



**AMTRAK** | Office of  
Inspector General  
[www.amtrakoig.gov](http://www.amtrakoig.gov)

# SEMIANNUAL REPORT to the United States Congress

October 1, 2014–March 31, 2015  
Report # 51



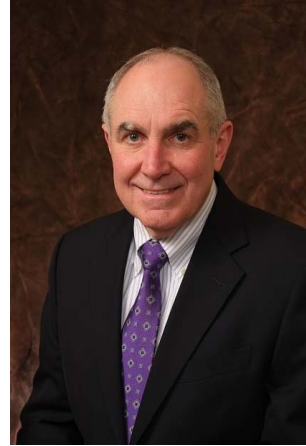




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## From the Inspector General



### National Railroad Passenger Corporation Office of Inspector General

I am pleased to submit our latest *Semiannual Report to the United States Congress*. Pursuant to the Inspector General Act of 1978, as amended, this report highlights the activities of our office for the six months ending March 31, 2015.

Throughout this semiannual period, our audit work addressed issues intended to improve the efficiency and effectiveness of Amtrak's programs and operations. We issued nine audit reports that included opportunities to improve the company's management of the spare parts contract for the Acela, its "Safe-2-Safer" program, and workforce planning in the police department. We also expanded the use of data analytics resources to support audit and investigative work.

Our investigative activities continued to address theft, fraudulent practices, and employee integrity/misconduct issues. For example, we reported the fraudulent use of fuel credit cards by company employees and a violation of the company's ethics policy.

We also continued to build our organizational capabilities with a number of new hires. Most notably, in February 2015, Kevin Winters joined us as Deputy Inspector General/Counsel. Kevin brings a rich set of experience as a former Assistant Inspector General for Investigations at the NASA Office of Inspector General and as a retired general officer in the United States Marine Corps.

In the months ahead, we will continue to focus on issues of importance to Amtrak management and the Board in meeting their stewardship and fiduciary responsibilities, supporting Congressional oversight, and providing information to the public. We trust that you will find this report informative.

**Tom Howard**

**Inspector General**

# OIG Profile

## Authority, Mission, Vision, and Focus Areas

### Authority

The Inspector General Act of 1978 (Public Law 95-452, 5 U.S.C. Appendix 3), as amended in 1988 (P.L. 100-504), established the Office of Inspector General (OIG) for Amtrak to consolidate investigative and audit resources into an independent organization headed by the Inspector General to promote economy, efficiency, and effectiveness; and to detect and prevent fraud, waste, and abuse. Subsequently, the Inspector General Reform Act of 2008 (P.L. 110-409) amended and strengthened the authority of the inspectors general.

### Mission

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.

### Vision

Amtrak OIG will operate as a model OIG, generating objective and sophisticated products that add value. Utilizing modern infrastructure and effective support systems, and following efficient, disciplined processes that meet the standards of the accountability community, our diverse and talented team will work professionally with,



but independently from, Amtrak management (See *OIG Strategic Plan Fiscal Years 2013-2017*).<sup>1</sup>

## Focus Areas

We concentrate our audit and investigative work on seven focus areas. Depending on the work completed during a semiannual period, we may report on issues in one or more of the focus areas listed below.<sup>2</sup>

**Safety and Security.** These programs and activities relate to the safety and security of assets, employees, and the train-riding public.

**Acquisition and Procurement.** These activities include acquisition and procurement policies, procedures, and practices involving planning, project selection, contract award, implementation, and closeout.

**Governance.** This includes a system of management controls—including policies, processes, and people—which serves the needs of shareholders and other stakeholders by directing and controlling management activities with good business savvy, objectivity, accountability, and integrity.

**Asset Management.** These activities relate to the use and maintenance of assets, including trainsets, support equipment, inventory, and real property.

**Human Capital Management.** This encompasses the development and implementation of human capital policies, procedures, and practices across the corporation.

**Train Operations and Business Management.** These activities are associated with operating passenger service, including delivering safe and cost-effective service.

**Information Technology.** Management of information encompasses processes, policies, and procedures to acquire and use information tools to improve labor and asset productivity and deliver safe and reliable customer service.

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<sup>1</sup> OIG-SP-2013-2017, *Strategic Plan Fiscal Years 2013-2017*, [http://www.amtrakoig.gov/sites/default/files/reports/strategic\\_plan2.pdf](http://www.amtrakoig.gov/sites/default/files/reports/strategic_plan2.pdf)

<sup>2</sup> For complete definitions of these focus areas, see *Annual Audit, Inspection, and Evaluation Plan Fiscal Year 2014*. [http://www.amtrakoig.gov/sites/default/files/reports/fy2014\\_final\\_audit\\_and\\_evaluation\\_plan.pdf](http://www.amtrakoig.gov/sites/default/files/reports/fy2014_final_audit_and_evaluation_plan.pdf).



# Significant Activities: Audits, Evaluations, and Investigations

During this reporting period, we issued nine audit reports and provided seven investigative summaries to management.

During the next six months, we expect to complete work in a number of our work focus areas. (All our issued products are on our website, [www.amtrakoig.gov](http://www.amtrakoig.gov).)

