



July 24, 2013

The Honorable Charles E. Grassley
Ranking Member, Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Tom Coburn
Ranking Member, Permanent Subcommittee
on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate
Washington, DC 20510

Dear Senators Grassley and Coburn:

This letter provides an update to your request of April 8, 2010,¹ for information on all of our closed audits, investigations, and evaluations that have not been publicly disclosed. We are also providing a list of open and unimplemented Amtrak Office of Inspector General (OIG) recommendations.

From May 1, 2010, through June 30, 2013, all OIG audit and evaluation reports have been disclosed to the public on our website.

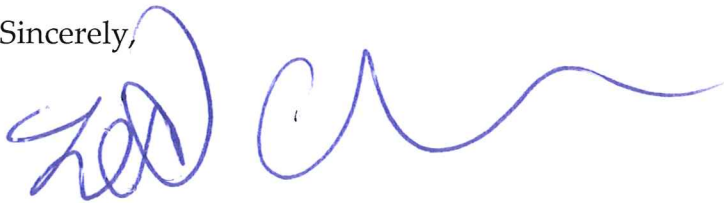
Most of our investigative closing reports are disclosed to the public on our website and in our semiannual reports to Congress. Our closing referrals and reports to management that were not publicly disclosed for the same period are provided in attachment I. We can provide additional information about any of the closed investigations listed.

In our initial response to your April 8, 2010 request, we were unable to provide information on open and unimplemented OIG recommendations. Therefore, we have included our June 2013 response to Chairman Issa on that subject in attachment II.

¹ We responded to this request on June 16, 2010.

Thank you for your continued oversight. If you have questions or need further information, please contact me at 202-906-4600 (Ted.Alves@amtrakoig.gov) or Tom Howard, Deputy Inspector General at 202-906-4561 (Tom.Howard@amtrakoig.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Ted Alves", followed by a long, wavy horizontal line.

Ted Alves
Inspector General

Enclosures

Closed Investigations Not Publicly Disclosed

Response to Chairman Issa on Open Recommendations

Investigative Referrals or Reports to Management Not Publicly Disclosed

CASE NUMBER	ALLEGATION
DC-08-0042-P	Healthcare Fraud
DC-12-0238-O	False Injury Claim
DC-12-0275-O	Disclosure of confidential information
DC-12-0341-O	Misconduct
IL-07-0005-S	Petty cash fund shortages
MA-11-0315-HL-I	Employee rail pass travel abuse and theft of service
MD-08-0018-S	Retaliation
MD-09-0015-S	Safety concerns and improper use of contractor in violation of union agreement
NY-12-0084-O	Improper disposal of confidential documents and computer equipment
PA-00-0002-S	Retaliation
PA-08-0020-O	Counterfeit train tickets
PA-09-0008-O	Credit Card Fraud
PA-09-0023-S	False Time and Attendance Reporting
PA-11-0066-O	Improper expenditure of Amtrak funds and contractor favoritism
PA-11-0076-P	False statements on job application



The Inspector General



June 28, 2013

The Honorable Darrell E. Issa
Chairman, Committee on Oversight
and Government Reform
2157 Rayburn House Office Building
Washington, DC 20515-6143

The Honorable Elijah E. Cummings
Ranking Member, Committee on Oversight
and Government Reform
2157 Rayburn House Office Building
Washington, DC 20515-6143

Dear Chairman Issa and Ranking Member Cummings:

This memorandum provides the information your office requested on June 17, 2013, related to open and unimplemented recommendations made by my office. The information we are providing in response to your four questions is summarized below.

1. We have 165 open and unimplemented recommendations from 41 reports. Of these recommendations, 53 recommendations are from 26 audit reports, and 112 recommendations are from 15 evaluation reports. (see attachment 1)

2. The cost savings we identified for unimplemented and partially implemented audit recommendations are about \$25 million. For evaluation recommendations we identified potential multi-year savings of \$139 million and between \$694 million and \$1.2 billion in potential equipment cost savings over the life of equipment identified in Amtrak's FY 2010 Fleet Strategy. (see attachment 2)

3. We are providing a listing of our cost saving recommendations, the date they were made and the estimated savings in an attachment. (see attachment 2)

4. The open and unimplemented recommendations that we consider to be the most important are addressed below. (see attachment 3 for the links to the reports)

