SEMIANNUAL REPORT

TO THE UNITED STATES CONGRESS

October 1, 2021 – March 31, 2022 | #65

AMTRAK

OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION


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“We are proud of our work this reporting period, but with such a historic level of investment in Amtrak via the IIJA, we are keenly aware of the fraud risks that can accompany these funding increases, and we intend to make every effort to ensure the funds provided to Amtrak are used as Congress intended.”

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, 2022. For the past six months, Amtrak continued its recovery after its ridership plunged in 2020 due to the pandemic. In November 2021, while ridership continued to return, Congress passed the Infrastructure Investment and Jobs Act (IIJA), which provides Amtrak (the company) with access to as much as $66 billion in funding—the largest investment in passenger rail since the company's creation more than 50 years ago.

The legislation positions the company to play a major role in the nation's transportation and economic future by providing funds to repair and rehabilitate the company's rail assets, work with state and other partners to modernize the Northeast Corridor (NEC) and bring "world-class rail service" outside the NEC.

The IIJA also represents a significant, albeit different, addition to the company's traditional rail operations. To date, the company's primary mission has been to provide efficient and effective intercity passenger rail service. The IIJA and its funding directives, however, shift the company to assume nontraditional responsibilities: that of a capital development company charged with accomplishing long-term, large scale infrastructure goals.

While this is an exciting time for the company, we also believe that the sheer size of the IIJA's funding and requirements could strain its ability to manage its current operations. Specifically, it must continue to safely provide rail service as an overarching point of emphasis while concurrently planning and managing a long-term multibillion-dollar infrastructure portfolio. During this period, we reported on potential challenges facing the company as it implements the IIJA, including 1) transparently and accurately accounting for IIJA funds, 2) building a skilled workforce to support IIJA-funded projects, 3) working in collaboration with partners to achieve common IIJA goals, and 4) improving program and project management.

Other significant reports by our Office of Audits this period include our examination of the Gateway program, a generational infrastructure investment that impacts Amtrak and encompasses a series of phased projects in the NEC. Our review of the company's commitments to Gateway credits Amtrak for starting to hire staff and building a schedule to manage the volume of work. It has not, however, fully developed a comprehensive program management framework to help successfully manage its commitments, which are significant. Given the scope of the company's commitments over the next decade, and the fact that major projects are already underway, we note that the company has an opportunity now to build this framework to better prepare itself to succeed with the program.

Our audit team also found that, although the company has addressed some of the longstanding concerns associated with cost sharing on its state-supported routes, lingering challenges persist such as improving relationships and trust with its state partners, clarifying how costs are assigned, and assuring state partners that their bills are accurate. The ongoing congressionally mandated discussions about the cost-sharing methodology offer a meaningful opportunity to begin resolving the challenges we identified.

Our Office of Investigations also produced significant results this period, including opening 44 investigations and closing 35; earning 8 convictions and 27 administrative actions; and collecting $23.4 million in recoveries, restitution, and forfeitures.

As criminals persist in targeting Amtrak's health plans, our investigators continued to hold them accountable. For example, our work helped lead to federal convictions for a pharmacy owner who orchestrated a health care fraud and kickback scheme in which so-called "marketers" steered prescriptions to his business that were expensive and potentially unnecessary. The pharmacy owner was sentenced to 30 months in prison and he and his company were ordered to jointly pay more than $4.4 million in restitution. In another case, an Amtrak employee and his wife pleaded guilty for marketing and distributing over $3 million worth of misbranded drugs and unapproved drugs. The couple sold various prescription drugs, sometimes in dosages higher than recommended, and other drugs that were not approved for human use. As part of their plea agreement, the couple must forfeit over $3 million in criminal proceeds.

After our criminal investigators examined multiple cases related to ticket and eVoucher fraud, they provided a report to the company that identified internal control weaknesses and other vulnerabilities that exacerbated the company's fraud risk. The company has since made significant improvements to its internal controls such as not extending expiration dates on eVouchers and prohibiting third-party transfers. While we believe these steps will help mitigate ticket fraud in the future, we will continue to remain vigilant as such ticket fraud schemes have cost the company hundreds of thousands of dollars.

Our investigative team also conducted multiple investigations related to employee misconduct and related criminal activity during this reporting period. One former employee pleaded guilty to two counts of wire fraud in part for inventing a phony New Orleans to New York City Amtrak trip and bilking customers out of approximately $23,000 to $26,000 in payments for the fake trip. Another former employee pleaded guilty to a charge of mail fraud resulting from a scheme in which he stole 114 Amtrak-owned chainsaws and other chainsaw parts totaling more than $76,000 and sold many of the saws and parts online. In a more recent case, six employees, including a supervisor and two assistant supervisors, resigned after we found that they intentionally misused their company badges and/or created counterfeit badges that they fraudulently "swiped" for one another via Amtrak's time and attendance machines to clock-in or out.

We are proud of our work this reporting period, but with such a historic level of investment in Amtrak via the IIJA, we are keenly aware of the fraud risks that can accompany these funding increases, and we intend to make every effort to ensure the funds provided to Amtrak are used as Congress intended. For the next six months and beyond, we are prepared to provide effective oversight on Amtrak's use, accounting, and reporting on IIJA funding and associated projects, and we have established mechanisms to help identify potential IIJA-related fraud, waste, and abuse. Of course, we will also focus on our traditional areas of oversight, including safety, accessibility, program and asset management, and cybersecurity.

We trust that you will find this report informative.


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Management Challenges

Areas for Management Focus in Advance of Infrastructure Investment and Jobs Act Funding
(Special Report No. OIG-SP-2022-008, March 31, 2022)

The November 2021 passage of the Infrastructure Investment and Jobs Act (IIJA)[1] provides Amtrak (the company) access to as much as $66 billion in funding—the largest investment in passenger rail since the company's creation 50 years ago. The legislation positions the company to play a major role in the country's transportation and economic future by providing funds to repair and rehabilitate the company's rail assets, work with state and other partners to modernize the Northeast Corridor (NEC), and bring world-class rail service outside the NEC. As a result, the IIJA sets the stage for an unprecedented expansion of the company's traditional rail operations mission, which has been to provide efficient and effective intercity passenger rail service. Specifically, the IIJA and its funding directives will significantly increase the company's capital spending opportunities to further its long-term, large-scale infrastructure goals. While recognizing that the company has made significant progress in the past decade, this special report offered the OIG's perspective on four issues the company will likely face as it prepares to receive IIJA funding. The challenges include:

1. Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 429 (2021).

Demonstrating fiscal responsibility, including transparently and accurately accounting for IIJA funds. Funding from the IIJA will enable the company to advance major capital improvement projects like replacing century-old tunnels and bridges and purchasing new passenger cars to replace its aging fleet. Our report noted that, in doing so, the company would need to use its best business judgment to maximize the benefits of its federal funds, direct funds to the highest priority projects, and remain mindful of its duty to act as a good steward of taxpayer dollars. Our prior work has shown that the company is improving transparency in how it prioritizes capital projects and reports expenditures, but investments in basic business systems such as asset management and workforce scheduling could support the company's ability to do so more consistently. We also noted that an important element of fiscal responsibility is to protect funds from fraud, waste, and abuse, which would require the company to continue to exercise strong controls in vulnerable areas.

THE LEGISLATION POSITIONS THE COMPANY TO PLAY A MAJOR ROLE IN THE COUNTRY'S TRANSPORTATION AND ECONOMIC FUTURE BY PROVIDING FUNDS TO REPAIR AND REHABILITATE THE COMPANY'S RAIL ASSETS, WORK WITH STATE AND OTHER PARTNERS TO MODERNIZE THE NORTHEAST CORRIDOR (NEC), AND BRING WORLD-CLASS RAIL SERVICE OUTSIDE THE NEC.