## Safety and Security

### **Safety and Security: Opportunities to Improve Controls Over Police Department Workforce Planning**

*(Audit Report No. OIG-A-2015-006, February 12, 2015)*

Opportunities exist to improve management controls over the Amtrak Police Department's (APD's) workforce planning practices. APD does not have a formal workforce planning process to determine the number and type of police officers needed to support its mission. Best practices show that successful organizations use strategic, formal processes for workforce planning to help meet current and future mission requirements, make staffing decisions, and ensure that resources are used efficiently.

Opportunities also exist to improve the department's practices in areas such as establishing goals and performance metrics, identifying risks and allocating resources to mitigate them, using crime and workload data to allocate resources, and using video surveillance systems to supplement the existing workforce.



The Chief of Police is aware of these weaknesses and has taken a number of actions, and also plans other actions to address them. To complement and facilitate APD's actions to improve its workforce planning, we recommended, and the Chief of Police agreed to develop, a formal process for workforce planning. The APD also agreed to work collaboratively with Emergency Management and Corporate Security on security issues, stating that within 60 days they will discuss the creation of a joint working group to leverage Amtrak's risk assessments to optimize the effectiveness and efficiency of security risk management.

### **Safety and Security: Opportunities Exist to Improve the Safe-2-Safer Program**

*(Audit Report No. OIG-A-2015-007, February 19, 2015)*

Although the company has demonstrated a strong commitment to the Safe-2-Safer program, investing about \$70 million in the program since 2009, results have been mixed and opportunities for improvement exist. Specifically:

- The company's safety culture and working conditions have improved, as demonstrated by a net positive change in the safety culture since 2009 and the elimination of more than 2,700 reported unsafe working conditions.
- The goal to reduce employee injuries has not been achieved. The number of injuries reported by employees increased each year, with 695 employee injuries reported in 2009 and 1,301 injuries in 2013. This trend continued in 2014.
- The goal of reducing injury claim costs has not been achieved. Employee injury claims increased by about 80 percent from 2009 through 2013, and the payments on these claims have cost the company about \$79.6 million, which could increase by an additional \$48.8 million.

Complementary to the company's efforts to understand why reported injuries have increased, our work identified areas that have likely contributed to the lack of progress in achieving program goals. Addressing these areas could help optimize the use of resources and enhance overall program results:

- Enhancing employee engagement could improve accountability for safe practices, peer-to-peer observations, and the effectiveness of steering committees.

## Significant Activities

- Clarifying the roles of front-line supervisors could help ensure that they understand how to properly support the program.
- Increasing the involvement of senior leaders and defining accountability for outcomes could improve their effectiveness in leading the company toward its safety goals.
- Improving corporate metrics to include employee injuries along with the safety observation contact rate, and setting targets for reducing injuries and timeframes for achieving goals, could help measure progress and increase accountability.
- Developing and implementing incentives could reinforce the importance of desired safety outcomes.

We recommended several actions to improve the effectiveness of the program, including ensuring that employees are fully engaged in achieving program goals and are accountable for reducing injuries at all levels, and that the Safe-2-Safer program is fully integrated into the company's overall safety plans and programs. The company agreed with our recommendations and established timelines for implementing them.

### **Contractor Falsifies Servicing of Fire Extinguishers**

*October 2014 (Investigations)*

We investigated a complaint that a contractor, responsible for servicing fire extinguishers on Amtrak's properties in Los Angeles, was not providing the contracted services. We observed the contractor tagging fire extinguishers that were known to have deficiencies as having been inspected, tested, and found to be in good working order. Amtrak terminated the contract based on OIGs results.

### Ongoing Work— Safety and Security

**Review of Efforts to Implement Positive Train Control (PTC).** The objective of this audit is to assess the company's progress in implementing PTC, focusing on challenges identified in our prior report *Railroad Safety: Amtrak Has Made Progress in Implementing Positive Train Control, but Significant Challenges Remain* (Report No. OIG-E-2013-003, December 20, 2012). In addition, we will review implementation of PTC on the Amtrak owned and operated track in Michigan.

**Video Surveillance Systems.** The objective of this audit is to assess the company's efforts to implement and utilize video surveillance systems.

### Acquisition and Procurement

#### Acquisition and Procurement: Gateway Program Projects Have Certain Cost and Schedule Risks

*(Audit Report No. OIG-A-2015-002, December 19, 2014)*

In June 2013, the Federal Railroad Administration provided Amtrak a \$185 million grant to construct the concrete casing, which is scheduled to be completed in October 2015. Amtrak has established an effective project management framework for managing the concrete casing it's building under New York's Hudson Yards. We did not identify any significant risks related to the project's scheduled completion or the contractor's performance. We did note, however, that project costs are exceeding initial estimates. Amtrak is aware of this increase and is monitoring the potential for further cost escalation.

To enhance Amtrak's management of the concrete casing project, we recommend that the Vice President, Northeast Corridor Infrastructure and Investment Development, take two actions:

- Finalize and adopt the draft charter for the executive steering committee.
- Develop a risk mitigation plan to address potential cost increases and funding sources.



# Significant Activities

In commenting on a draft of this report, the Vice President, Northeast Corridor Infrastructure and Investment Development, agreed with our recommendations.