- The collective recommendations from reports to recover \$23.6 million in overpayments to freight railroads. Amtrak management has agreed with these recommendations and is actively negotiating the recoveries.
- We recommended that Amtrak develop and implement an Enterprise Risk Management process for the entire organization to include the Board of Directors. Amtrak's Board Chairman and Chief Executive Officer agreed to consider the commitments needed to implement Enterprise Risk Management and the Corporation is developing an approach as part of its Strategic Management System. Implementing an effective risk management process across the enterprise has the potential for millions of dollars in savings over an extended period.
- By improving the efficiency of human resource processes and its training and employee development, Amtrak could save approximately \$31 million per year. Amtrak is actively working to implement our recommendations and improve its human resource processes and training and development program.

If you have any questions, please contact me at 202-906-4499, (Ted.Alves@amtrakoig.gov) or Tom Howard, Deputy Inspector General, at 202-906-4561, (Tom.Howard@amtrakoig.gov).

Sincerely,



Ted Alves
Inspector General

cc: Committee on Oversight and Government Reform

Attachments (4)

Summary of All Reports with Open Recommendations - Audits

<u>Report Number</u>	<u>Report Title</u>	<u>Report Issue Date</u>	<u>Number of Open Recommendations</u>
OIG-A-2013-015	Real Property Management: Applying Best Practices Can Improve Real Property Inventory Management Information	6/12/2013	1
OIG-A-2013-011	Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Union Pacific)	3/28/2013	1
OIG-A-2013-010	Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Metro North)	3/27/2013	1
OIG-A-2013-012	Audit of Grant Agreement: Next Generation Equipment Committee Materially Complied with Terms of the Grant Agreement	3/27/2013	4
OIG-A-2013-008	Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (BNSF)	3/26/2013	2
OIG-A-2013-009	Management of Overtime: Best Practice Controls Can Help in Developing Needed Policies and Procedures	3/26/2013	3
OIG-A-2013-007	AMTRAK INVOICE REVIEW: Internal Control Weaknesses Lead to Overpayments (Southern Pacific)	3/13/2013	1
OIG-A-2013-006	Amtrak Invoice Review: Undetected Inaccuracies Resulted in Overpayments	2/15/2013	1
OIG-A-2012-017	Annual Financial Statement Audits: Observations for Improving Oversight of the Independent Public Accountant	9/27/2012	1
OIG-A-2012-021	American Recovery and Reinvestment Act: Some Questioned Invoice Charges and Minimal Benefit from Duplicative Invoice-Review Process	9/21/2012	2
OIG-A-2012-020	Food and Beverage Service: Initiatives to Help Reduce Direct Operating Losses Can Be Enhanced by Overall Plan	9/7/2012	1
OIG-A-2012-019	Amtrak Invoice Review: Undetected Errors Resulted in Overpayments	9/5/2012	1
OIG-A-2012-016	Claims Program: Use of Best Practices Would Strengthen Management Controls	8/14/2012	8

Attachment 1

<u>Report Number</u>	<u>Report Title</u>	<u>Report Issue Date</u>	<u>Number of Open Recommendations</u>
OIG-A-2012-014	Human Capital Management: Weaknesses in Hiring Practices Result in Waste and Operational Risk	7/19/2012	6
OIG-A-2012-013	On-Time-Performance Incentives: Inaccurate Invoices Were Paid	6/29/2012	1
OIG-A-2012-007	Amtrak Corporate Governance: Implementing a Risk Management Framework is Essential to Achieving Amtrak's Strategic Goals	3/30/2012	2
OIG-A-2012-004	On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Weaknesses in Amtrak's Invoice-Review Process	2/15/2012	1
OIG-A-2012-003	Wireless Network Security: Internal Controls Can Be Improved	12/7/2011	3
109-2010	Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant	9/29/2011	2
403-2010	On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Long-standing Weaknesses in Amtrak's Invoice-Review Process	4/21/2011	1
105-2010	Strategic Asset Management Program Controls Design Is Generally Sound, But Improvements Can Be Made	1/14/2011	5
401-2008	Host RRCA and Operations Management Controls	8/21/2008	1
509-2001	Railroad Invoice Review: Southern Pacific Central States Line Railroad Report 4 of 4	9/21/2001	1
508-2001	Railroad Invoice Review: Southern Pacific Central States Line Railroad Report 3 of 4	9/12/2001	1
507-2001	Railroad Invoice Review: Southern Pacific Central States Line Railroad Report 2 of 4	8/31/2001	1
506-2001	Railroad Invoice Review: Southern Pacific Central States Line Railroad Report 1 of 4	8/3/2001	1