Building a skilled workforce to plan and execute IIJA projects. We reported that the company was planning to expand its workforce by as much as 21 percent through the end of fiscal year (FY) 2022, including hiring new managers to lead IIJA-funded projects and skilled agreement employees to execute them. Coming off the heels of the pandemic when the company lost many tenured managers as a result of downsizing and early retirements, we noted that the challenge would be not only to replace these employees but also to grow the workforce with highly qualified personnel. We also noted that the company would face challenges building this workforce in a timeframe that would keep pace with growing demands, allow managers to concentrate fully on a reasonable scope of responsibilities, and avoid employee burnout. We reported that the company's challenges would likely be exacerbated by a tight labor market in which multiple industries were vying for candidates with the same skills and experience the company needed, in many cases to support IIJA-funded projects in other transportation sectors like highways or transit.

Working collaboratively with partners to achieve common IIJA goals. The company's operations and finances depend in significant part on cooperation, coordination, and support from an array of external and internal stakeholders including state partners, commuter rail agencies, local governments, regional working groups, freight rail companies, Federal Railroad Administration (FRA), Congress, and its own internal departments. Our prior work has shown, however, that the company has had mixed success managing these relationships, which has affected issues as diverse as the railroad's on-time performance, track and rail-crossing safety, planning of track outages to conduct repairs, and cost sharing with its partners on state-supported routes. We noted that the ability to collaborate effectively with its external partners would be a necessary precursor to successfully accessing the $36 billion in funds IIJA provided for the Federal State Partnership for Intercity Passenger Rail grant program. Further, we noted that the company would need to work with external partners to prioritize which projects to support, apply for the funds, and plan and execute the projects efficiently.

Improving program and project management for IIJA endeavors. The IIJA will require the company to manage at least $22 billion in capital spending on the NEC and National Network. We noted that, to spend these funds efficiently and effectively and to achieve the intended project outcomes, the company would need to consistently apply sound program and project management practices. The company has recognized its challenges in this area and has made progress toward bringing structure and discipline to the project management function. The company has not always sustained these efforts, however, and its overall success with program and project management has been mixed.

Safety and Security

More Active Engagement with Regional Partners Would Improve Awareness of Potential Operational Risks on the Pacific Surfliner Route
(Management Advisory Report No. OIG-MAR-2022-002, December 6, 2021)

Since 2018, at least six bluff failures have occurred in the Del Mar Bluffs area just north of San Diego, California, resulting in temporary closures on the railroad tracks that traverse the area and speed restrictions on the company's high-volume Pacific Surfliner route. The most recent failure occurred in February 2021, when a 60-foot seawall collapsed at the base of a 1.7-mile-long section of the tracks that run along the bluffs. Also, in late September 2021, coastal erosion and high tides caused the railroad tracks near San Clemente, California, to shift 14 inches, leading to a 3-week partial shut-down of the Pacific Surfliner. Our initial objective for this report was to assess the extent to which the company is evaluating the risks associated with operating service on tracks on the Del Mar Bluffs.

ALSO, IN LATE SEPTEMBER 2021, COASTAL EROSION AND HIGH TIDES CAUSED THE RAILROAD TRACKS NEAR SAN CLEMENTE, CALIFORNIA, TO SHIFT 14 INCHES, LEADING TO A 3-WEEK PARTIAL SHUT-DOWN OF THE PACIFIC SURFLINER.

Because the service disruption in San Clemente involved similar issues along the same route and occurred during our work, we also performed a limited review of company actions in response to that event.

We found that the company met its regulatory obligations in response to the conditions in Del Mar by complying with speed restrictions and track outages enforced by the host railroad. We also found that after reports of unsafe track conditions in San Clemente, the company determined that circumstances warranted a more proactive response. As a result, it suspended rail service until it could complete an internal review and seek its own assurances that it was safe to resume operations. The company, however, may have missed opportunities to gather information it needed to determine whether circumstances may have warranted further safety assurances. Specifically, we found that the company had not participated in regional stakeholder working groups focused on understanding and planning both short- and long-term mitigation efforts along the Pacific Surfliner route. Participating in such groups would have likely put the company in a better position to identify and manage risks on host railroads.

We observed that the company should consider participating in ongoing discussions with regional stakeholders about track and other conditions along the Pacific Surfliner route. The company acknowledged the importance of our observation and stated that, in response, it would assign an Operations department official to participate in these discussions.

Observations on the Company's Annual Physical Exam Requirement for Locomotive Engineers
(Management Advisory Report No. OIG-MAR-2022-001, November 10, 2021)

The company requires its engineers to pass a comprehensive physical exam every three years as part of the certification process to operate a locomotive, which includes the hearing and vision testing that the FRA requires.[2] From August 2018 to August 2021,[3] the company also required its engineers to pass annual physical exams in support of its safety goals. In December 2019, we received a complaint alleging that hundreds of the company's engineers were not in compliance with its annual requirement.

Our review confirmed that, as of February 2020,[4] the 1,300 engineers the company had at that time met the three-year requirement, but 400 of them (30 percent) had not met the annual requirement. In March 2020, the company significantly reduced train operations at the onset of the COVID-19 pandemic and waived the annual requirement through June 2020. In August 2021, the company indefinitely suspended the annual requirement to reduce the risk of exposing its employees to COVID-19 at medical facilities. At that time, we found that the company's rate of compliance with the annual requirement was similar to the rate in February 2020. Senior officials told us the company still expected its engineers to meet the three-year requirement.

We communicated that if the company reinstates the annual requirement, management may want to consider adopting a more rigorous process to enforce compliance and designating in policy a senior accountable official responsible for this enforcement. The company agreed with our two considerations and described plans to address each of them if the company chooses to reinstate the suspended requirement.

OUR REVIEW CONFIRMED THAT, AS OF FEBRUARY 2020, THE 1,300 ENGINEERS THE COMPANY HAD AT THAT TIME MET THE THREE-YEAR REQUIREMENT, BUT 400 OF THEM (30 PERCENT) HAD NOT MET THE ANNUAL REQUIREMENT.

Ongoing Work

Monitoring Positive Train Control (PTC). 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 last audit report on PTC.

2. 49 C.F.R. § 240.121.

3. The company implemented this requirement with Amtrak Policy 7.3.3 and System General Road Foreman Notice Number 45, August 9, 2018, and suspended it with System General Road Foreman Notice Number 99, August 19, 2021.

4. We conducted our review in accordance with standards we developed for alternative products. We started our review in January 2020, and we postponed it until August 2021 because of the onset of COVID-19.

Governance

Company Needs a Comprehensive Framework to Successfully Manage its Commitments to the Gateway Program
(Audit Report No. OIG-A-2022-006, February 4, 2022)

The Gateway program (Gateway) is a generational investment and Amtrak's highest infrastructure priority. Through a series of phased projects, the company is partnering with the states of New York and New Jersey to upgrade and replace essential rail infrastructure between Newark, New Jersey, and Penn Station in New York City by 2035 at an estimated cost of more than $30 billion. These projects include the replacement of the Portal Bridge over the Hackensack River, construction of a new tunnel under the Hudson River, and rehabilitation of the existing North River Tunnel. Ultimately, Gateway is expected to add resiliency and reliability to the NEC's most congested section by increasing capacity from two to four mainline tracks. With Gateway, the company is pivoting from primarily running a national passenger railroad for the past 50 years to also executing and managing its participation in an infrastructure program of this scale. Accordingly, our objective was to assess the extent to which the company has a program management framework to govern how it will complete its current and future work across the Gateway projects.