## **Acquisition and Procurement: Improved Management Will Lead to Acela Parts Contract Cost Savings**

*(Audit Report No. OIG-A-2015-008, March 10, 2015)*

The company's Procurement department's management of the Acela parts contract has not been effective or efficient because it paid too little attention to costs and associated management and oversight controls. Specifically, the department's policies and procedures do not clearly state requirements for contract monitoring and oversight, the data and information systems were inadequate to support contract management functions, and key officials responsible for managing the contract turned over multiple times.

As a result, there has been a significant waste of funds:

- Unreasonably high prices were paid for repaired parts. Price reviews that could have identified unreasonable prices were not conducted. The prices paid for 9 of 10 repaired parts we sampled were 118 percent to 2,377 percent greater than the contractor's repair costs. About \$85,000 in unreasonably high prices was paid for these repaired parts.
- Penalties were not assessed for late parts delivery and train annulments, partly because there are no formal procedures for tracking the delivery of parts and assessing penalties. For example, as much as \$19 million in penalties had not been assessed for late part deliveries that occurred since 2013, based on company estimates.
- A reported \$18.8 million in outstanding warranty claims has accumulated because there are no formal procedures for processing and settling warranty claims in a timely manner.
- Contract management was hindered by inadequate administration and maintenance of contract files, including missing documentation for change orders.

If the company had effectively managed the contract, it could have reduced contract costs and freed up funds that could have been put to better use.

The company agreed with our recommendations and provided action plans to improve the effectiveness and efficiency of its contract management and oversight functions. The company also agreed to seek remediation for unreasonably high payments when appropriate.

### Ongoing Work—Acquisition and Procurement



**Assessing the Efficiency and Effectiveness of Management Processes for Overseeing the Siemens Locomotive Technical Support Contract.** The objective of this audit is to review the adequacy of contract oversight and administration, focusing on cost, schedule, and performance issues.

## Significant Activities

**Assessing the Efficiency and Effectiveness of Management Processes for Utilizing Master Service Agreements.** The objective of this audit is to determine the efficiency and effectiveness of the use and management of master service agreements to procure services, such as information technology support and management consulting services.

## Governance

### Theft of Fuel

*November 2014 (Investigations)*

An Amtrak employee used an Amtrak fuel card to purchase more than \$2,000 in fuel for his personal vehicles. He was arrested on May 27, 2014, in Bucks County, Pennsylvania, and charged with theft. At the time of arrest, the employee had three packets of heroin in his possession. The employee resigned, and on October 2, 2014, pled guilty to three counts of theft. He was sentenced to one year of probation and was ordered to make restitution to Amtrak of \$2,063.

### **Governance: Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Years Ended 2013 and 2012**

*(Audit Report No. OIG-A-2015-003, January 13, 2015)*

The company contracted with the independent certified public accounting firm of Ernst & Young LLP to audit its consolidated financial statements as of September 30, 2013 and 2012, and for the years 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.

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



In its audit of the company's consolidated financial statements, Ernst & Young concluded that the consolidated financial statements fairly presented, in all material respects, the consolidated financial position of the National Railroad Passenger Corporation and subsidiaries at September 30, 2013 and 2012, and the consolidated results of their operations, and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young also reported that significant deficiencies identified during the fiscal year (FY) 2012 audit were not remediated during FY 2013, and resulted in a restatement of the FY 2012 financial statements and significant delays in issuing the FY 2013 financial statements. Ernst & Young reported three material weaknesses in internal control over financial reporting: 1) Capital Lease Accounting, Documentation, and Analysis, 2) Income Tax Accounting, and 3) Financial Reporting. Ernst & Young made several recommendations to correct these material weaknesses and the company agreed with all of them.

### **Governance: Quality Control Review of Single Audit Report, National Railroad Passenger Corporation and Subsidiaries, Year Ended September 30, 2013**

*(Audit Report No. OIG-A-2015-004, February 9, 2015)*

The company contracted with Ernst & Young LLP to perform a Single Audit of the company's federal grants for the year ended September 30, 2013, in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the company receives federal funding, it must obtain an audit performed in accordance with generally accepted government auditing standards. The objective of the Single Audit was to test internal control over compliance with major federal program requirements and determine whether the company complied with the laws, regulations, and provisions of contracts or grant agreements that may have a direct or material effect on its major federal programs.

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

## Significant Activities

material respects, with generally accepted government auditing standards and OMB Circular A-133 requirements.

Ernst & Young concluded that the company did not fully comply with the requirements for the Department of Transportation grant program and issued a qualified compliance opinion. Ernst & Young reported two material weaknesses and three significant deficiencies in internal control over compliance related to the Department of Transportation grant program. Ernst & Young made several recommendations to correct the material weaknesses and significant deficiencies and the company agreed with all of them.

### **Governance: Opportunities Exist to Improve the Efficiency of Procurement Practices for Goods and Services**

*(Audit Report No. OIG-A-2015-005, February 11, 2015)*

In Calendar Year 2013, the company paid about \$2.3 billion to 17,000 vendors for goods and services. We reviewed procurement practices to determine whether there are opportunities to procure goods and services more economically.