Total Number of Reports: 26

53

Summary of All Reports with Open Recommendations - Inspections and Evaluations

<u>Report Number</u>	<u>Report Title</u>	<u>Report Issue Date</u>	<u>Number of Open Recommendations</u>
OIG-E-2013-014	Asset Management: Integrating Sound Business Practices into its Fleet Planning Process Could Save Amtrak Hundreds of Millions of Dollars on Equipment Procurements	5/28/2013	3
OIG-E-2013-003	Railroad Safety: Amtrak Has Made Progress in Implementing Positive Train Control, but Significant Challenges Remain	12/20/2012	7
OIG-E-2012-023	Railroad Safety: Amtrak is Not Adequately Addressing Rising Drug and Alcohol Use by Employees in Safety-Sensitive Positions	9/27/2012	8
OIG-E-2012-012	Strategic Asset Management Program: Opportunities to Improve Implementation and Lessons Learned	5/31/2012	7
OIG-E-2012-008	Mechanical Maintenance: Improved Practices Have Significantly Enhanced Acela Equipment Performance and Could Benefit Performance of Equipment Company-Wide	5/21/2012	7
OIG-E-2012-009	Human Capital Management: Controls Over the Use of Temporary Management Assignment Need Improvement	3/28/2012	3
E-11-03	Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps	6/23/2011	2
E-11-02	Evaluation of Amtrak's FY 2010 Fleet Strategy: A Commendable High-Level Plan That Needs Deeper Analysis and Planning Integration	3/31/2011	7
E-11-01	Operation RedBlock: Actions Needed to Improve Program Effectiveness	3/15/2011	5
E-09-06	Training and Employee Development	10/26/2009	24
E-09-05	Amtrak's Infrastructure Maintenance Program	9/29/2009	8
E-09-03	Human Capital Management	5/15/2009	19
E-06-04	Facility Maintenance Program	8/24/2006	4
E-06-02	Amtrak Fleet Planning Process	4/6/2006	4
E-05-04	Amtrak Mechanical Maintenance Operations	9/6/2005	4

Total Number of Reports: 15

112

Open Report Recommendations with Estimated Cost Savings - Audits

Recommendation from Report	Estimated Cost Savings
OIG-A-2013-011 Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Union Pacific)	3/28/2013
We recommend that Amtrak's Acting Chief Financial Officer take action to recover the \$2,338,860 that Amtrak overpaid Union Pacific for on-time-performance incentives and services.	\$2,338,860.00
OIG-A-2013-010 Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Metro North)	3/27/2013
We recommend that Amtrak's Acting Chief Financial Officer act to recover the \$1,223,028 that we estimate Amtrak overpaid to Metro North.	\$1,223,028.00
OIG-A-2013-012 Audit of Grant Agreement: Next Generation Equipment Committee Materially Complied with Terms of the Grant Agreement	3/27/2013
Seek reimbursement from AASHTO for the questioned costs and obtain documentation for the unsupported costs.	\$11,345.00
OIG-A-2013-008 Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (BNSF)	3/26/2013
Acting Chief Financial Officer take action to recover the approximately \$1,437,311 in overpayments made to BNSF.	\$1,437,311.00
OIG-A-2013-007 AMTRAK INVOICE REVIEW: Internal Control Weaknesses Lead to Overpayments (Southern Pacific)	3/13/2013
We recommend that Amtrak's Acting Chief Financial Officer take action to recover the \$1,205,626 that Amtrak overpaid the host railroad for services.	\$1,205,626.00

