called marketers were paid to generate and steer prescriptions to the pharmacy for expensive and potentially unnecessary compounded drugs.

Navid Vahedi, 41, of Brentwood, California, pleaded guilty to one count of conspiracy to commit health care fraud and payment of illegal remunerations. Vahedi also entered a guilty plea to the felony offense on behalf of his business, Fusion Rx Compounding Pharmacy. Amtrak’s health care plan paid out about \$20,000 to Fusion Rx during the scheme.

Fusion Rx provided tailor-made compound drugs which doctors may prescribe when the Food and Drug Administration-Approved alternative does not

IN THEIR PLEA AGREEMENTS, VAHEDI AND FUSION RX ADMITTED ROUTING MILLIONS OF DOLLARS IN KICKBACK PAYMENTS THROUGH THE BUSINESSES OF TWO MARKETERS TO STEER PRESCRIPTIONS FOR COMPOUNDED DRUGS TO FUSION RX. FROM MAY 2014 TO AT LEAST FEBRUARY 2016, FUSION RX RECEIVED APPROXIMATELY \$14 MILLION IN REIMBURSEMENTS ON ITS CLAIMS FOR COMPOUNDED DRUG PRESCRIPTIONS.

meet the health needs of a patient. In their plea agreements, Vahedi and Fusion Rx admitted routing millions of dollars in kickback payments through the businesses of two marketers to steer prescriptions for compounded drugs to Fusion Rx. From May 2014 to at least February 2016, Fusion Rx received approximately \$14 million in reimbursements on its claims for compounded drug prescriptions.





Fusion Rx also failed to regularly collect copayments for prescriptions or would provide gift cards to patients to offset copayment costs. After an audit raised concerns that Fusion Rx's failure to collect copayments would be discovered, Vahedi directed Fusion Rx funds be used to purchase American Express gift cards to make copayments for certain prescriptions without the patients' knowledge. Fusion Rx then submitted claims on these prescriptions to insurance providers, falsely representing that patients had paid their copayments.

Both defendants agreed to pay restitution related to the copayment reimbursement part of the scheme, which is estimated to be \$4,405,926. In addition to his obligation under the plea agreement to pay restitution, Vahedi also agreed to forfeit \$1,338,511. Fusion Rx also agreed to pay a fine sufficient to divest itself of its remaining assets, Vahedi agreed to have his pharmacist license revoked, and both Vahedi and Fusion Rx will be excluded from federal health care programs such as Medicare and Medicaid going forward.

The two marketers involved in the scheme—Joshua Pearson, 41, of St. George, Utah, and Joseph Kieffer, 40, of West Los Angeles, California—previously pleaded guilty in this case and are scheduled to be sentenced in May and June 2021 respectively.

False Statements on Controlled Substances Form, Obstruction of Federal Audit

January 2021

Marc Hoang, a pharmacist based in West Covina, California, pleaded guilty in United States District Court, Central District of California, on October 26, 2020, to making a false statement related to a health care fraud investigation. Our investigation found that Hoang knowingly and willfully made a materially false and fraudulent statement on a Drug Enforcement Administration (DEA) form. Hoang submitted the form to the DEA to renew the controlled substances registration for his former pharmacy. On the form, Hoang represented that he was the person who distributed the controlled substances and was the officer and point of contact for the pharmacy, when in fact, he was not.

In this same investigation, Navanjun Grewal, a plastic and reconstructive surgeon based in Beverly Hills, California, pleaded guilty in United States District Court, Central District of California, on January 13, 2021, to making and using a false document and to obstruction of a federal audit. Our investigation found that Grewal created false and fraudulent patient files in response to an audit request regarding prescriptions for compounded medications that were submitted for reimbursement.

Fraudulent Medical Claims

November 2020

John Kosloski, a chiropractor based in Dolton, Illinois, pleaded guilty in U.S. District Court, Northern District of Illinois, to Health Care Fraud on November 3, 2020. Our investigation found that Kosloski submitted fraudulent medical claims to Amtrak insurance providers for services that were not rendered. Kosloski obtained personal identifiable information of former Amtrak employees or those of their dependents in exchange for cash kickbacks. As a result of this scheme, Amtrak incurred a loss of approximately \$504,374. Kosloski's sentencing is pending.

OUR INVESTIGATION FOUND THAT KOSLOSKI SUBMITTED FRAUDULENT MEDICAL CLAIMS TO AMTRAK INSURANCE PROVIDERS FOR SERVICES THAT WERE NOT RENDERED. KOSLOSKI OBTAINED PERSONAL IDENTIFIABLE INFORMATION OF FORMER AMTRAK EMPLOYEES OR THOSE OF THEIR DEPENDENTS IN EXCHANGE FOR CASH KICKBACKS

Employee Participation in Health Care Fraud Scheme
October 2020

An Amtrak coach cleaner in Chicago, Illinois, was terminated from employment on October 14, 2020, following her administrative hearing. The former employee participated in a medical fraud scheme in violation of company policies. Our investigation found that the former employee provided a chiropractor based in Dolton, Illinois, with her medical and personally identifiable information and that of her dependents in exchange for cash kickbacks. The chiropractor used the information to fraudulently bill Amtrak’s health insurance plan for services that were not provided.