Our work showed that, although the company's procurement manual establishes policies and procedures, and provides guidance on how to procure goods and services efficiently and effectively, there were weaknesses in vendor prices, discounts, and payment terms practices. For example, the company would have saved about \$3.4 million if it had purchased about \$35 million worth of materials from the lowest-cost vendors and about \$84,000 by taking advantage of missed early payment discounts. An additional \$6 million could have been saved if it had negotiated an early payment discount of 1 percent with the 20 highest dollar volume vendors. In addition, the company could have potentially improved its cash flow by about \$78 million if payment terms on the \$1.4 billion in purchase orders were extended to 45 days, and about \$135 million if terms were extended to 60 days.

Implementing the procurement practices discussed in this report could reduce payments by about \$3.4 million annually by using lower-price vendors and \$6 million annually by negotiating early payment discounts. The potential savings of about

\$9.4 million for three years would result in freeing up about \$28.2 million that could be put to better use.

We recommended, and the Chief Financial Officer agreed where possible and practical, that the company will implement the use of purchasing practices to help ensure that the best value is received for all items and services purchased. The proposed corrective actions address the intent of our recommendation.

### **Theft of Fuel**

*February 2015 (Investigations)*

An investigation of suspected fraudulent fuel activity on company-issued fuel cards revealed that an Amtrak employee made \$9,927 in fuel purchases while on leave. The employee was purchasing fuel for personal vehicles. During the investigation, the employee voluntarily separated from Amtrak. The employee was charged with two counts of larceny, two counts of credit card fraud, and two counts of conspiracy in Suffolk County, Massachusetts. He pled guilty to one count each of larceny, credit card fraud, and conspiracy, and was sentenced to two years in jail, sentence suspended. He was placed on six years of supervised probation and was ordered to make restitution to Amtrak of \$9,927.36. The remaining counts of larceny, credit card fraud, and conspiracy were dismissed.

### **Theft of Property**

*March 2015 (Investigations)*

An Amtrak machinist ordered goods from Amtrak's Work Management System that he did not need to fulfill his job duties. When confronted, the machinist admitted to ordering goods that he took home for personal use, gave away, or sold. A consensual search, agreed to by the employee, resulted in the recovery of \$1,400 in Amtrak equipment. He was arrested and charged with felony theft in Cook County, Illinois. The employee pled guilty on November 19, 2014, and was sentenced to one year of supervised probation. He was ordered to make restitution in the amount of \$5,000 to Amtrak. The employee voluntarily resigned.



# Significant Activities

## **Mentor Pay**

*March 2015 (Investigations)*

We received a complaint that new hires in the Mechanical Engineering department in the Delaware shops were assigned multiple mentors so that employees could receive extra pay for mentoring. Using a data-analytics tool, we found that mentor pay was on track to exceed \$500,000, an increase over the prior year of more than 350 percent. As a result of our report, Amtrak management conducted a thorough review of the mechanical mentor program and an analysis of all locations throughout operations. Amtrak management took several measures to minimize the risk of abuse of this program.

## **Track Supervisor Violates Policy**

*March 2015 (Investigations)*

We conducted an investigation of a track supervisor to determine if he made fraudulent purchases on an Amtrak Procurement Card (PCard), conducted private business on company time, or used an Amtrak vehicle for personal business. Our investigation did not substantiate any of those issues. However, it did reveal that the supervisor used the PCard to purchase vehicle parts for his Amtrak vehicle instead of going through Amtrak's automotive department. Additionally, the supervisor did not complete the vehicle mileage forms and left the fuel credit card in the vehicle when not in use. The supervisor received counseling for the policy violations.

## **Ethics Policy Violation**

*February 2015 (Investigations)*

We received an anonymous complaint that the spouse of an Amtrak executive had been convicted of embezzling funds from a non-profit organization and sentenced to incarceration and a substantial restitution, which we later confirmed. The complaint also raised concerns that company funds could be at risk, given the spouse's obligation for restitution, because the Amtrak executive had decision-making authority and oversight of large company contracts. Our subsequent investigation found that the executive was not involved with or accused of any criminal wrongdoing in connection with the spouse's activities and we did not discover any evidence of improper

payments on the company contracts that we reviewed. However, we found that the executive failed to diligently investigate whether the executive's duties conflicted with the spouse's activities and report to the company that there may have been a conflict of interest or the appearance of a conflict of interest, which was contrary to Amtrak's ethics policy. Consequently, management counseled the executive on relevant policy obligations.

### Ongoing Work—Governance

**Review of Medical Healthcare Claims.** The objectives of this audit is to determine whether the company's third-party health care administrators are paying only (1) medical and prescription claims for eligible agreement-covered employees, dependents, and retirees, and (2) claims that are properly coordinated with Medicare or other coverage.

**Review of Payroll Processes.** The objective of this audit is to analyze payroll data to identify trends and patterns that could be useful in detecting fraud, waste, and abuse.

**Best Practices for Establishing and Operating Project Management Office.** The objective of this audit is to review the extent to which best practices are being adopted into the project management office's structure, as well as operation policies and practices.