Attachment 2

Recommendation from Report

Estimated Cost Savings

Recommendation from Report	Estimated Cost Savings
OIG-A-2013-006 Amtrak Invoice Review: Undetected Inaccuracies Resulted in Overpayments	2/15/2013
We recommend that Amtrak's Acting Chief Financial Officer take action to recover the \$2,115,440 that Amtrak overpaid BNSF for on-time-performance incentives.	\$2,115,440.00
OIG-A-2012-021 American Recovery and Reinvestment Act: Some Questioned Invoice Charges and Minimal Benefit from Duplicative Invoice-Review Process	9/21/2012
Recover over \$1.2 million in questioned costs identified in this report.	\$1,200,000.00
OIG-A-2012-019 Amtrak Invoice Review: Undetected Errors Resulted in Overpayments	9/5/2012
We recommend that Amtrak's Acting Chief Financial Officer take action to recover the \$3,473,737 that Amtrak overpaid to Union Pacific.	\$3,473,737.00
OIG-A-2012-013 On-Time-Performance Incentives: Inaccurate Invoices Were Paid	6/29/2012
We recommend that Amtrak's Chief Financial Officer take action to recover the \$1,430,113 that Amtrak overpaid to the host railroad for on-time-performance incentives.	\$1,430,113.00
OIG-A-2012-004 On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Weaknesses in Amtrak's Invoice-Review Process	2/15/2012
We recommend that Amtrak's Chief Financial Officer take action to recover the \$9,151,451 that Amtrak overpaid BNSF Railway in on-time performance incentives.	\$9,151,451.00
403-2010 On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Long-standing Weaknesses in Amtrak's Invoice-Review Process	4/21/2011
Recover the \$519,932 Amtrak overpaid Metro-North in on-time performance incentives.	\$519,932.00

Attachment 2

Recommendation from Report

Estimated Cost Savings

509-2001	Railroad Invoice Review: Southern Pacific Central States Line Railroad Report 4 of 4	9/21/2001
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	We recommend that management takes appropriate corrective action to collect \$355,876 which covers July 1999 through December 1999. (We revised this number to \$282,957 in 2009 based on information provided after report issuance).	\$282,957.00
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508-2001	Railroad Invoice Review: Southern Pacific Central States Line Railroad Report 3 of 4	9/12/2001
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	We recommend that management takes appropriate corrective action to collect \$153,880 which covers January 1999 through June 1999. (We this number to \$140,377 in 2009 based on information provided after report issuance).	\$140,377.00
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507-2001	Railroad Invoice Review: Southern Pacific Central States Line Railroad Report 2 of 4	8/31/2001
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	We recommend that management takes appropriate corrective action to collect \$233,132 which covers July 1998 to December 1998. (Werevised this number to \$153,766 in 2009 based on information provided after report issuance).	\$153,766.00
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506-2001	Railroad Invoice Review: Southern Pacific Central States Line Railroad Report 1 of 4	8/3/2001
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	We recommend that management takes appropriate corrective action to collect \$203,671 which covers January 1998 to June 1998. (We revised this number to \$125,957 in 2009 based on information provided after report issuance).	\$125,957.00
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\$24,809,900.00

Open Report Recommendations with Estimated Cost Savings - Inspections and Evaluations

Evaluation Summary or Recommendation from Report	Estimated Cost Savings
E-05-04 Amtrak Mechanical Maintenance Operations	9/6/2005
By adopting a new mechanical maintenance philosophy and other efficiency improvement initiatives, Amtrak could potentially save over \$100 million per year in mechanical maintenance costs.	Report originally estimated over \$100 million per year in savings. We estimate that actions accomplished through April 2010 have already saved approximately \$30 million per year.
E-06-02 Amtrak Fleet Planning Process	4/6/2006
By increasing the productivity and utilization of its rolling stock fleet, Amtrak could improve its overall financial performance by over \$28 million per year.	Report originally estimated over \$28 million per year in savings. We estimate that actions accomplished through April 2010 have already saved approximately \$4 million per year.
E-09-03 Human Capital Management	5/15/2009
By leveraging new technology and improving the efficiency of human resource processes, Amtrak could save over \$23 million per year.	Over \$23 million per year for all recommendations in report.
E-09-05 Amtrak's Infrastructure Maintenance Program	9/29/2009
By bringing Amtrak's infrastructure up to a "State of Good Repair" and adopting the best practices in infrastructure maintenance from European railroads, Amtrak could save over \$50 million per year.	Over \$50 million per year for all recommendations in the report.
E-09-06 Training and Employee Development	10/26/2009
By improving the efficiency of its training, Amtrak could save approximately \$8 million per year.	Approximately \$8 million per year for all report recommendations.