Facilitating Referrals for Medically Unnecessary Compounded Drugs
October 2020

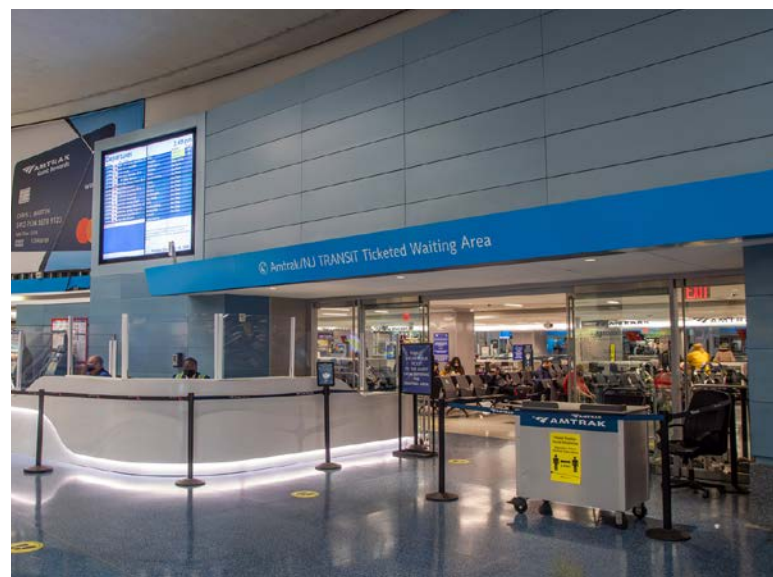
Irena Shut, a medical marketer based in Los Angeles, California, was sentenced in United States District Court, Central District of California, on October 5, 2020, to two years’ probation for conspiracy to commit health care fraud. Our investigation found that Shut was paid commissions for facilitating the referral of prescriptions for medically unnecessary compounded drugs and other items reimbursed by health care benefit programs. As a result of the scheme, Amtrak’s

insurance providers were fraudulently charged approximately \$22,000. Criminal judicial proceedings for other defendants in this case are pending.

Ticket Fraud

Ticket Fraud, Identity Theft
October 2020

A Pennsylvania man pleaded guilty in U.S. District Court, Northern District of Illinois, to theft of government funds on January 12, 2021. Our investigation disclosed that Ryan Kane, a resident of Philadelphia, participated in a scheme to defraud Amtrak and others by using stolen credit card information from more than 10 credit cards to purchase Amtrak tickets online. Kane then canceled the Amtrak tickets and received vouchers for the value of those tickets from Amtrak. Kane sold the Amtrak vouchers on eBay at a fraction of their face value. As a result, Kane fraudulently caused Amtrak to issue more than \$35,000 in ticket vouchers.





In addition, Kane conspired with Christian Newby by showing him how to execute the scheme. Newby, a resident of Milan, Michigan, defrauded Amtrak of more than \$540,000 and was sentenced to 72 months in federal prison in September 2020.

Kane will be sentenced at a future date.

November 2020

Adam Micek, of Queens, New York, was sentenced in U.S. District Court, Eastern District of New York, on November 12, 2020, to a prison term of time served, probation for 36 months and was ordered to pay restitution of \$132,787. Micek previously pleaded guilty to conspiracy to commit wire fraud for his involvement in an Amtrak eVoucher scheme. Our investigation found that Micek and his co-conspirators used stolen credit card information to make unauthorized purchases of Amtrak tickets and then canceled or exchanged those tickets for eVouchers. Subsequently, they sold the fraudulently obtained eVouchers on the internet.

October 2020

Ryan Taylor Minter, of Calumet City, Illinois, was sentenced in United States District Court, Central District of Illinois, on October 6, 2020, to 18 months in prison, 1-year of probation and was ordered to pay restitution of \$15,938 for wire fraud charges. Our investigation found that Minter participated in a scheme to defraud Amtrak and others by using stolen credit card information from at least 216 different credit or

debit cards to purchase Amtrak tickets online valued at over \$29,000. Minter used Amtrak's mobile application and website to purchase the tickets and then advertised them at a discounted price on social media sites frequented by college students.

Contractor Misconduct

Bribery, Contract Steering

February 2021

An executive for a Delaware manufacturing firm was sentenced February 8, 2021, in U.S. District Court, Eastern District of Pennsylvania, to prison time for his involvement in a bribery scheme involving an Amtrak contracting official.

John P. Gonzales, 61, of Milford, Delaware, an Executive Vice President and Financial Officer for First State Manufacturing (FSM), was sentenced to 20 months in prison and one year of supervised release for bribing a former Amtrak procurement official, Timothy Miller, with cash, kickbacks, and vacations. In exchange, Miller ensured that FSM was awarded about \$7.6 million in Amtrak contracts from 2015 through 2017. Once the contracts were secured, FSM allegedly provided substandard textile products and conspired with Miller to inflate prices which cost taxpayers even more money.