**Accounting for Business Lines of Operation.** The objective of this audit is to review the effectiveness and efficiency of the company's financial systems and data supporting the accumulation and allocation of costs for the company's business lines of operation. We will also assess whether the company has implemented prior recommendations made by the Department of Transportation, Office of Inspector General, in its March 27, 2013 report to improve the effectiveness of the company's cost accounting system.

**Monitoring the Work of Amtrak's Independent Public Accountant (IPA) Conducting the Fiscal Year (FY) 2014 Financial Statement Audit.** The objective of this audit is to determine whether the IPA performed the audit of Amtrak's Consolidated Financial Statements in accordance with generally accepted government auditing standards.

## Significant Activities

**Monitoring the Work of Amtrak's IPA Conducting the FY 2014 Single Audit.** The objective of this audit is to determine whether the IPA performed the single audit in accordance with generally accepted government auditing standards and the OMB Circular A-133.

**Accuracy of Host Railroad Performance Reporting Data.** The objective of this audit is to review the reliability and accuracy of the company's reporting of host railroad on-time performance information.

## Asset Management

### **Asset Management: Opportunities Exist to Enhance Decision-Making Process for Utilization of Long-Distance Equipment**

*(Evaluation Report No. OIG-E-2015-001, October 23, 2014)*

The company is undertaking initiatives to improve the utilization of its long-distance equipment, but the benefits associated with those initiatives may be overstated. One initiative identified several actions to increase equipment utilization. The long-distance business line started implementing two of the actions, although it had yet to fully analyze the potential costs and benefits or to fully address the risks associated with each action. These actions may likely improve the financial performance of the trains, but more rigorous analysis will increase the likelihood that actual benefits will meet expectations.

In another initiative, a cross-functional working group established a generally sound process for analyzing how best to utilize 130 new long-distance cars the company is procuring. Recommendations made to senior leaders in April 2014 were not developed in accordance with this process, and the supporting analysis was flawed. If the plan based on those recommendations is followed, the long-distance business line's operating loss could increase; however, the company has time to reassess the plan.

To improve decisions about the utilization of long-distance equipment, we recommended several actions, including implementing a consistent process that assigns clear accountability for decisions and relies on sound analysis. The company generally agreed with our recommendations.

### Ongoing Work—Asset Management

**Management of Construction and Specialized Equipment.** The objective of this audit is to assess the adequacy of the company's management and oversight of its construction and specialized equipment and vehicles.

### Human Capital Management

#### **Human Capital Management: Incentive Awards Were Appropriate, but Payment Controls Can Be Improved**

*(Audit Report No. OIG-A-2015-009, March 13, 2015)*

The company reported, and we validated, that it had achieved its FY 2014 Short Term Incentive (STI) financial goal but not its customer service goal. The company's unaudited FY 2014 data reported a potential adjusted net operating loss of \$214 million, which is \$91 million below the STI \$305 million target. Our review showed that the calculation of the adjusted net operating loss was accurate and supported by the company's trial balance amounts. Award payments were made for achieving this goal.

The company also reported that it did not achieve the STI performance target of having a minimum Customer Satisfaction Index (CSI) of 84.25 percent. We reviewed the processes used to solicit and measure CSI results and tested the accuracy of three months of data from FY 2014. We found that the results were reliable.

Our analysis of 100 percent of the award payments made to eligible non-agreement employees found that 98.4 percent of eligible employees received the correct award payment and 1.6 percent were incorrect. Overpayments totaling \$36,907 were made to 32 employees, payments totaling \$2,389 were not made to 9 award-eligible employees, and 4 employees were underpaid by \$171. We also determined that controls over the incentive payment process—including policies and procedures—were not fully developed before the payments were processed. As a consequence, award-payment policies and procedures for certain cases were developed as the process was being implemented. These decisions were not adequately documented and could not be verified without discussion with program officials.



## Significant Activities

We recommended that the company collect FY 2014 overpayments and make payments to the employees who were inappropriately underpaid. The company said that payments were made to employees who were underpaid but that after review, management opted not to collect overpayments. We also recommended, and the company agreed with, actions for improving the STI plan and process for future fiscal years. The planned corrective actions cited were consistent with the intent of our recommendations.

### Train Operations and Business Management

#### Ongoing Work—Train Operations and Business Management

**Review of Long-Distance Car Manufacturing Contractual Performance.** The objective of this audit is to assess the adequacy of the Mechanical department's project oversight and administration of contractual requirements for the long-distance rail car purchase, focusing on the areas of cost, schedule, and performance issues.

**Review of the New Jersey Raceway Project.** The New Jersey High-Speed Rail Improvement project will upgrade 23 miles of right-of-way between Trenton and New Brunswick, New Jersey. The objective of this audit is to assess the adequacy of the Engineering department's project oversight of (1) contractual services, focusing on the areas of cost, schedule, performance, and contract administration, and (2) services performed by Engineering department personnel.