Attachment 2

Evaluation Summary or Recommendation from Report

Estimated Cost Savings

E-11-02 Evaluation of Amtrak's FY 2010 Fleet Strategy: A Commendable High-Level Plan That Needs Deeper Analysis and Planning Integration

3/31/2011

We recommend that the President and CEO ensure that future strategy updates consider increasing the use of multi-level passenger coaches wherever practical and feasible.

Implementing this recommendation could allow Amtrak to reduce its fleet requirements over the thirty year planning period in Amtrak's Fleet Strategy. This could potentially result in the reduction of between \$174 million and \$679 million (depending on the amount of luggage space provided) in procurement and overhaul costs over the lives of these additional pieces of equipment.

We recommend that the President and CEO ensure that future strategy updates consider Amtrak's planned equipment availability and reliability improvements and incorporate their impact into equipment estimates. He should also ensure that future strategy updates incorporate the impact of any additional equipment availability improvements.

Implementing this recommendation would allow Amtrak to reduce its fleet requirements by 53 cars and 25 locomotives over the thirty year planning period in Amtrak's Fleet Strategy. This would potentially result in the reduction of \$520 million in procurement and overhaul costs over the lives of these additional pieces of equipment.

Amtrak OIG Most Important Open and Unimplemented Recommendations - Audits

Recommendation from Report	Estimated Cost Savings
<p>OIG-A-2013-011 Amtrak Invoice Review: Internal Control Weaknesses Lead to 3/28/2013 Overpayments (Union Pacific)</p> <p>We recommend that Amtrak's Acting Chief Financial Officer take action to recover the \$2,338,860 that Amtrak overpaid Union Pacific for on-time-performance incentives and services.</p> <p>http://www.amtrakoig.gov/sites/default/files/reports/oig-a-2013-011_redacted.pdf</p>	\$2,338,860.00
<p>OIG-A-2013-010 Amtrak Invoice Review: Internal Control Weaknesses Lead to 3/27/2013 Overpayments (Metro North)</p> <p>We recommend that Amtrak's Acting Chief Financial Officer act to recover the \$1,223,028 that we estimate Amtrak overpaid to Metro North.</p> <p>http://www.amtrakoig.gov/sites/default/files/reports/final_report_mn_otp_oig-a-2013-010_redaction_copy.pdf</p>	\$1,223,028.00
<p>OIG-A-2013-008 Amtrak Invoice Review: Internal Control Weaknesses Lead to 3/26/2013 Overpayments (BNSF)</p> <p>Acting Chief Financial Officer take action to recover the approximately \$1,437,311 in overpayments made to BNSF.</p> <p>http://www.amtrakoig.gov/sites/default/files/reports/bnsf_final_report_oig-a-2013-008_-_03-26-2013_redacted_</p>	\$1,437,311.00

Attachment 3

Recommendation from Report

Estimated Cost Savings

OIG-A-2013-007 Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Southern Pacific) 3/13/2013

We recommend that Amtrak's Acting Chief Financial Officer take action to recover the \$1,205,626 that Amtrak overpaid the host railroad for services.

\$1,205,626.00

http://www.amtrakoig.gov/sites/default/files/reports/oig-a-2013-007_redacted_for_web.pdf

OIG-A-2013-006 Amtrak Invoice Review: Undetected Inaccuracies Resulted in Overpayments 2/15/2013

We recommend that Amtrak's Acting Chief Financial Officer take action to recover the \$2,115,440 that Amtrak overpaid BNSF for on-time-performance incentives.

\$2,115,440.00

http://www.amtrakoig.gov/sites/default/files/reports/bnsf_final_report_oig-a-2013-006_-_02-15-2013_redacted_

OIG-A-2012-019 Amtrak Invoice Review: Undetected Errors Resulted in Overpayments 9/5/2012

We recommend that Amtrak's Acting Chief Financial Officer take action to recover the \$3,473,737 that Amtrak overpaid to Union Pacific.

\$3,473,737.00

http://www.amtrakoig.gov/sites/default/files/reports/union_pacific_invoice_review_report_final_-_redacted.pdf

OIG-A-2012-013 On-Time-Performance Incentives: Inaccurate Invoices Were Paid 6/29/2012

We recommend that Amtrak's Chief Financial Officer take action to recover the \$1,430,113 that Amtrak overpaid to the host railroad for on-time-performance incentives.