We found that the company had started hiring staff and building a schedule, among other things, to manage the volume of work it would soon encounter on Gateway, but it had not fully developed a thorough program management framework that described the processes its departments would follow and the tools they would use to manage the program at that time and in the years ahead. We identified three challenges the company was facing without this program management framework. First, the program team was overtasked and understaffed because the company had not assessed the resources that the team and departments providing major support to Gateway would need to manage current and future work. Second, it had not determined how it would collect and provide comprehensive and consolidated information on the program's overall status—including budget and schedule—to all the internal stakeholders with responsibilities for Gateway. Third, although the company had assessed the risks to individual projects in coordination with its partners, it had not assessed the broader program-wide risks it may face managing its Gateway commitments, such as potential impacts to other company acquisitions or projects.

WITH GATEWAY, THE COMPANY IS PIVOTING FROM PRIMARILY RUNNING A NATIONAL PASSENGER RAILROAD FOR THE PAST 50 YEARS TO ALSO EXECUTING AND MANAGING ITS PARTICIPATION IN AN INFRASTRUCTURE PROGRAM OF THIS SCALE.

Our assessments of prior complex construction and acquisition programs found that when the company did not put this framework in place early enough, it experienced cost increases, schedule delays, and stress on its partner relationships as projects mature. Therefore, we recommended that the company further develop its program management framework by (1) building out its program management plan, (2) assessing its current and future resource needs, (3) implementing communication protocols to manage how it will generate, collect, and distribute program information, and (4) developing a process to identify and mitigate its program risks. The company agreed with our recommendations and identified specific actions it planned to take to address them.

Amtrak Has Begun to Address State Partners' Concerns About Shared Costs but Has More Work to Do to Improve Relationships
(Audit Report No. OIG-A-2022-005, January 31, 2022)

Amtrak's 28 state-supported routes carried 15 million riders in FY 2019—nearly half of the company's total pre-pandemic ridership and about a quarter of its total revenue (approximately $800 million). Over time, the company and its state partners have raised concerns about the methodology jointly developed under the Passenger Rail Investment and Improvement Act,[5] to share the costs of operating these routes. The pandemic further exacerbated state partners' concerns—particularly about the relationship between their service levels and shared costs. Recent legislation also required the company, its state partners, and the FRA to revise and update its cost-sharing methodology by March 31, 2022.[6] Given the important role the state-supported routes play in the company's national network, our objectives were to identify and assess the challenges associated with cost sharing on state-supported routes and the extent to which the company is working independently, and with its state partners, to address them.

We found that, over the past several years, the company has worked to address some of the challenges associated with cost sharing on its state-supported routes to ease its state partners' longstanding concerns. Three challenges, however, persisted. First, the company and its state partners had conflicting perspectives about the level of control over decisions that impact state-supported routes and the support the company should provide its partners. Second, unaddressed issues with the cost-sharing methodology continued, including how it allocated shared costs and infrastructure capital costs. Finally, although the company has designed quality controls into its cost-calculation and bill-development processes and provided state partners with detailed cost information, we found it could better assure state partners that their bills are accurate. State partners' perceptions about these issues affect their trust in the company. Moreover, trust has become a self-perpetuating problem, with low-trust partners interpreting the company's actions through that lens and leading them to take actions to protect their interests.

We recommended that the Executive Vice President/Chief Marketing and Revenue Officer coordinate with state partners and FRA to clarify which decisions affecting state partner costs the company must control and the level of support the company can provide. We also recommended that the company clarify and document decisions about the relationship between costs and service and how to handle capital costs. In addition, we recommended taking steps to better assure state partners that their bills are accurate, such as documenting the cost-calculation and bill-development process and sharing this information with them. The company agreed with our recommendations and identified actions it plans to take by October 31, 2023, to implement them.

STATE PARTNERS' PERCEPTIONS ABOUT THESE ISSUES AFFECT THEIR TRUST IN THE COMPANY. MOREOVER, TRUST HAS BECOME A SELF-PERPETUATING PROBLEM, WITH LOW-TRUST PARTNERS INTERPRETING THE COMPANY'S ACTIONS THROUGH THAT LENS AND LEADING THEM TO TAKE ACTIONS TO PROTECT THEIR INTERESTS.

Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2021
(Audit Report No. OIG-A-2022-004, December 21, 2021)

The company contracted with the independent certified public accounting firm of Ernst & Young LLP to audit its consolidated financial statements as of September 30, 2021, 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 assistance, it must obtain an audit performed in accordance with generally accepted government auditing standards.

5. Passenger Rail Investment and Improvement Act of 2008, Pub. L. No. 110-432, Div. B, Title II, § 209, 122 Stat. 4848, 4917-4918.

6. Infrastructure Investment and Jobs Act, Pub. L. No. 117-58. § 22211, 135 Stat. 429, 708-712 (2021). The law calls for the parties to revise the methodology and adopt stricter reporting and accountability procedures.

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 monitoring focused on two Ernst & Young reports and disclosed no instances in which Ernst & Young did not comply, in all material respects, with generally accepted government auditing standards. We reached this conclusion by monitoring Ernst & Young's audit activities, which included reviewing its reports, auditor independence and qualifications, audit plans, detailed testing results, summary work papers, and quality controls. We also attended key meetings.

Ongoing Work

Audit of Emissions Control Efforts. The objective will be to assess the company's plan to reduce greenhouse gas emissions and how effective it has been in achieving the reduction goals.

Monitoring the Work of the Independent Public Accountant (IPA) Conducting the Fiscal Year 2022 Consolidated Financial Statement Audit and Single Audit. The objectives will be to (1) determine whether the IPA performed the audit of the company's Consolidated Financial Statements in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, (2) determine whether the IPA performed the Single Audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States and Office of Management and Budget, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200, and (3) monitor the company's administration and facilitation of the audits.

Monitoring the Work of Amtrak's Independent Public Accountant Conducting the FY 2021 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.

Human Resources

Department Will Face Challenges Supporting Workforce Growth Plans
(Interim Audit Report No. OIG-A-2022-003, December 7, 2021)

As a result of the pandemic and its impacts on travel, the company reduced service and downsized its workforce to reduce costs. As pandemic restrictions lift and travel demand returns, the company expects to build its workforce by as much as 21 percent from June 2021 through the end of FY 2022. The Infrastructure Investment and Jobs Act[7] increased the company's need to add managers and workers with highly specialized

7. Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 429 (2021).

skills in the company's Engineering, Mechanical, and Transportation departments to oversee and execute high-priority capital projects. In October 2020, we began assessing the impacts of the pandemic on the company's workforce and its readiness to rebuild a management workforce that is sufficiently sized and skilled to execute the company's recovery and growth plans. During this audit, we identified several concerns about the Human Resources department's staffing and processes that, if not addressed in the near term, would likely negatively impact the company's ability to find and hire qualified candidates in time to meet the company's hiring needs.

We found that the Human Resources department did not have sufficient leadership or staff to effectively recruit, screen, hire, and onboard new employees. In October 2021, 44 percent of the positions in the talent acquisition group were vacant, including key leadership roles. Among the vacant positions was the Assistant Vice President for Talent, which the company attributed to a tight labor market. We found, however, that such vacancies also persisted because the company had not explored and developed meaningful solutions to compete for talent. In addition to filling internal vacancies, the company also expected to need assistance from third-party recruiting agencies to support a surge of hiring needs for the Engineering and Mechanical departments. These contracts would require a qualified Contracting Officer's Technical Representative to oversee the agencies' performance—a role the Chief Human Resources Officer (CHRO) assigned to the Director of Talent Acquisition Support, another position that was then vacant because the department had prioritized filling other vacancies.