### Information Technology (IT)

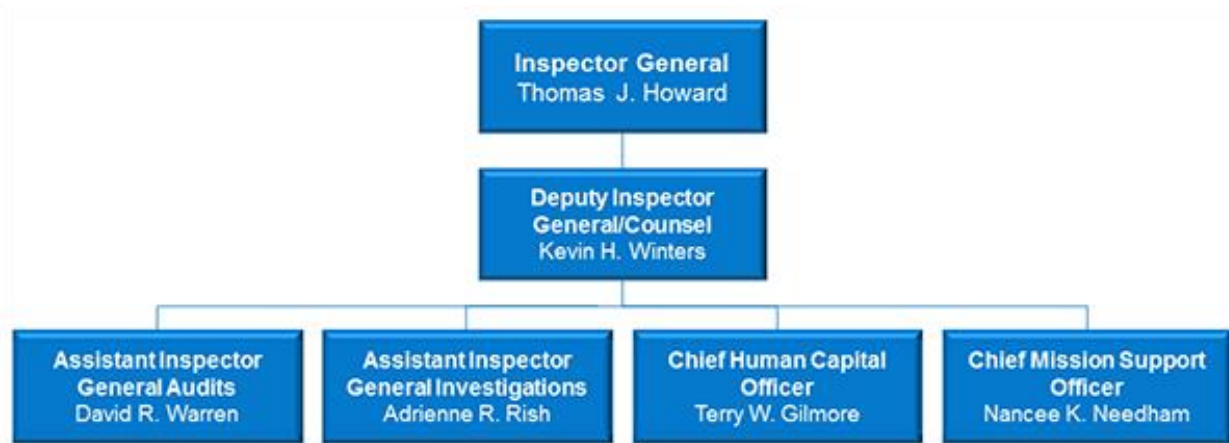
#### Ongoing Work—IT

**Review of Reservation Ecosystem Next Generation Program.** The objective of this audit is to determine to what extent the Reservation Ecosystem Next Generation Program met its objective of modernizing the company's reservation system.



# OIG Organization

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



The Inspector General provides policy direction and leadership for Amtrak OIG and serves as an independent voice to Congress and the Board of Directors 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/Counsel serves in the stead of the Inspector General, as required. Counsel provides legal assistance and advice to OIG senior management and supports audits, investigations, and special reviews. Counsel coordinates with outside attorneys, including local and federal agencies and law enforcement attorneys, and may appear in court on behalf of the OIG and its employees.

**Audits.** This office conducts independent and objective performance and financial audits across the spectrum of support and operational activities. It produces reports on those activities aimed at improving Amtrak'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 Amtrak'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 criminal activity.

**Mission Support.** This office provides expertise in financial management, procurement, administration, information technology, communications/edit, and quality assurance to support OIG operations.

**Human Capital.** This office ensures that the best qualified people are hired, developed, retained, and rewarded appropriately in accordance with the OIG's mission and values and applicable laws, rules, and regulations. It also ensures that an effective and efficient performance management system is implemented to provide employees with timely and meaningful feedback on performance.





## Appendix 1 Fiscal Year 2014 Performance Measures (4/1/2014 – 9/30/2014)

### Audit Results

Reports Issued	9
Questioned Costs	\$85,000
Funds to Be Put to Better Use	65,200,000

### Advisory Functions

FOIA <sup>a</sup> Requests Received	13
FOIA Requests Processed	8
Referred to Amtrak	5
Response Pending	—
FOIA Appeals Received	2
FOIA Appeals Processed	2
Legislation Reviewed	1
Regulations Reviewed	—

### Investigative Results

Financial Impact	
Recoveries/Restitution	\$600,858.90
Cases Opened	
Major Misconduct and General Crimes	11
Claims Fraud	4
Healthcare Fraud	1
Contract and Procurement Fraud	6
Judicial and Administrative Actions	
Arrests	1
Indictments	3
Convictions	3
Criminal Referrals	15
Criminal Referrals Declined	9
Administrative Actions	4
Investigative Workload	
Investigations Opened	22
Investigations Closed	12
Hotline Contacts/Referrals	
Sent to Amtrak Management	134
Investigation Opened	3
Preliminary Investigation Opened	2
Customer Complaints	67
Assist Other Law Enforcement Agency	1
No Action Warranted	7

<sup>a</sup> Freedom of Information Act.

## Appendix 2

### Appendix 2      Questioned Costs (10/1/2014 – 3/31/2015)

<b>Audit Reports Issued with Questioned Costs</b>			
<b>Category</b>	<b>Number</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
A. For which no management decision has been made by the commencement of the reporting period	—	\$—	\$—
B. Reports issued during the reporting period	1	85,000	—
<b>Subtotals (A+B)</b>	<b>1</b>	<b>85,000</b>	<b>—</b>
Less			
C. For which a management decision was made during the reporting period			
(i) dollar value of recommendations agreed to by management	1	85,000	—
(ii) dollar value of recommendations not agreed to by management	—	—	—
D. For which no management decision has been made by the end of the reporting period	—	—	—

## Appendix 3 Funds Put To Better Use

(10/1/2014 – 3/31/2015)

Audit and Evaluation Reports Issued with Funds to be Put to Better Use		
Category	Number	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period	—	\$—
B. Reports issued during the reporting period	2	65,200,000
<b>Subtotals (A+B)</b>	<b>2</b>	<b>65,200,000</b>
Less		
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management	2	65,200,000
(ii) dollar value of recommendations that were not agreed to by management	—	—
D. For which no management decision has been made by the end of the reporting period	—	—

<sup>a</sup> Includes \$28.2 million–\$9.4 million annually, projected over three years.