\$1,430,113.00

http://www.amtrakoig.gov/sites/default/files/reports/final_report_sp_otp_june_29_2012_redactions.pdf

Attachment 3

Recommendation from Report

Estimated Cost Savings

OIG-A-2012-007	Amtrak Corporate Governance: Implementing a Risk Management Framework is Essential to Achieving Amtrak's Strategic Goals	3/30/2012
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In the long term, develop and implement an Enterprise Risk Management process for the entire organization, to include the Board of Directors, which is consistent with the Committee of Sponsoring Organizations framework.

http://www.amtrakoig.gov/sites/default/files/reports/1final_report_033012.pdf

OIG-A-2012-004	On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Weaknesses in Amtrak's Invoice-Review Process	2/15/2012
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We recommend that Amtrak's Chief Financial Officer take action to recover the \$9,151,451 that Amtrak overpaid BNSF Railway in on-time performance incentives.

\$9,151,451.00

http://www.amtrakoig.gov/sites/default/files/reports/final_report_-_bnsf_otp_2012-004_redacted_as_of_02-16-

403-2010	On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Long-standing Weaknesses in Amtrak's Invoice-Review Process	4/21/2011
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Recover the \$519,932 Amtrak overpaid Metro-North in on-time performance incentives.

\$519,932.00

http://www.amtrakoig.gov/sites/default/files/reports/0426_mn_otp_final_redacted_4032010_04212011.pdf

Attachment 3

Recommendation from Report

Estimated Cost Savings

509-2001 Railroad Invoice Review: Southern Pacific Central States Line 9/21/2001
Railroad Report 4 of 4

We recommend that management takes appropriate corrective action to collect \$355,876 which covers July 1999 through December 1999. (We revised this number to \$282,957 in 2009 based on information provided after report issuance).

\$282,957.00

[Marked For Official Use Only. Copies available upon request.](#)

508-2001 Railroad Invoice Review: Southern Pacific Central States Line 9/12/2001
Railroad Report 3 of 4

We recommend that management takes appropriate corrective action to collect \$153,880 which covers January 1999 through June 1999. (We this number to \$140,377 in 2009 based on information provided after report issuance).

\$140,377.00

[Marked For Official Use Only. Copies available upon request.](#)

507-2001 Railroad Invoice Review: Southern Pacific Central States Line 8/31/2001
Railroad Report 2 of 4

We recommend that management takes appropriate corrective action to collect \$233,132 which covers July 1998 to December 1998. (Werevised this number to \$153,766 in 2009 based on information provided after report issuance).

\$153,766.00

[See Attachment 4, page 1](#)

Attachment 3

Recommendation from Report

Estimated Cost Savings

Recommendation from Report	Estimated Cost Savings
506-2001 Railroad Invoice Review: Southern Pacific Central States Line 8/3/2001 Railroad Report 1 of 4	
We recommend that management takes appropriate corrective action to collect \$203,671 which covers January 1998 to June 1998. (We revised this number to \$125,957 in 2009 based on information provided after report issuance).	\$125,957.00
See Attachment 4, page 11	
	<hr/> \$23,598,555.00

Amtrak OIG Most Important Open and Unimplemented Recommendations - Inspections and Evaluations

Recommendation from Report	Estimated Cost Savings
E-09-03 Human Capital Management	5/15/2009
By leveraging new technology and improving the efficiency of human resource processes, Amtrak could save over \$23 million per year.	Over \$23 million per year for all recommendations in report.
http://www.amtrakoig.gov/sites/default/files/reports/OIG%20HCM%20FINAL%20EVALUATION%20REPORT%20May%2015%202009.pdf	
E-09-06 Training and Employee Development	10/26/2009
By improving the efficiency of its training, Amtrak could save approximately \$8 million per year.	Approximately \$8 million per year for all report recommendations.
http://www.amtrakoig.gov/sites/default/files/reports/Training%20Eval%20Report%20Final.pdf	

Attachment 4

NATIONAL RAILROAD PASSENGER CORPORATION
OFFICE OF INSPECTOR GENERAL - AUDITS
10 G STREET, N.E., SUITE 3W-300
WASHINGTON, D.C. 20002-4285