To position the company to find and hire qualified candidates in time to meet its staffing needs, we recommended that company leadership work with the CHRO to explore and develop meaningful solutions to address competitive barriers to attracting executive talent and prioritize filling the Director for Talent Acquisition Support. The company agreed with our recommendations and described specific actions it planned to take by October 2022 to implement them. These included reviewing executive compensation and incentives, establishing metrics to monitor employee experience, and filling the vacant Director of Talent Acquisition Support position.

WE FOUND THAT THE HUMAN RESOURCES DEPARTMENT DID NOT HAVE SUFFICIENT LEADERSHIP OR STAFF TO EFFECTIVELY RECRUIT, SCREEN, HIRE, AND ONBOARD NEW EMPLOYEES.

Ongoing Work

Audit of Management Workforce Readiness. Our objective is to assess the company's efforts to address challenges in recruiting and retaining skilled engineering managers as it recovers from the pandemic and builds for the future.

Information Technology

Better Requirements Could Help the Company Implement Technology Projects More Effectively
(Audit Report No. OIG-A-2022-007, March 11, 2022)

The company has acknowledged the need to update several fundamental business systems while adopting new technologies. To that end, it planned to spend at least $750 million in capital funds for its business departments' technology projects over the next five years. IIJA will likely increase this spending as the company identifies technology requirements for its high-priority capital projects and potentially uses eligible funding to update its systems. As of June 2021, the company's Information Technology (IT) department was managing 93 projects for business departments with a combined budget of $127 million—73 percent of the company's overall technology budget for ongoing

projects in FY 2021. Given this level of investment, our objective was to assess the effectiveness of the company's efforts to identify the technology needs of its business departments and implement projects in response to those needs.

MOST OF THE 11 PROJECTS WE REVIEWED IN MORE DETAIL EITHER EXPERIENCED SCHEDULE SLIPPAGE THAT DELAYED THE START OF OTHER PROJECTS OR HAD COST OVERRUNS, SUCH AS THE $17.9 MILLION IN FUNDS WE IDENTIFIED THAT THE COMPANY COULD HAVE PUT TO BETTER USE.

We found that, since FY 2017, the company had implemented a process for more effectively identifying the business departments' technology projects. Nevertheless, the company could do more to systemically gather and robustly define a project's technology requirements. Almost all of the company officials we interviewed told us that poorly defined project requirements posed one of the biggest challenges affecting their technology projects. As a result, most of the 11 projects we reviewed in more detail either experienced schedule slippage that delayed the start of other projects or had cost overruns, such as the $17.9 million in funds we identified that the company could have put to better use. We found, and company officials agreed, that project requirements were not clear or complete because of the following:

- Business department staff did not understand their responsibilities in defining requirements.
- IT and the business departments did not have sufficient or dedicated assigned staff to invest the time necessary to write and review requirements.
- IT project teams did not include staff from the appropriate departments to ensure that the requirements were complete.

To improve the company's ability to implement technology projects that meet its business needs, we recommended that the Chief Information Officer (CIO) clarify roles to ensure that staff assigned to these projects understand their responsibilities. Given the unprecedented capital improvements on the horizon, we also recommended that the CIO coordinate with the business departments to develop a process to identify and plan for the company's technology resource needs beyond the upcoming year. The company agreed with our recommendations and, in response, will develop plans to clarify responsibilities for stakeholders; refine the requirements-gathering process to better identify business requirements; and coordinate the company's longer-term technology resource needs.

Ongoing Work

Audit of the Company's Technology Asset Inventory. Our objective will be to assess the effectiveness of the company's practices for identifying and tracking these assets.

Acquisition and Procurement

Ongoing Work

Survey of Engineering Contract Development and Management. Our objective will be to survey the company's practices for developing and managing construction contracts in the Engineering department.

Financial Management

Ongoing Work

Project Cost Management. Our objective will be to assess the effectiveness of the company's systems and processes to track and manage project costs.

Audit of the Company's Capital Planning Process. Our objective will be to assess the extent to which the company's capital planning process supports its strategic financial and operational goals.

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

Asset Management

Ongoing Work

Audit of the Intercity Trainset Acquisition. Our objective will be to assess the company's management and oversight of the program, and to assess risks, if any, to delivering the program on time.

Audit of the Company'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.

Train Operations

Ongoing Work

Survey of Challenges with Host Railroad Preference. Our objective will be to develop an understanding of the legal framework establishing preference and its implementation to date.


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Health Care Fraud

Year-Long Prison Sentence, Restitution for LA Man After Health Care Fraud Investigation
March 2022

Jeffrey Lawrence, also known as Jey Lawrence, 59, of Torrance, California, was sentenced February 28, 2022, to 12 months plus one day in prison and ordered to pay $100,919 in U.S. District Court, Central District of California, after pleading guilty to a single count of tax evasion stemming from his referrals of prescriptions to TC Medical Pharmacy. In March 2015, Lawrence entered into an agreement with the pharmacy's owner, Thu Van Le, whereby Le agreed to pay him for the referral of compounded medication prescriptions. Between March and June 2015, Lawrence directed Le to pay more than $300,000 in referral fees to another person's bank account to conceal Lawrence's receipt of taxable income. Lawrence did not file a tax return for the year in which he earned the referral fees that were paid to the other person's account. After deductions, Lawrence's taxable income from the concealed referral fees was more than $280,000, and his tax due was more than $100,000. In October 2021, Le was sentenced for one count of health care fraud to 70 months in federal prison and was ordered to pay $768,488 in restitution to Amtrak's health care benefit plans.

Pharmacy Owner Sentenced to Prison Time, $4.4 Million Restitution Payment for $14 Million Health Care Fraud Scheme
February 2022

Navid Vahedi, 42, of Brentwood, California, and his pharmacy, Fusion Rx Compounding Pharmacy, pleaded guilty February 2021 to one count of conspiracy to commit health care fraud and payment of illegal remunerations. Vahedi was sentenced to 30 months in federal prison in February 2022 for orchestrating a health care fraud and kickback scheme in which so-called marketers were paid to generate and steer prescriptions to his pharmacy for expensive and potentially unnecessary compounded drugs. Our investigation found that from May 2014 to at least February 2016, Fusion Rx received approximately $14 million in reimbursements on its claims for compounded drug prescriptions, including about $20,000 from Amtrak's health care plan. Vahedi and his pharmacy were also ordered to jointly pay $4,400,525 in restitution, and his pharmacy was sentenced to five years of probation on January 18, 2022. The two marketers involved in the scheme – Joshua Pearson, 42, of St. George, Utah, and Joseph Kieffer, 41, of West Los Angeles – previously pleaded guilty in this case. Kieffer was sentenced to six months in federal prison and ordered to pay $1.25 million in restitution, while Pearson was sentenced to three years of probation.

VAHEDI WAS SENTENCED TO 30 MONTHS IN FEDERAL PRISON IN FEBRUARY 2022 FOR ORCHESTRATING A HEALTH CARE FRAUD AND KICKBACK SCHEME IN WHICH SO-CALLED MARKETERS WERE PAID TO GENERATE AND STEER PRESCRIPTIONS TO HIS PHARMACY FOR EXPENSIVE AND POTENTIALLY UNNECESSARY COMPOUNDED DRUGS.