## Appendix 4

# Appendix 4 Audit and Evaluation Reports (10/1/2014 – 3/31/2015)

Listing of Issued Audit/Evaluation Reports						
Date Issued	Report Number	Report Title	Focus Area	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
10/23/14	OIG-E-2015-001	Asset Management: Opportunities Exist to Enhance Decision-Making Process for Utilization of Long-Distance Equipment	Asset Management	\$—	\$—	\$—
12/19/14	OIG-A-2015-002	Acquisition and Procurement: Gateway Program Projects Have Certain Cost and Schedule Risks	Acquisition and Procurement	—	—	—
1/13/15	OIG-A-2015-003	Quality Control Review: Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Years Ended 2013 and 2012	Governance	—	—	—
2/9/15	OIG-A-2015-004	Quality Control Review: Single Audit Report, National Railroad Passenger Corporation and Subsidiaries, Year Ended September 30, 2013	Governance	—	—	—
2/11/15	OIG-A-2015-005	Governance: Opportunities Exist to Improve the Efficiency of Procurement Practices for Goods and Services	Governance	—	—	28,200,000 <sup>a</sup>
2/12/15	OIG-A-2015-006	Safety and Security: Opportunities to Improve Controls Over Police Department Workforce Planning	Safety and Security	—	—	—
2/19/15	OIG-A-2015-007	Safety and Security: Opportunities Exist to Improve the Safe-2-Safer Program	Safety and Security	—	—	—

Listing of Issued Audit/Evaluation Reports						
Date Issued	Report Number	Report Title	Focus Area	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
3/10/15	OIG-A-2015-008	Acquisition and Procurement: Improved Management Will Lead to Acela Parts Contract Cost Savings	Acquisition and Procurement	85,000	—	37,000,000
3/13/15	OIG-A-2015-009	Human Capital: Incentive Awards Were Appropriate, But Payment Controls Can Be Improved	Human Capital Management	—	—	—
<b>Total</b>				<b>\$85,000</b>	<b>\$—</b>	<b>\$65,200,000</b>

<sup>a</sup> \$9.4 million annually, projected over three years.

Ongoing Audit and Evaluation Projects	
Project Status	Number of Projects
Audit and Evaluation Projects In-process, as of 10/1/2014	14
Projects Postponed or Canceled	1
Audit and Evaluation Projects Started Since 10/1/2014	11
Audit and Evaluation Reports Issued Since 10/1/2014	9
Audit and Evaluation Projects In-process, as of 3/31/2015	15

## Appendix 5

# Appendix 5 Recommendations for Which Corrective Action Not Complete

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps	E-11-03 June 23, 2011	\$—	\$—	\$—
Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant	109-2010/ September 29, 2011	—	—	—
Wireless Network Security: Internal Controls Can Be Improved	OIG-A-2012-003/ December 7, 2011	—	—	—
Amtrak Corporate Governance: Implementing a Risk Management Framework is Essential to Achieving Amtrak's Strategic Goals	OIG-A-2012-007/ March 30, 2012	—	—	—
Strategic Asset Management Program: Opportunities to Improve Implementation and Lessons Learned	OIG-E-2012-012 May 31, 2012	—	—	—
Human Capital Management: Weaknesses in Hiring Practices Result in Waste and Operational Risk	OIG-A-2012-014 July 19, 2012	—	—	—
Claims Program: Use of Best Practices Would Strengthen Management Controls	OIG-A-2012-016 August 14, 2012	—	—	—

<b>Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed</b>				
<b>Report</b>	<b>Report Number/Date</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>	<b>Funds to be Put to Better Use</b>
American Recovery and Reinvestment Act: Some Questioned Invoice Charges and Minimal Benefit from Duplicative Invoice-Review Process	OIG-A-2012-021 September 21, 2012	—	—	—
Annual Financial Statement Audits: Observations for Improving Oversight of the Independent Public Accountant	OIG-A-2012-017 September 27, 2012	—	—	—
Railroad Safety: Amtrak is Not Adequately Addressing Rising Drug and Alcohol Use by Employees in Safety-Sensitive Positions	OIG-E-2012-023 September 27, 2012	—	—	—
Amtrak Invoice Review: Undetected Inaccuracies Resulted in Overpayments (BNSF)	OIG-A-2013-006 February 15, 2013	2,115,440	—	—
Management of Overtime: Best Practice Control Can Help in Developing Needed Policies and Procedures	OIG-A-2013-009 March 26, 2013	—	—	—
Information Technology: Opportunities Exist to Improve Services, Economies, and Contract Performance	OIG-A-2013-013 April 16, 2013	—	—	31,400,000
Real Property Management: Applying Best Practices Can Improve Real Property Inventory Management Information	OIG-A-2013-015 June 12, 2013	—	—	—
American Recovery and Reinvestment Act: Opportunities Exist to Recover Funds and Reduce Future Costs by Improving Procurement Policies	OIG-A-2013-016 July 29, 2013	596,345	—	529,175