AUDIT REPORT

**SOUTHERN PACIFIC CENTRAL STATES LINE
PROPOSED DOLLAR ADJUSTMENTS IN BILLING STATEMENTS**

Report Addressed To:

**LEE W. BULLOCK
VICE-PRESIDENT – FREIGHT RAILROAD AFFAIRS
60 Massachusetts Avenue, N.E.
Washington, D.C. 20002**

This final report is privileged and confidential and is prepared for the addressee in conjunction with the Office of the General Auditor's Annual Audit Program. This final report may not be released to any organization outside Amtrak or to any internal department without the approval of Amtrak's Office of Inspector General - Audits.

**REPORT DATE: August 31, 2001
REPORT NUMBER: 01-507**



NATIONAL RAILROAD PASSENGER CORPORATION
OFFICE OF THE INSPECTOR GENERAL - AUDITS
TABLE OF CONTENTS

SOUTHERN PACIFIC CENTRAL STATES LINE RAILROAD
REPORT NUMBER: 01-507

EXECUTIVE SUMMARY 1

I. INTRODUCTION

A. Background..... 2
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D. Methodology 3
E. Evaluation of Internal Controls 4
F. Prior Audit Coverage 4

II. FINDINGS AND RECOMMENDATIONS

Finding: *Based upon available Amtrak records, SPCSL overcharged the Corporation by \$233,132 for the six-month period.* 4

APPENDIX A - Summary of Account Billings

APPENDIX B - Summary Schedule of Incentive Calculations (Jan 1998 – Dec 1998)

**Southern Pacific Central States Line Railroad
Report Number: 01-507
Audit of Railroad Monthly Statement of Charges**

EXECUTIVE SUMMARY

This interim report summarizes our review of the Southern Pacific Central States Line (SPCSL) billing statements for the period of July 1998 – December 1998. This is the second of four reports. The remaining two reports will cover the period of January 1999 through December 1999 in six-month intervals.

The purpose of our audit was to determine whether the SPCSL properly billed reimbursable charges in accordance with the amended agreements between Amtrak and the SPCSL.

Our audit determined that the billing statements were not always accurate and accordingly, we proposed an audit adjustment totaling \$233,132 in on-time performance payments due Amtrak.

In the final negotiation process, SPCSL representatives have consistently provided additional information and/or data, which may affect the final amount settled and agreed to by both Amtrak and the SPCSL. Thus, the adjustment amount of \$233,132 should not be taken as the full receivable value due the Corporation. Details for this audit finding are presented in the attached report.

SOUTHERN PACIFIC CENTRAL STATES LINE RAILROAD

AUDIT OF SPCSL BILLINGS

AUDIT REPORT

I. INTRODUCTION

The National Railroad Passenger Corporation (NRPC) originally entered into an agreement effective November 8, 1989, with the Southern Pacific Central States Line Railroad (SPCSL) to operate eight trains in the state of Illinois between Joliet and Granite City on a daily round trip basis.

A. Background

The above-mentioned agreement between the SPCSL and Amtrak states that the Railroad will provide Amtrak with the use of facilities and requested services for or in connection with the operation of Amtrak's trains over the Rail Lines of the Railroad. The agreement sets out certain standards for operations including the requirement that SPCSL provide services in an economic and efficient manner and that they cooperate in good faith with Amtrak in providing service, which will contribute to the success of Amtrak's Intercity Rail Passenger Service.



Section 5.2B of the agreement contains provisions allowing Amtrak to review and evaluate SPCSL's operations, performance, and costs. The Railroad is required to maintain supporting records with respect to SPCSL's accounting, operations, mechanical work, and any other related data as may reasonably concern the performance of services for Amtrak. Such records are to be maintained and accumulated on a location-by-location basis with retention periods of no less than 36 months. Either party to the contract has the right to inspect books and records of the other party at its usual place of business, on reasonable notice, and during business hours.

Appendix IV of the agreement identifies actual and flat rate costs that the Railroad may bill Amtrak through various accounts. Flat rated costs consist of individual cost components that were in effect at the time the agreement was signed. SPCSL's major cost component was on-time performance payments. Appendix V details the calculation methodology for on-time performance payments. SPCSL earns incentive payments when a train's on-time performance at a performance checkpoint is greater than 80 percent during the month.