California Resident Sentenced in Health Care Fraud Investigation
November 2021

Chanh Van Le, also known as Kevin Le, of Chino, California, was sentenced on November 22, 2021, in United States District Court, Central District of California, to eight months in prison, three years' probation, and was ordered to pay $1,150,000 in joint restitution. Our investigation found that Kevin Le opened bank accounts for Thu Van Le, also known as Tony Le, a California pharmacist, and allowed Tony Le to deposit funds into the accounts knowing they were proceeds from reimbursements paid by Tricare for medically unnecessary compounded medications. Kevin Le previously pleaded guilty to one count of conspiracy to defraud the United States.

California Pharmacist Sentenced to Prison Time, $11.7 Million in Restitution, Including More Than $768,000 to Amtrak, for Health Care Fraud Scheme
October 2021

Thu Van Le, 42, also known as Tony Le, of Placentia, California, was sentenced to 70 months in federal prison and order to pay $10,982,759 in restitution to Tricare and $768,488 to Amtrak's health care benefit plans. According to court documents, Le's pharmacy submitted more than $13 million in fraudulent claims for unnecessary compounded medications to Tricare and Amtrak's health care benefit plans. Le paid kickbacks of up to 50 percent of the insurance reimbursements to so-called marketers who used personal and insurance information to generate the fraudulent prescriptions. Marketers who participated in the scheme solicited beneficiaries of the health plans through misleading cold calls that promised free compounded medications. In some cases, beneficiaries were not contacted at all and simply received expensive medications that they did not order. After our investigation, Le pleaded guilty to one count of health care fraud.

LE'S PHARMACY SUBMITTED MORE THAN $13 MILLION IN FRAUDULENT CLAIMS FOR UNNECESSARY COMPOUNDED MEDICATIONS TO TRICARE AND AMTRAK'S HEALTH CARE BENEFIT PLANS.

Ticket Fraud

New York Resident Sentenced in Amtrak eVoucher Scheme
December 2021

Kevin Nelson, a resident of New York, was sentenced in U.S. District Court, Eastern District of New York, on December 16, 2021, to two years' imprisonment and ordered to pay $287,805 in restitution to Amtrak. He pleaded guilty to Aggravated Identity Theft for his involvement in an Amtrak eVoucher scheme on August 30, 2021. Nelson and his co-conspirators used stolen credit card and personal 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. The approximate loss to Amtrak from the scheme was $450,000.

Company Implements Enhancements to eVoucher Program to Reduce Risk of Fraud
December 2021

In August 2019, we reported that internal control weaknesses and other vulnerabilities that exacerbated fraud risk in the company's eVouchers program.[8] In response, the company conducted a detailed analysis to identify practices that led to the greatest risk and loss to the company. As a result, the company made two improvements to remedy the issue. First, the

8. Management Information Report: *Opportunities to Improve Controls to Detect and Reduce eVoucher and Ticket Fraud* (OIG-I-2019-512), August 8, 2019.

company announced that it would begin enforcing eVouchers' expiration dates, whereas previously, when an eVoucher was modified or partially used, the remaining balance was issued as a new eVoucher with a new expiration date. Second, the company is prohibiting any name changes or transfers of an eVoucher. Only the named original purchaser of Amtrak travel can use and retain the value of the eVoucher, eliminating potential sales to third parties.

Policy Violations and Employee Misconduct

Manager Terminated for Discussing Bid Strategies with Vendor
March 2022

An Information Technology Manager based in Washington, D.C., was terminated from the company on March 30, 2022. We found that the manager violated company policies by discussing bidding strategies with a vendor and providing exclusive access to company facilities prior to the vendor submitting its bid to the company, giving the vendor an unfair competitive advantage.

Six Employees Resign After Participating in Time and Attendance Fraud Scheme
March 2022

One supervisor, two assistant supervisors, two foremen, and a driver based in New York City violated company policies by engaging in time and attendance fraud. All six individuals resigned during the investigation or prior to their disciplinary hearings. The former employees intentionally misused their company badges and/or created counterfeit badges that they fraudulently "swiped" for one another, via Amtrak's time and attendance machines, to clock-in or out. The six employees are not eligible for rehire.

ONE SUPERVISOR, TWO ASSISTANT SUPERVISORS, TWO FOREMEN, AND A DRIVER BASED IN NEW YORK CITY VIOLATED COMPANY POLICIES BY ENGAGING IN TIME AND ATTENDANCE FRAUD.

General Foreman Terminated After Claiming Pay for Hours Not Worked
March 2022

A General Foreman based in Washington, D.C., was terminated from the company on March 12, 2022, after our investigation found that from July 14, 2021, to January 12, 2022, he violated company policies by falsely claiming and accepting payment for hours he did not work while attending an in-person class and virtual classes. In addition, we found that he also misused his company-owned computer to attend classes, access school websites, conduct research, and access non-work-related websites, such as YouTube, NFL Game Access, Facebook, and various other shopping sites during company time, thereby failing to attend to his work duties and responsibilities. When we interviewed the employee, he admitted to using his company-owned computer to attend virtual classes and to attending one class in-person during his shift. He is not eligible for rehire.

Employee Terminated and Supervisor Resigns for Theft of Amtrak Property
February 2022

A Cleaner based in Sunnyside Yard, New York, was terminated on February 17, 2022, after his disciplinary hearing for theft of supplies. During the joint investigation with the Amtrak Police Department, we found that the employee—along with his supervisor—violated company policies by stealing company property. Both employees admitted to taking the company property without permission or authority to do so. The supervisor resigned on February 4, 2022, after being interviewed by our office. Both employees are ineligible for rehire.

Employee Resigns for Dishonestly Taking Medical Leave While in Custody
February 2022

A Foreman in New York City violated Amtrak policy by dishonestly taking medical leave while in police custody for a recent arrest. We confirmed that on August 2, 2021, officers with the Burlington County Prosecutor's Office in New Jersey arrested the employee and charged him with endangering the welfare of a child. The foreman resigned in lieu of his disciplinary hearing. The employee is not eligible for rehire.

Employee Issued Letter of Counseling
February 2022

A manager based in Chicago, Illinois, was issued a letter of counseling on February 9, 2022, after our investigation found that the employee performed military duties on days when he was also scheduled to be working for the company. As a result, the employee received compensation from the military for days in which he was also paid by the company. The employee failed to remit the wages paid by the government to the company upon returning from military leave. Our investigation found no compelling evidence that the employee intended to defraud the company. The employee agreed to repay the company a total of $27,904.50.

Employee Resigns During Investigation into Theft of Co-Worker's Property
February 2022

A Customer Service Representative at Rensselaer Station, New York, violated company policies by committing theft of a co-worker's personal property while on duty. During the joint investigation with the Amtrak Police Department, the employee admitted to the thefts and resigned from the company shortly thereafter. The employee is ineligible for rehire.

Employee Terminated for Failure to Report Arrest and Violation of Other Company Policies
December 2021

An Electrician based in Chicago, Illinois, was terminated from employment on December 28, 2021, following his administrative hearing. Our investigation found that he violated company policies by failing to report his prior guilty pleas and conviction on his initial application and background check form and also failed to disclose his alcohol-related arrest while employed with the company. Additionally, our investigation found that the employee violated company policy by engaging in outside employment while on medical leave and lying to our agents during his interview.

OUR INVESTIGATION FOUND THAT HE VIOLATED COMPANY POLICIES BY FAILING TO REPORT HIS PRIOR GUILTY PLEAS AND CONVICTION ON HIS INITIAL APPLICATION AND BACKGROUND CHECK FORM AND ALSO FAILED TO DISCLOSE HIS ALCOHOL-RELATED ARREST WHILE EMPLOYED WITH THE COMPANY.