JOHN P. GONZALES, 61, OF MILFORD, DELAWARE, AN EXECUTIVE VICE PRESIDENT AND FINANCIAL OFFICER FOR FIRST STATE MANUFACTURING, WAS SENTENCED TO 20 MONTHS IN PRISON AND 1 YEAR OF SUPERVISED RELEASE FOR BRIBING A FORMER AMTRAK PROCUREMENT OFFICIAL, TIMOTHY MILLER, WITH CASH, KICKBACKS, AND VACATIONS.

Gonzales, Miller, and another FSM executive have been criminally prosecuted as a result of the scheme. Miller was sentenced to one year and one day in prison. Donald Scott Crothers, FSM's Vice President for Marketing and Contract Administration, received a sentence of eighteen months in prison for his role in the scheme.

Additionally, The U.S. Attorney's Office for the Eastern District of Pennsylvania filed suit against FSM on November 17, 2020, for violating the False Claims Act.

The United States and FSM entered into a Consent Judgment that resolved the matter without litigation in which FSM is required to pay more than \$393,000 to the United States, a settlement amount based on the company's financial status.

Falsified Pre-employment Drug Tests

October 2020

Michael Hollingsworth, a resident of New York, was sentenced on October 26, 2020, in U.S. District Court, Southern District of New York, to 36 months of probation and forfeiture of \$200 for falsifying an Amtrak pre-employment drug test. Hollingsworth received cash from an Amtrak job applicant to submit a fraudulent drug test sample so the applicant would pass Amtrak's drug screening requirement. At the time, Hollingsworth was the owner and operator of DDW Drug Testing Services,

a subcontractor that conducts pre-employment drug-test collections for Amtrak's prime contractor. His company served as the primary drug test sample collector for Amtrak in the New York City area since 2016. He previously pleaded guilty for his role in the scheme on November 19, 2019.

In addition to our investigation into Hollingsworth's activities, we issued a management information report to the company presenting our observations regarding Amtrak's prime contractor. Our report identified a disturbing lack of due diligence by the contractor regarding their subcontractors involved in the pre-employment drug testing process. We also found that the prime contractor was less than candid with Amtrak officials and our investigators about prior problems with Hollingsworth. The company concurred with our observations and took corrective action to address them.

HOLLINGSWORTH RECEIVED CASH FROM AN AMTRAK JOB APPLICANT TO SUBMIT A FRAUDULENT DRUG TEST SAMPLE SO THE APPLICANT WOULD PASS AMTRAK'S DRUG SCREENING REQUIREMENT.

Policy Violations and Employee Misconduct

Failure to Report for Shift, Unlawful Entry into U.S. Capitol

March 2021

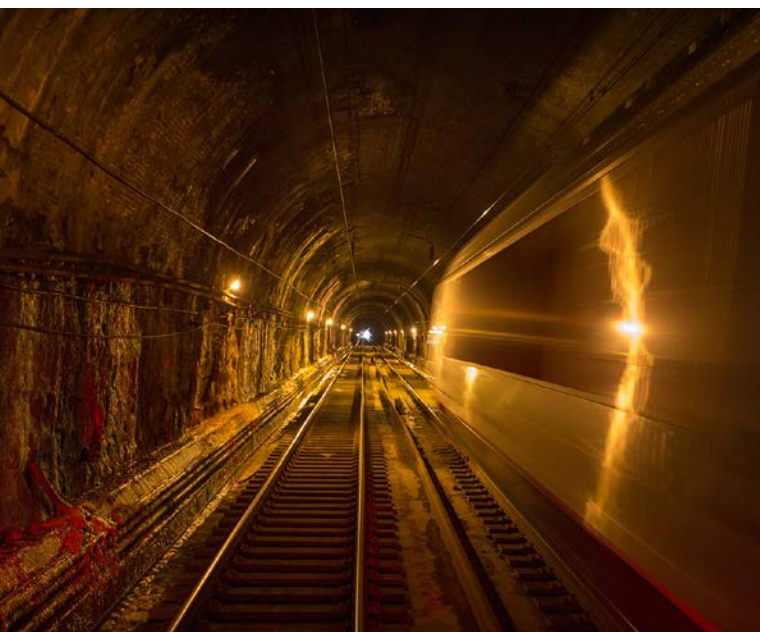
A company trackman was terminated from employment on March 31, 2021, after our investigation found he violated Amtrak policies by not reporting for his assigned shift thereby failing to attend to his duties, and by participating in the unauthorized entry of the U.S. Capitol building on January 6, 2021.

Accepting Gifts from Amtrak Contractor

March 2021

A management official and a company inspector violated Amtrak policies by accepting gifts and favors from a construction contractor who was awarded a \$58 million contract by the company. The management official received gifts from the contractor, including three trips to Philadelphia, and drinks and entertainment at a gentleman's club. His employment with the company was terminated on February 1, 2021. The inspector received gifts from the contractor, which included a furnace for his church, a suit, and a pair of shoes. His employment with the company was terminated on March 30, 2021.

THE MANAGEMENT OFFICIAL RECEIVED GIFTS FROM THE CONTRACTOR, INCLUDING THREE TRIPS TO PHILADELPHIA, AND DRINKS AND ENTERTAINMENT AT A GENTLEMAN'S CLUB.