## Appendix 5

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Governance: Enhanced Controls Needed to Avoid Duplicate Payments	OIG-A-2013-018 September 20, 2013	—	—	—
Governance: Most Procurement Card Controls are Effective, but Some Need to be Strengthened	OIG-A-2013-019 September 26, 2013	—	—	—
Corporate Governance: Planned Changes Should Improve Amtrak's Capital Planning Process, and Further Adoption of Sound Business Practices Will Help Optimize the Use of Limited Capital Funds	OIG-E-2013-020 September 27, 2013	—	—	—
Asset Management: Amtrak is Preparing to Operate and Maintain New Locomotives, but Several Risks to Fully Achieving Intended Benefits Exist	OIG-E-2013-021 September 27, 2013	—	—	—
Food and Beverage Service: Potential Opportunities to Reduce Losses	OIG-A-2014-001 October 31, 2013	—	—	175,200,000 <sup>a</sup>
Passenger Rail Investment and Improvement Act of 2008: Accomplishments and Requirements that Deserve Consideration for Future Authorizing Legislation	OIG-A-2014-003 January 9, 2014	—	—	—
Governance: Opportunities Exist to Improve the Travel Card Program and Reduce Risks	OIG-A-2014-005 April 18, 2014	—	—	—
Acquisition and Procurement: Closer Alignment with Best Practices Can Improve Effectiveness	OIG-A-2014-006 May 7, 2014	—	—	—

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Asset Management: Amtrak Followed Sound Practices in Developing a Preliminary Business Case for Procuring Next-Generation High-Speed Trainsets and Could Enhance its Final Case with Further Analysis	OIG-E-2014-007 May 29, 2014	—	—	—
Governance: Improved Policies, Practices, and Training Can Enhance Capital Project Management	OIG-A-2014-009 July 15, 2014	—	—	—
Train Operations and Business Management: Addressing Management Weaknesses Is Key to Enhancing the Americans with Disabilities Program	OIG-A-2014-010 August 4, 2014	—	—	—
<b>TOTAL</b>		<b>\$2,711,785</b>	<b>\$—</b>	<b>\$207,129,175</b>

<sup>a</sup> \$58.4 million annually, projected over three years.

# Appendix 6      Review of Legislation, Regulations, and Major Policies

Section 4(a) 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.

We continue to assess whether existing legislation adequately protects taxpayer funds provided to Amtrak. Possible areas of legislative improvements include, among others, whether certain Title 18 anti-fraud prohibitions should apply to Amtrak, thus further ensuring that its federal funding is protected from fraud, waste, and abuse.

## Appendix 7 Peer Review Results

The *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P. L. 111–203, July 21, 2010) requires that OIG include in its semiannual report 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 by the OIG of another OIG, and the status of any recommendations made to or by the OIG.

During FY 2013, 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 (TVA) OIG. TVA 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, TVA OIG provided a “pass” rating and made no recommendations. The report was released on February 14, 2013.

Our Office of Investigations was also the subject of a peer review during FY 2013 by the Nuclear Regulatory Commission (NRC) OIG. NRC OIG concluded that the system of internal safeguards and management procedures for the investigative function of the Amtrak OIG in effect for the year ending February 28, 2013, was in compliance with the quality standards established by CIGIE and the Attorney General’s Guidelines. These safeguards and our procedures provide reasonable assurance of conforming to professional standards in the conduct of investigations.

During the period, we completed a CIGIE peer review of the National Science Foundation (NSF) OIG’s audit organization for the year ending September 30, 2014. NSF OIG received a “pass” rating and we made no recommendations. The report was released on March 30, 2015.

# Appendix 8 Glossary of Terms, Acronyms, and Abbreviations<sup>3</sup>

**Management Decision.** The evaluation by management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions that management concludes are necessary.

**Questioned Cost.** A cost that is questioned by the OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**Recommendation that Funds Be Put to Better Use.** A recommendation by the OIG that funds could be more efficiently used if management took actions to implement and complete the recommendation, including (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee; (5) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or (6) any other savings that are specifically identified. (*Note:* Dollar amounts identified in this category may not always allow for direct budgetary actions but generally allow the agency to use the amounts more effectively in the accomplishment of program objectives.)

**Unsupported Cost.** An unsupported cost is a cost that is questioned by the OIG because the OIG found that, at the time of the audit, the cost was not supported by adequate documentation.

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<sup>3</sup> All definitions are from the Inspector General Act of 1978, as amended.



## Acronyms and Abbreviations

<b>APD</b>	Amtrak Police Department
<b>CIGIE</b>	Counsel of Inspectors General on Integrity and Efficiency
<b>CSI</b>	Customer Satisfaction Index
<b>FY</b>	Fiscal Year
<b>IPA</b>	Independent Public Accountants
<b>IT</b>	Information Technology
<b>NRC</b>	Nuclear Regulatory Commission
<b>OIG</b>	Office of Inspector General
<b>OMB</b>	Office of Management and Budget
<b>PTC</b>	Positive Train Control
<b>PCard</b>	Procurement Card
<b>STI</b>	Short Term Incentive
<b>TVA</b>	Tennessee Valley Authority

## Appendix 9

# Appendix 9 Reporting Requirements Index

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## OIG MISSION AND CONTACT INFORMATION

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### **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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Phone: 800-468-5469

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