Employee Terminated for Failure to Report Drug-Related Arrests and Conviction
December 2021

A Chef in the Ops Transportation Department based in New York City was terminated on December 28, 2021, after an administrative hearing. The former employee failed to report two drug-related arrests and one drug-related conviction to the company. The employee was also untruthful with us when asked about the arrests during our investigation.

Employee Terminated for Failure to Report Arrest
December 2021

A Road Foreman based in LaJunta, Colorado, was terminated from employment on December 21, 2021, after our investigation found that she violated company policies by failing to report a March 2021 arrest for driving under the influence and lying to our agents during her interview. In addition, she used her position in a supervisory role to direct other employees to lie and provide false statements to our agents. Three additional employees were issued final disciplinary warnings and received suspensions of one week without pay.

Employee Resigns from Company While Under Investigation
December 2021

An Onboard Supervisor based in Seattle, Washington, resigned from the company on December 7, 2021, while under investigation for engaging in outside employment while on a medical leave of absence. Our investigation found that the former employee violated company policy by operating a personal business while on a medical leave of absence from the company.

Employee Terminated for Failure to Report Arrest
October 2021

A Service/Train Attendant based in New Orleans was terminated from employment on October 29, 2021, following her administrative hearing. Our investigation found that she violated company policies by failing to report an April 2019 drug-related arrest. During her interview, the former employee acknowledged her arrest and admitted that she failed to report it to the company.

Employee Resigns Following Issuance of Investigative Report
October 2021

A Supervisor based in Philadelphia resigned on October 25, 2021, following the issuance of our investigative report. Our investigation found that he violated company policies by falsely claiming and accepting payment for regular pay, overtime pay, and compensatory time for days he did not work. We also found that he used his company-owned vehicle for unauthorized purposes during work hours, including personal business, on at least five occasions.

OUR INVESTIGATION FOUND THAT SHE VIOLATED COMPANY POLICIES BY FAILING TO REPORT A MARCH 2021 ARREST FOR DRIVING UNDER THE INFLUENCE AND LYING TO OUR AGENTS DURING HER INTERVIEW.

Other Crimes

Employee Convicted for Time and Attendance Fraud
March 2022

Brian Kerr, former Building and Bridges Assistant Supervisor, pleaded guilty in New York County Supreme Court on March 23, 2022, to two misdemeanor counts to Falsify Business Records: Make False Entry. He was sentenced to a conditional discharge and ordered to pay restitution to the company in the amount of $360.23. Kerr, among others, participated in a scheme to intentionally misuse company badges and/or create counterfeit badges that he and the others fraudulently "swiped" for one another, via Amtrak's time and attendance machines, to clock-in or out. Kerr resigned on February 21, 2022, and is ineligible for rehire.

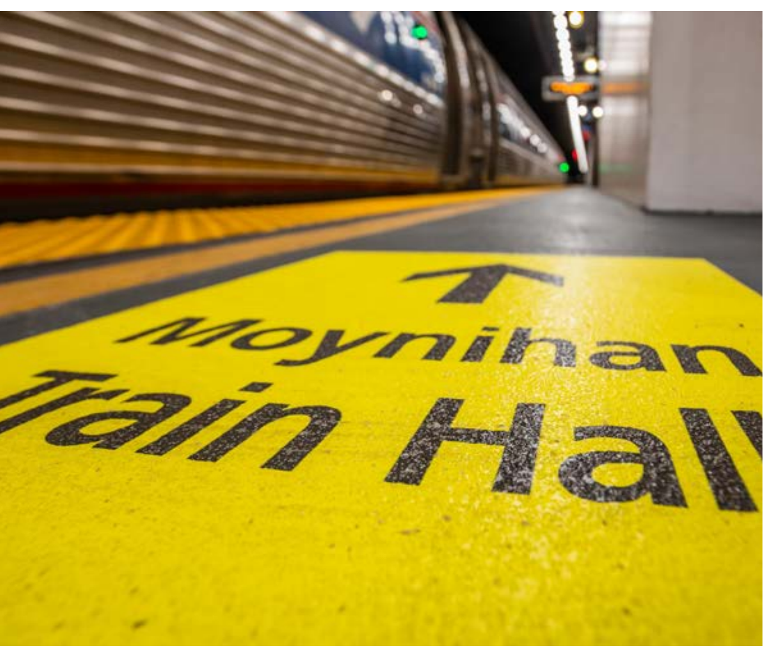
Employee and Wife Plead Guilty to Selling $3 Million Worth of Misbranded and Unapproved Drugs
March 2022

Employee Keith Kovaleski, 57, and his wife Sylvia Kovaleski, 43, of South Amboy, pleaded guilty to one count of conspiring to distribute misbranded drugs and unapproved new drugs after our investigation. As part of their plea agreements, the Kovaleskis must forfeit over $3 million in criminal proceeds. According to court documents, the Kovaleskis owned and operated All American Peptide. From 2014 to January 2019, All American Peptide used its website to market and distribute substances primarily used by bodybuilders and others engaged in weight training to enhance performance and mitigate the side effects of performance enhancing substances. Through their company, the Kovaleskis sold prescription drugs such as tadalafil, the active ingredient in Cialis; SARMS, a drug used by bodybuilders as an alternative to steroids; peptides, also used as performance enhancing substances; and other drugs that had not been approved for human use by the U.S. Food and Drug Administration. The Kovaleskis used their South Amboy basement as a manufacturing facility to make and label the products. The conspiracy charge carries a maximum potential penalty of up to five years in prison and a maximum potential fine of up to $250,000 or twice the gross gain or loss, whichever is greatest. Sentencing for both defendants is scheduled for July 26, 2022.

Employee Charged with CARES Act Fraud, Theft of Government Funds
March 2022

Stacey V. Santemore, Sr., 46, formerly of New Orleans but now a resident of Houston, was charged March 3, 2022, with making false statements and theft of government funds related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act after our investigation. According to court documents, Santemore allegedly made false statements to the U.S. Small Business Administration for the purpose of fraudulently obtaining pandemic-related relief loans funded by the federal government, including Paycheck Protection Program funds, of which he received approximately $89,000. Santemore also allegedly applied for and received Louisiana unemployment benefits through the Louisiana Workforce Commission despite being fully employed by Amtrak. At the time, the Louisiana Workforce Commission's unemployment benefits were being subsidized by temporary federal unemployment insurance programs created in the CARES Act, and Santemore is alleged to have obtained more than $1,000 from April 2020 through March 2021, amounting to theft of government funds.

SANTEMORE ALLEGEDLY MADE FALSE STATEMENTS TO THE U.S. SMALL BUSINESS ADMINISTRATION FOR THE PURPOSE OF FRAUDULENTLY OBTAINING PANDEMIC-RELATED RELIEF LOANS FUNDED BY THE FEDERAL GOVERNMENT, INCLUDING PAYCHECK PROTECTION PROGRAM FUNDS, OF WHICH HE RECEIVED APPROXIMATELY $89,000.



Former Employee Pleads Guilty to Wire Fraud for Phony Amtrak Trip
March 2022

Kenya Butler-Small, a former On-board Services Train Attendant, pleaded guilty to two counts of wire fraud on February 23, 2022, after a case we investigated disclosed that she bilked customers out of approximately $23,000 to $26,000 in payments for a phony Amtrak trip to New York City. According to court documents, one wire fraud charge is related to a scheme in which Butler-Small recruited more than 40 individuals to purchase spots on what she described as a group trip to New York City that included related activities such as shows and museum visits. Butler-Small allegedly charged each victim prices ranging from $250 to $425 for the fake trip. When the date of the trip approached, Butler-Small falsely claimed that Amtrak canceled the trip when a passenger booked for the trip assaulted an Amtrak employee and issued a bomb threat. The other wire fraud charged is related to a scheme in which Butler-Small submitted fraudulent sick benefit claims to the Railroad Retirement Board while working another job. She received approximately $4,679 in sick benefits as a result. A sentencing hearing is scheduled for June 15, 2022.