Chainsaw Theft

March 2021

An Amtrak employee was arrested March 8, 2021, for allegedly stealing chainsaws and chainsaw parts valued at over \$50,000 from Amtrak and reselling them. The employee was terminated from employment the following day.

ACCORDING TO COURT DOCUMENTS AND STATEMENTS, RODRIGUEZ, AN AMTRAK SENIOR ENGINEER AND REPAIRMAN BASED IN NORTH BRUNSWICK, ALLEGEDLY OBTAINED 77 CHAINSAWS, 103 CHAINSAW BARS, AND 163 CHAINS FROM AMTRAK BETWEEN AUGUST 2016 AND JULY 2020, THE TOTAL VALUE OF WHICH WAS MORE THAN \$50,000.

Jose Rodriguez, 48, of Brick, New Jersey, was charged by complaint with one count of theft from Amtrak and one count of theft of government property. According to court documents and statements, Rodriguez, a senior engineer and repairman based in North Brunswick, New Jersey, allegedly obtained 77 chainsaws, 103 chainsaw bars, and 163 chains from Amtrak between August 2016 and July 2020, the total value of which was more than \$50,000. He then allegedly sold most of the Amtrak chainsaws and parts to purchasers throughout the United States through an online auction service. During the investigation, agents recovered chainsaws that were sold which had serial numbers matching Amtrak's chainsaws.

The offenses charged in the complaint each carry a maximum penalty of 10 years in prison and a maximum fine of \$250,000. The charges and allegations contained in the complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.



Fraudulently Claimed Pay

February 2021

A supervisor based at Sunnyside Yard in New York City was terminated on February 18, 2021, following an administrative hearing. The former employee violated company policies by fraudulently claiming and accepting payment for regular pay, overtime pay, or both during hours when he was not working. In addition, company rail pass records showed that his pass was in use on days when he also claimed work hours, indicating that either he claimed labor hours while he was on personal travel or that he allowed others to use his rail pass privileges.

Viewing Pornography on Company Computer

January 2021

A senior engineer was terminated on February 5, 2021, for violating company policies by downloading and viewing pornographic material from various websites and viewing videos that were stored on a USB storage device connected to his company-owned computer. In addition, the employee repeatedly used this computer for personal shopping, communicating via a personal email account, streaming sporting events, and other activities that were not work-related—both during the workday and in the evening outside of work hours.

Failure to Report Criminal Convictions

January 2021

A carman based in Beech Grove, Indiana, was terminated from employment on January 9, 2021, following his administrative hearing. Our investigation found the former employee violated company policy when he failed to report multiple drug or alcohol related convictions on his initial background investigation questionnaire.

Molestation

December 2020

A yard conductor based in Washington, D.C., resigned from the company on December 31, 2020, prior to his administrative hearing. The former employee was administratively charged by Amtrak management for actions that brought discredit to the company. Our investigation found that the former employee had been indicted on state child molestation charges in June 2020. On December 15, 2020, the former employee was convicted of the charges and sentenced to 18 months in prison, 1 year of home confinement, and 5 years' probation.



Outside Employment During Company Shifts

December 2020

An Amtrak Police Department (APD) employee resigned on December 15, 2020, in lieu of a disciplinary hearing for violating various company policies. Our investigation found that the employee engaged in outside employment during his shifts and while on sick leave. In doing so, the employee also violated his union agreement. The employee shopped online and left for long periods of time to purchase supplies for his outside employment during his APD shifts and engaged in his outside employment while the company was paying him to attend mandatory training. During the training, he took significant steps to hide these actions from being discovered.

THE EMPLOYEE SHOPPED ONLINE AND LEFT FOR LONG PERIODS OF TIME TO PURCHASE SUPPLIES FOR HIS OUTSIDE EMPLOYMENT DURING HIS APD SHIFTS AND ENGAGED IN HIS OUTSIDE EMPLOYMENT WHILE THE COMPANY WAS PAYING HIM TO ATTEND MANDATORY TRAINING.



(2) failing to disclose relationships between company employees and vendors; (3) engaging in conflicts of interest by approving invoices for personal gain; and (4) coordinating with contractors during a competitive solicitation, misrepresenting Amtrak's requirements, and engaging in other activities that undermined the Procurement department's ability to ensure its decisions were in the company's best interest.

Adding Tips Without Customer Knowledge

December 2020

A lead service agent based in New York City resigned on December 12, 2020, prior to her disciplinary hearing for violating Amtrak policies by adding tips to at least two Café Car credit card transaction receipts without the knowledge or authorization of the customers.

Contract Steering, Conflict of Interest

December 2020

Two senior IT employees were terminated on December 11, 2020, for violating company policies by (1) steering contracts to close personal friends;

Unauthorized Discount for Family Member

December 2020

A customer service representative in Los Angeles, California, received an 18-day suspension on December 7, 2020, and another resigned from the company on December 24, 2020, for violating company policy. Our investigation found that the employees participated in the manual pricing of an Amtrak fare for a family member without authorization. We found that the employees wrongfully extended substantially discounted travel to a family member of one of the employees, causing loss of revenue to the company.