Passenger sentenced for Possession of Cannabis
January 2022

Andre Jordan of Chicago pleaded guilty and was sentenced in the Circuit Court of Cook County, Illinois, to possession of cannabis on January 24, 2022. Jordan was arrested on February 8, 2021, after agents found him to be in possession of approximately 2.2 pounds of cannabis after he deboarded an Amtrak train in Chicago. Jordan was sentenced to 9 months in prison.

Contractor Prohibited from Entering Amtrak Property After Stealing Train Horns
January 2022

Amtrak terminated the contract of a contractor based in Camarillo, California, on January 21, 2022, following the issuance of our investigative report.

Our investigation found that the contractor stole two train horns from the Beech Grove Maintenance Facility and later sold them to individuals he met on various train-related internet sites and online forums. In addition, Amtrak required the contractor to remove all equipment from Amtrak property and barred the contractor from entering any Amtrak property in the future.

KENYA BUTLER-SMALL, A FORMER ON-BOARD SERVICES TRAIN ATTENDANT, PLEADED GUILTY TO TWO COUNTS OF WIRE FRAUD ON FEBRUARY 23, 2022, AFTER A CASE WE INVESTIGATED DISCLOSED THAT SHE BILKED CUSTOMERS OUT OF APPROXIMATELY $23,000 TO $26,000 IN PAYMENTS FOR A PHONY AMTRAK TRIP TO NEW YORK CITY.

Former Employee Pleads Guilty to Theft of 114 Chainsaws and Parts Totaling More Than $76,000
December 2021

Jose Rodriguez, a former senior engineer and repairman based in North Brunswick, New Jersey, pleaded guilty to a charge related to his theft of approximately 114 Amtrak-owned chainsaws and other chainsaw parts totaling more than $76,000 and then selling the equipment for personal profit. According to court documents and statements, Rodriguez allegedly obtained 114 chainsaws, 122 chainsaw bars, and 222 chains from Amtrak between March 2012 and July 2020, the total value of which was more than $76,000. He then sold the equipment on an online auction service or directly to purchasers. Rodriguez used the U.S. Postal Service to mail the stolen chainsaws and parts to purchasers throughout the U.S. Rodriguez pleaded guilty to an information charging him with one count of mail fraud. After an investigation we conducted jointly with the Amtrak Police Department, he was charged by complaint in March 2021 with one count of theft from an agency receiving federal funds and one count of theft of government property. The mail fraud charge carries a maximum potential penalty of twenty years in prison and a $250,000 fine. Sentencing is scheduled for April 19, 2022.

Former Employee Sentenced for Making a False Statement to Obtain Unemployment Benefits
December 2021

Robert Barrows, a former Assistant Conductor, was sentenced in U.S. District Court, District of Massachusetts, on December 7, 2021, and ordered to pay restitution of $1,000. After our investigation, Barrows pleaded guilty on June 17, 2021, to making a false statement to obtain federal employee's compensation in 2016. Barrows falsely claimed on his unemployment benefits claim form that he had no income during the claim period when he applied for Railroad Retirement Board unemployment benefits.

APPENDIX A: STATISTICAL DATA

TABLE A.1. FINANCIAL IMPACT

MONETARY BENEFIT TYPE	AMOUNT THIS PERIOD
Better Use of Funds	$17,900,000
Questioned Costs	—
Recoveries and Restitution	$23,297,434.89
Forfeitures	$196,151.60
Cost Avoidance	—

TABLE A.2. AUDIT ACTIVITY DURING THE PERIOD

REPORT INFORMATION	BETTER USE OF FUNDS	QUESTIONED COSTS
Observations on the Company's Annual Physical Exam Requirement for Locomotive Engineers *Issued November 10, 2021|Report No. OIG-MAR-2022-001*	—	—
More Active Engagement with Regional Partners Would Improve Awareness of Potential Operational Risks on the *Pacific Surfliner* Route *Issued December 6, 2021|Report No. OIG-MAR-2022-002*	—	—
Department Will Face Challenges Supporting Workforce Growth Plans *Issued December 7, 2021|Report No. OIG-A-2022-003*	—	—
Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2021 *Issued December 21, 2021|Report No. OIG-A-2022-004*	—	—
Amtrak Has Begun to Address State Partners' Concerns About Shared Costs But Has More Work to Do to Improve Relationships *Issued January 31, 2022|Report No. OIG-A-2022-005*	—	—
Company Needs a Comprehensive Framework to Successfully Manage its Commitments to the Gateway Program *Issued February 4, 2022|Report No. OIG-A-2022-006*	—	—
Better Requirements Could Help the Company Implement Technology Projects More Effectively *Issued March 11, 2022|Audit Report No. OIG-A-2022-007*	$17,900,000	—
Areas for Management Focus in Advance of Infrastructure Investment and Jobs Act Funding *Issued March 31, 2022|Special Report No. OIG-SP-2022-008*		
Total Monetary Impact	**$17,900,000**	**—**

TABLE A.3. ONGOING AUDITS

ONGOING PROJECT STATUS	NUMBER OF PROJECTS
Audit Projects In-process, as of 9/30/2021	10
Audit Projects Canceled	—
Canceled Audit Projects Not Disclosed to the Public	—
Audit Projects Started Since 9/30/2021	12
Audit Products Issued Since 9/30/2021	8
Audit Projects In-process, as of 3/31/2022	14

TABLE A.4. ADVISORY FUNCTIONS DURING THE PERIOD

ACTIVITY	ACTIONS
Freedom of Information Act (FOIA) Requests Received	13
FOIA Requests Processed	13
FOIA Requests Referred to Amtrak	9
FOIA Requests with Responses Pending	—
FOIA Appeals Received	—
FOIA Appeals Processed	—
Legislation Reviewed	1
Regulations Reviewed	5
Outside Agency Consultation	1

TABLE A.5. INVESTIGATIVE ACTIVITY DURING THE PERIOD

INVESTIGATIVE CASELOAD	NUMBER
Investigations Opened	44
Investigations Closed	35
Closed Investigations of Senior Employees Not Publicly Disclosed	—

CASES OPENED	NUMBER
Major Misconduct and General Crimes	41
Health Care Fraud	—
Contract and Procurement Fraud	2
Federal Employers' Liability Act and Other Claims Fraud	1

HOTLINE ACTIVITY	NUMBER
Referred to Amtrak Management	141
Referred to Customer Service	105
Referred to Amtrak Police Department	4
Referred for Audit	—
Referred for Investigation	16
Referred to Other Agency	—
Request from Other Agency	2
No Action Warranted	23

JUDICIAL AND ADMINISTRATIVE ACTIONS	NUMBER
Criminal Referrals to Department of Justice	48
Criminal Referrals to State and Local Prosecuting Authorities	1
Criminal Referrals Declined	23
Arrests	9
Indictments/Informations	10[a]
Convictions	8
Investigative Reports Issued to the Company	17
Administrative Actions	27