Outside Employment During Company Shifts

December 2020

A signal maintainer based in Chicago, Illinois, was terminated from employment on December 3, 2020, following his administrative hearing. Our investigation found that the former employee violated company policy by leaving during his work shifts to drive for a rideshare company. We also found that he routinely sat in his car during his work shifts for extended periods of time. During his interview, he admitted to leaving during his work shift to drive for the rideshare company, including when he was scheduled and paid to work overtime.

Outside Employment while on Medical Leave of Absence

December 2020

An Amtrak employee based in Jackson, Michigan, was terminated from employment on December 2, 2020, for violating the collective bargaining agreement between the Brotherhood of Maintenance of Way Employees and Amtrak. Our investigation found that the former employee violated company policy by engaging in outside employment while on a medical leave of absence from the company.

Failure to Report Arrest, Convictions

November 2020

A trackman based in Chicago, Illinois, was terminated from employment on November 23, 2020, following his administrative hearing. Our investigation found the former employee violated company policy when he failed to report an arrest and subsequent conviction for drug possession and a separate conviction related to unemployment fraud. The arrest and convictions occurred while the former trackman was employed by the company.

Driving Company Vehicle Without License

November 2020

A locomotive technician based in Seattle, Washington,

was terminated from employment on November 12, 2020, following his administrative hearing. Our investigation found that the former employee violated company policies by driving a company-owned vehicle without a valid driver's license on at least two occasions. We also found that the former employee failed to report an arrest and subsequent conviction to the company for a driving under the influence violation as required by company policy.

Lost and Found Theft

November 2020

A baggageman based in Chicago, Illinois, was terminated from employment on November 3, 2020, following his administrative hearing. On September 14, 2020, we were notified that the former employee had been arrested for offenses which included identify theft. At the time of his arrest, he was in possession of 21 Social Security cards and 13 state and government-issued identification cards belonging to 21 different individuals. Our investigation found that of the 21 individuals' identification documents in his possession, 19 were previously located in the Chicago Union Station lost and found or were reported lost on Amtrak trains.

AT THE TIME OF HIS ARREST, HE WAS IN POSSESSION OF 21 SOCIAL SECURITY CARDS AND 13 STATE AND GOVERNMENT-ISSUED IDENTIFICATION CARDS BELONGING TO 21 DIFFERENT INDIVIDUALS. OUR INVESTIGATION FOUND THAT OF THE 21 INDIVIDUALS' IDENTIFICATION DOCUMENTS IN HIS POSSESSION, 19 WERE PREVIOUSLY LOCATED IN THE CHICAGO UNION STATION LOST AND FOUND OR WERE REPORTED LOST ON AMTRAK TRAINS.



Failure to Report Arrest, Conviction

November 2020

A trackman/watchman based in Chicago, Illinois, was terminated from employment on November 3, 2020, following his administrative hearing. Our investigation found that the former employee failed to report an arrest and conviction for a driving under the influence while employed with the company. We also found that the former employee violated company policy by signing out a company vehicle when his driver's license was suspended, and that he bid for a position which required a valid driver's license for which he submitted fraudulent records. Further, the former employee was dishonest with our agents during his interview.

Leaving Post

October 2020

A ticket agent based in North Dakota was terminated from employment on October 28, 2020, following her administrative hearing. Our investigation found that the former employee left her post on seven separate occasions for extended periods of time, without approval or authorization, to attend personal events and activities on company time, and without clocking out as company policy requires.

OUR INVESTIGATION FOUND THAT THE FORMER EMPLOYEE LEFT HER POST ON SEVEN SEPARATE OCCASIONS FOR EXTENDED PERIODS OF TIME, WITHOUT APPROVAL OR AUTHORIZATION, TO ATTEND PERSONAL EVENTS AND ACTIVITIES ON COMPANY TIME, AND WITHOUT CLOCKING OUT AS COMPANY POLICY REQUIRES.

Other Crimes

Theft

March 2021

Lauren Jones, a former Hertz employee in Chicago, Illinois, pleaded guilty in Circuit Court of Cook County on March 24, 2021, to felony theft charges and was sentenced to two years' probation on the same date. Our investigation found that Jones stole validated parking passes for the Chicago Union Station parking garage, valued at over \$500, from Hertz. In addition, three Amtrak employees were previously charged and convicted of theft charges in this investigation.

APPENDIX A: STATISTICAL DATA

Better Use of Funds	\$7,600,000
Questioned Costs	—
Recoveries and Restitution	\$543,175.56
Forfeitures	\$3,040,588.82
Cost Avoidance	—

TABLE A.2. AUDIT ACTIVITY DURING THE PERIOD

REPORT INFORMATION	BETTER USE OF FUNDS	QUESTIONED COSTS
The Company Can Take Steps to Evaluate Its Current Safety Culture <i>Issued 10/2/2020 Report OIG-A-2021-001</i>	—	—
Top Management and Performance Challenges for Fiscal Year 2021 <i>Issued 10/23/2020 Report OIG-SP-2021-002</i>	—	—
Expanded Random Drug Testing Could Help Further Detect and Deter Prescription Opioid Misuse <i>Issued 10/27/2020 Report OIG-A-2021-003</i>	—	—
Amtrak Expects Positive Train Control will be Interoperable with Other Railroads but Could Better Measure System Reliability <i>Issued 12/11/2020 Report OIG-A-2021-004</i>	—	—
Final Observations on Amtrak's Use of CARES Act Funds <i>Issued 12/15/2020 Report OIG-A-2021-005</i>	—	—
Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2020 <i>Issued 12/23/2020 Report OIG-A-2020-006</i>	—	—
The Company Can More Effectively Use Injury Claims Data to Help Reduce Risks <i>Issued 2/25/2021 Report OIG-A-2021-007</i>	\$7,600,000	—
Total Monetary Impact	\$7,600,000	—

TABLE A.3. ONGOING AUDITS

ONGOING PROJECT STATUS	NUMBER OF PROJECTS
Audit Projects In-process, as of 9/30/2020	10
Audit Projects Canceled	—
Canceled Audit Projects Not Disclosed to the Public	—
Audit Projects Started Since 9/30/2020	11
Audit Products Issued Since 9/30/2020	7
Audit Projects In-process, as of 3/31/2021	14

TABLE A.4. ADVISORY FUNCTIONS DURING THE PERIOD

ACTIVITY	ACTIONS
Freedom of Information Act (FOIA) Requests Received	5
FOIA Requests Processed	2
FOIA Requests Referred to Amtrak	3
FOIA Requests with Responses Pending	—
FOIA Appeals Received	—
FOIA Appeals Processed	—
Legislation Reviewed	3
Regulations Reviewed	3
Outside Agency Consultation	—



TABLE A.5. INVESTIGATIVE ACTIVITY DURING THE PERIOD

INVESTIGATIVE CASELOAD	NUMBER
Investigations Opened	53
Investigations Closed	43
Closed Investigations of Senior Employees Not Publicly Disclosed	—

CASES OPENED	NUMBER
Major Misconduct and General Crimes	39
Health Care Fraud	10
Contract and Procurement Fraud	3
Federal Employers' Liability Act and Other Claims Fraud	1

HOTLINE ACTIVITY	NUMBER
Referred to Amtrak Management	101
Referred to Customer Service	60
Referred to Amtrak Police Department	4
Referred for Audit	1
Referred for Investigation	13
Referred to Other Agency	—
Request from Other Agency	1
No Action Warranted	24

JUDICIAL AND ADMINISTRATIVE ACTIONS	NUMBER
Criminal Referrals to Department of Justice	25
Criminal Referrals to State and Local Prosecuting Authorities	8
Criminal Referrals Declined	18
Arrests	5
Indictments/Informations	18 ^a
Convictions	8
Investigative Reports Issued to the Company	20
Administrative Actions	31

^a 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 18 indictments/informations/complaints reported during this reporting period, two were referred in the current reporting period and 16 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
Background Checks Process Has Improved, but Some Inefficiencies and Gaps Persist <i>Issued 11/1/2018 Report OIG-A-2019-001</i>	—	—
Weaknesses in Contract Oversight Pose Financial, Operational, and Legal Risks <i>Issued 3/4/2019 Report OIG-A-2019-004</i>	—	—
Improving Management Processes Could Reduce Costs and Generate Additional Revenues <i>Issued 3/29/2019 Report OIG-A-2019-006</i>	\$17,600,000	—
Improving Cybersecurity and Resiliency of Train Control Systems Could Reduce Vulnerabilities <i>Issued 7/9/2019 Report OIG-A-2019-008</i>	—	—
Rightsizing Workforce and Using It More Flexibly Could Reduce Costs at Preventative Maintenance Facilities <i>Issued 9/3/2019 Report OIG-A-2019-012</i>	\$6,300,000 ^c	—
Better Estimates Needed of the Financial Impacts of Poor On-Time Performance <i>Issued 10/14/2019 Report OIG-A-2020-001</i>	—	—
Better Management of Reimbursable Projects Could Help the Company Consider Benefits and Recover its Costs <i>Issued 10/23/2019 Report OIG-A-2020-002</i>	\$10,400,000	—
Stronger Controls Would Help Identify Fraudulent Medical Claims Sooner and Limit Losses <i>Issued 12/10/2019 Report OIG-A-2020-003</i>	—	\$57,000,000
More Effective Management of Vehicle Fleet Would Improve Safety and Reduce Costs <i>Issued 3/17/2020 Report OIG-A-2020-007</i>	\$91,000	—
Improved Procurement Practices Could Help Ensure Lowest Prices for Materials and Maximum Savings <i>Issued 4/15/2020 Report OIG-A-2020-008</i>	\$9,900,000	—
Mobile Device Security Needs to Improve to Better Protect Company Data from Compromise <i>Issued 5/8/2020 Report OIG-A-2020-010</i>	—	—
Management of the Police Department Has Recently Improved, but Foundational Decisions Are Needed on its Role and Priorities <i>Issued 7/1/2020 Report OIG-A-2020-012</i>	—	—
More Effective Planning and Coordination of Track Outages Would Help Achieve a State of Good Repair <i>Issued 9/14/2020 Report OIG-A-2020-016</i>	—	—
Total Monetary Impact	\$44,291,000	\$57,000,000