[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 10 indictments/informations/complaints reported during this reporting period, all 10 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
Improving Management Processes Could Reduce Costs and Generate Additional Revenues Issued 3/29/2019 | *Report* OIG-A-2019-006	$17,600,000	—
Rightsizing Workforce and Using It More Flexibly Could Reduce Costs at Preventative Maintenance Facilities *Issued 9/3/2019 | Report OIG-A-2019-012*	—	—
Better Management of Reimbursable Projects Could Help the Company Consider Benefits and Recover its Costs *Issued 10/23/2019 | Report OIG-A-2020-002*	$10,400,000	—
Stronger Controls Would Help Identify Fraudulent Medical Claims Sooner and Limit Losses *Issued 12/10/2019 | Report OIG-A-2020-003*	—	—
Mobile Device Security Needs to Improve to Better Protect Company Data from Compromise *Issued 5/8/2020 | Report OIG-A-2020-010*	—	—
Management of the Police Department Has Recently Improved, but Foundational Decisions Are Needed on its Role and Priorities *Issued 7/1/2020 | Report OIG-A-2020-012*	—	—
More Effective Planning and Coordination of Track Outages Would Help Achieve a State of Good Repair *Issued 9/14/2020 | Report OIG-A-2020-016*	—	—
The Company Can Take Steps to Evaluate Its Current Safety Culture *Issued 10/2/2020 | Report OIG-A-2021-001*	—	—
Amtrak Expects Positive Train Control will be Interoperable with Other Railroads but Could Better Measure System Reliability *Issued 12/11/2020 | Report OIG-A-2021-004*	—	—
Total Monetary Impact	**$28,000,000**	**—**

[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.

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	$17,900,000
MANAGEMENT DECISIONS DURING THE PERIOD		
Amounts Agreed to by Management	1	$17,900,000
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

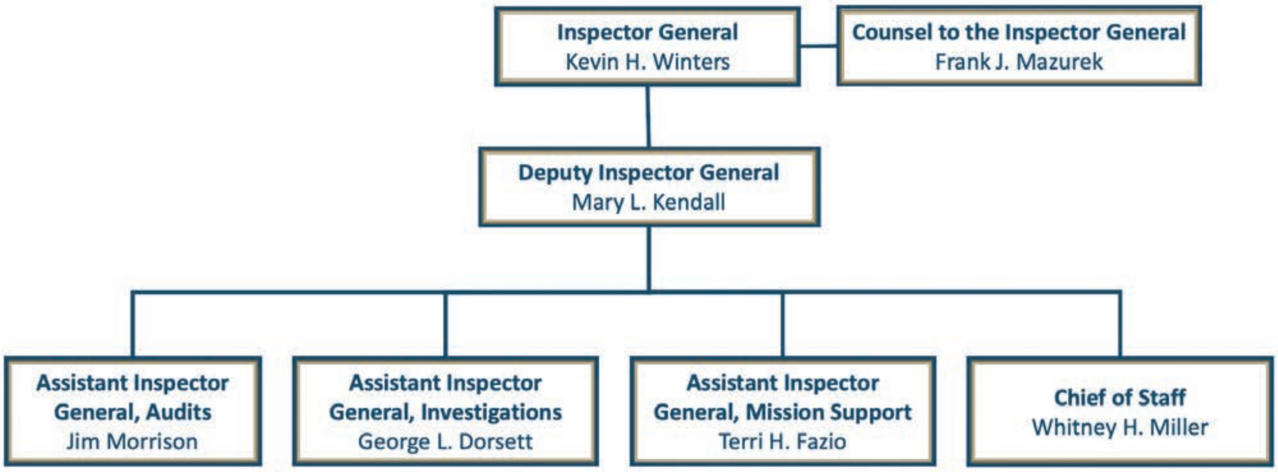
Section 4(a)(2) of the Inspector General Act of 1978, as amended, provides that the Inspector General shall review existing and proposed legislation and regulations relating to programs and operations of such establishment. Also, the Inspector General shall make recommendations in the semiannual reports 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 five Amtrak corporate policies or mandates and continued its efforts to ensure the American taxpayers' dollars entrusted to Amtrak were protected.

CISO Memorandum of Understanding.
In October 2021, the Office of Counsel assisted the Office of Investigations, Digital Investigation Unit (DIU) in establishing the memorandum of understanding (MOU) with the Amtrak Chief Information Security Officer (CISO). This MOU serves to formalize the relationship between our two organizations and is intended to coordinate cyber incident handling/investigative responsibility between the CISO and DIU to establish guiding principles to ensure cooperation and maximize economy and efficiency in accomplishing the work of both organizations. The MOU further represents the joint commitment of trust and mutual respect for both organizations and acknowledges that without cooperation, the CISO and OIG cannot fully realize their respective missions. As cyber events are an ever-increasing threat to all organizations, the MOU is designed to ensure that timely but appropriate notifications can be made to allow the OIG and the CISO to accomplish their respective missions. The newly established MOU encourages and supports the continued and appropriate ongoing collaboration between our organizations, but it also ensures our two organizations remain appropriately independent.

IIJA. In November 2021, the president signed the roughly $1 trillion IIJA (H.R. 3684) into law. The law provided the company access to as much as $66 billion in funding—the largest investment in passenger rail since the company's creation 50 years ago. The law also provides the OIG with $2.475 million in oversight funding to be distributed in $495,000 increments over FY 2022-2026. During the reporting period, the Office of Counsel and the OIG Office of Mission Support further reviewed the law and worked directly with the Department of Transportation to establish the proper mechanisms to receive this funding and to responsibly track and account for the additional funds.

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; 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 FY 2022, our Office of Audits was the subject of a Council of the Inspectors General on Integrity and Efficiency peer review by the Office of Personnel Management (OPM) OIG. The OPM OIG concluded that our audit organization's system of quality control was suitably designed and complied with to provide reasonable assurance of conforming with applicable professional standards and legal and regulatory requirements. Accordingly, in its report, the OPM OIG provided a "pass" rating and made no recommendations. The report was released on December 16, 2021.

APPENDIX E: ABBREVIATIONS

Amtrak	The Company
CHRO	Chief Human Resources Officer
CIO	Chief Information Officer
CISO	Chief Information Security Officer
CARES Act	Coronavirus Aid, Relief, and Economic Security
DIU	Digital Investigation Unit
FRA	Federal Railroad Administration
FOIA	Freedom of Information Act
FY	Fiscal Year
IPA	Independent Public Accountant
IIJA	Infrastructure Investment and Jobs Act
IT	Information Technology
MOU	Memorandum of Understanding
NEC	Northeast Corridor
OIG	Office of Inspector General
OPM	Office of Personnel Management
PTC	Positive Train Control

APPENDIX F: REPORTING REQUIREMENTS

INSPECTOR GENERAL ACT CITATION	REPORTING REQUIREMENT	PAGE
4(a)(2)	Review of Legislation and Regulations	29
5(a)(1)	Significant Problems, Abuses, and Deficiencies	5-23
5(a)(2)	Recommendations for Corrective Action to Significant Problems	5-23
5(a)(3)	Audit Reports Described in Previous Semiannual Reports for Which Corrective Actions are Not Complete	27
5(a)(4)	Matters Referred to Prosecutive Authorities	26
5(a)(5)	Information Assistance Refused or Not Provided	N/A
5(a)(6)	Audit Reports Issued in This Reporting Period	24
5(a)(7)	Summary of Significant Reports	5-23
5(a)(8)	Audit Reports with Questioned Costs	28
5(a)(9)	Audit Reports with Recommendations That Funds Be Put to Better Use	28
5(a)(10)	Previous Audit Reports Issued with No Management Decision Made by End of This Reporting Period	28
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	31
5(a)(17-18)	Investigative Reporting Statistical Tables	26
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	25-26

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.

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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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