^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 \$2.1 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	1	\$7,600,000
MANAGEMENT DECISIONS DURING THE PERIOD		
Amounts Agreed to by Management	1	\$7,600,000
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 three Amtrak corporate policies and continued its efforts to ensure the American taxpayers' dollars entrusted to Amtrak were protected by reviewing legislation and continuing to provide oversight of the \$1.7 billion in additional emergency funding provided to Amtrak by Congress as part of the most recent COVID relief bill, or the American Rescue Plan Act of 2021 (H.R. 1319) and the \$1 billion provided under the emergency coronavirus relief package included with the Consolidated Appropriations Act, 2021 (H.R. 133). Finally, the OIG reviewed draft legislation (Surface Transportation Reauthorization Legislation) regarding the Amtrak Police Department (APD) in relation to our recent audit report, OIG-A-2020-012, *Management of the Police Department Has Recently Improved, but Foundational Decisions Are Needed on its Role and Priorities*.

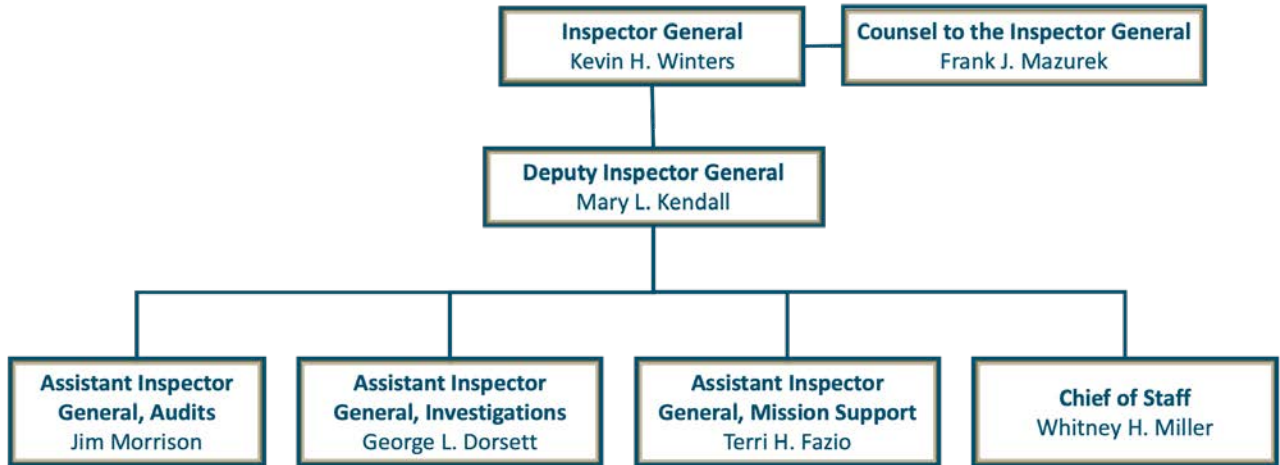
H.R. 1319. On March 10, 2021, the U.S. House of Representatives passed the Senate-amended H.R. 1319, the American Rescue Plan (ARP). The ARP provides \$1.9 trillion in additional relief to respond to COVID-19. This follows the enactment of nearly \$4 trillion in COVID-19 relief in 2020. ARP includes provisions on aid to state and local governments, hard-hit industries and communities, tax changes affecting individuals and businesses, and other provisions—including \$1.7 billion to Amtrak, which includes \$970 million for Northeast Corridor grants and \$730 million for National Network grants.

H.R. 133. On December 21, 2020, Congress passed a \$900 billion coronavirus relief package that was included with the \$1.4 trillion Consolidated Appropriations Act of 2021 (H.R. 133), signed into law on December 27, 2020. The COVID-19 provisions deliver additional aid to businesses, provide a \$300 per week increase in unemployment insurance benefits, and direct \$600 stimulus payments to certain Americans. The bill also provides targeted relief for healthcare providers and further funds vaccine and testing distribution.

The emergency coronavirus relief package also included \$1 billion to Amtrak to support the company's ability to operate the Northeast Corridor, State-supported, and long-distance passenger rail service, including \$284.7 million to assist States and commuter rail providers in making required payments to Amtrak. The emergency funding was also provided to support Amtrak workers by preventing further employee furloughs, requiring Amtrak to recall workers as passenger rail service is restored, barring Amtrak from replacing any furloughed workers with contractors, and preventing further reductions in long-distance rail service.

Surface Transportation Reauthorization Legislation. On July 1, 2020, our office issued OIG-A-2020-012, *Management of the Police Department Has Recently Improved, but Foundational Decisions Are Needed on its Role and Priorities*. The report's objective was to evaluate the extent to which the company employs key practices to ensure the efficiency and effectiveness of its police force. As part of this year's surface transportation reauthorization process, the U.S. House Committee on Transportation and Infrastructure, Subcommittee on Railroads, Pipelines, and Hazardous Materials requested technical assistance from our office regarding their legislation and the status of the open recommendations from our report. The OIG reviewed the language and provided technical comments to assist the staff members in understanding the progress made by APD and the company in relation to our report.

APPENDIX C: OIG ORGANIZATION



The OIG headquarters is based in Washington, D.C., with field offices in Boston, Chicago, Florida, Los Angeles, New York, 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; IT; 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 FY 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.

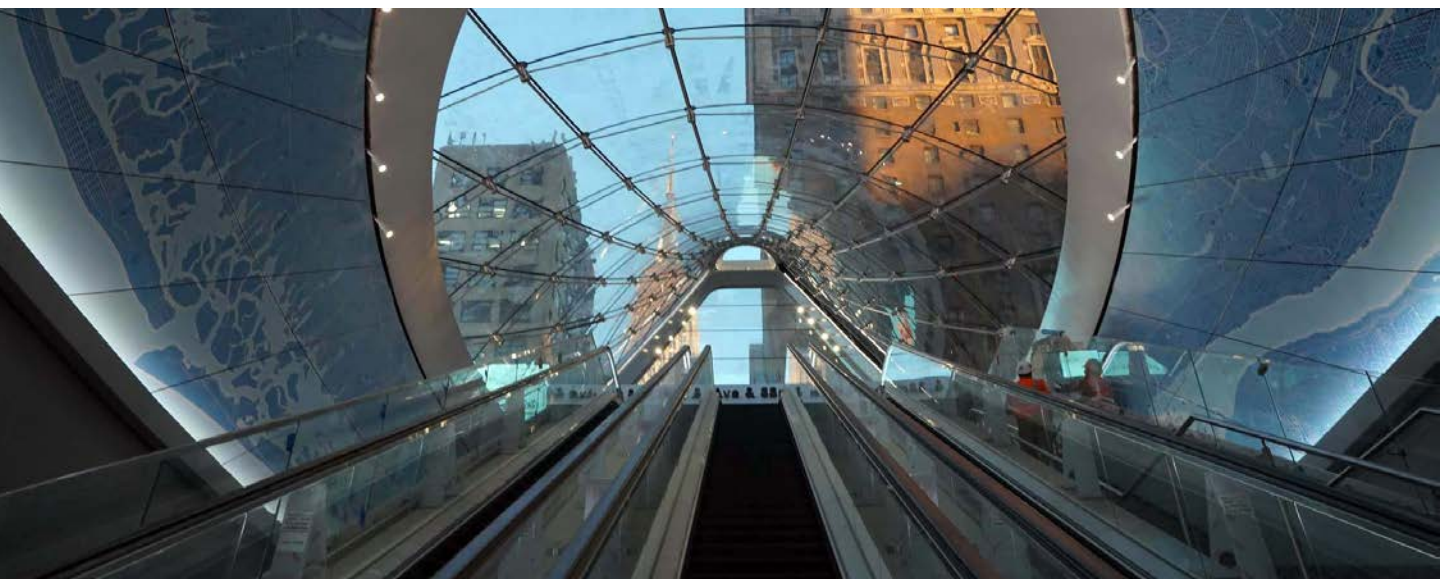
Also during FY 2019, our Office of Investigations was the subject of a CIGIE peer review by the Federal Deposit Insurance Corporation (FDIC) OIG. The FDIC OIG concluded that the system of internal safeguards and management procedures for our investigative function was in compliance with the quality standards 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.

During the period, we completed a CIGIE peer review of Legal Services Corporation OIG’s audit organization for the year ended March 31, 2020. Legal Services Corporation OIG received a “pass” rating. The report was released November 13, 2020.



APPENDIX E: ABBREVIATIONS

APD	Amtrak Police Department
ARP	American Rescue Plan
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DEA	Drug Enforcement Agency
DOT	Department of Transportation
FDIC	Federal Deposit Insurance Corporation
FMLA	Family Medical Leave Act
FSM	First State Manufacturing
FY	Fiscal Year
IPA	Independent Public Accountant
IT	Information Technology
OIG	Office of Inspector General
PTC	Positive Train Control
RRB	Railroad Retirement Board
SMS	Safety Management System



APPENDIX F: REPORTING REQUIREMENTS

INSPECTOR GENERAL ACT CITATION	REPORTING REQUIREMENT	PAGE
4(a)(2)	Review of Legislation and Regulations	33
5(a)(1)	Significant Problems, Abuses, and Deficiencies	5-27
5(a)(2)	Recommendations for Corrective Action to Significant Problems	5-27
5(a)(3)	Audit Reports Described in Previous Semiannual Reports for Which Corrective Actions are Not Complete	31
5(a)(4)	Matters Referred to Prosecutive Authorities	30
5(a)(5)	Information Assistance Refused or Not Provided	N/A
5(a)(6)	Audit Reports Issued in This Reporting Period	28
5(a)(7)	Summary of Significant Reports	5-27
5(a)(8)	Audit Reports with Questioned Costs	32
5(a)(9)	Audit Reports with Recommendations That Funds Be Put to Better Use	32
5(a)(10)	Previous Audit Reports Issued with No Management Decision Made by End of This Reporting Period	32
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	35
5(a)(17-18)	Investigative Reporting Statistical Tables	30
5(a)(19)	Investigations on Senior Government Employees Where Allegations are Substantiated	N/A
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	29-30

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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