Attachment 4

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August 24, 2001

Conversely, if on-time performance is less than 70 percent, the SPCSL is liable to pay Amtrak penalties to be calculated according to the agreement.

OIG issued a prior audit report, 00-504 dated September 29, 2000, and submitted adjustments to the SPCSL based upon statistical sampling of six of the 24 months within the January 1998 – December 1999 period. After issuance of this report, the SPCSL declined to accept its results and now requires that each month be audited rather than accepting statistical sampling as a valid audit methodology. Accordingly, the work required was expanded. This is the second of four reports to be issued.

For the entire audited period, January 1998 through December 1999, SPCSL billed Amtrak \$3,211,939.

B. Scope

The audit scope focused on on-time performance and encompassed the period of July 1998 – December 1998. Beginning January 2000, a new contract with the Union Pacific absorbs the SPCSL. Separate billings are no longer provided for the SPCSL Railroad.

Three other accounts (Incremental Track Maintenance, Other Train Miles, and Assumption of Liability) represent the larger dollars billed to Amtrak. We performed a limited review of these accounts and the risk is minimal of any overbilling. Accordingly, no further work was performed.

We conducted our work in accordance with generally accepted government audit standards. Those standards require that we plan and perform the audit evaluation to obtain reasonable assurance about whether the Railroad's invoices are free of material misstatements. An audit evaluation includes examining, on a test basis, evidence supporting the amounts billed. We believe that our audit provides a reasonable basis for our opinions.

C. Objectives

Our audit objectives were (1) to determine if charges claimed on the monthly SPCSL Revenue/Expense Summary Statements (Greenbills) were contractually authorized, properly supported, and accurately summarized; and (2) to determine whether cost savings could be incurred through more efficient and effective SPCSL operations.

D. Methodology

The methodology used to review the on-time performance charges paid by Amtrak included the following:

Attachment 4

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- Reviewed Operating Agreement and subsequent side agreements noting pertinent sections relating to the nature, amount, and description of billable cost components of each item included in the audit.
- Reviewed copies of SPCSL incentive calculations and cost details supporting the cost billings to Amtrak.
- Reviewed various correspondences between the parties.
- Compared costs billed with current level of operations against information gathered from our records.
- Calculated amounts of over or under billing as a result of erroneous or excessive billings by SPCSL.

E. Evaluation of Internal Controls

Audit did not rely solely on SPCSL's internal control structure; rather, substantive tests were performed to determine the amount of any erroneous and/or questioned billings by the SPCSL.

F. Prior Audit Coverage

In our prior audit (Report 98-504 dated March 31, 1998), the SPCSL overbilled Amtrak approximately \$100,000 for on-time performance payments. Additionally, we noted that excessive train mileage had been claimed which affects the amounts payable for Incremental Track Maintenance, Other Train Costs, and Assumption of Liability. The SPCSL overbilling for the three accounts was approximately \$75,000.

After meeting with the SPCSL for negotiations, Amtrak settled for \$135,000 plus an additional \$18,200 for the recurring effect through December 1997.

Finding: Based upon available Amtrak records, SPCSL overcharged the Corporation by \$233,132 for the six month period.

II. FINDINGS AND RECOMMENDATIONS

Appendix V of the Agreement between the SPCSL Corporation and NRPC stipulates that Amtrak will pay SPCSL incentive payments for a train at each performance checkpoint where the train attains an on-time performance greater than 80 percent during a month. Conversely, the SPCSL will pay Amtrak penalties whenever the train's on-time performance at checkpoints

Attachment 4

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is less than 70 percent a month¹. Appendix V of the same operating agreement also outlines various situations where the SPCSL would be granted tolerances or relief for late arrivals.

Periodically, Amtrak may adjust the running times for individual segments within the route. These adjustments are formally documented in an Amendment Agreement Change (AAC).

Discussion: We recalculated the on-time performance payments using arrival and departure times obtained from Amtrak system records for on-time performance – frequently called TOSS reports. In addition to recording arrival and departure times, TOSS notes include explanation areas which can be used to help explain any train delays such as station dwell time, slow orders, mechanical delays, etc. Total running times were then compared to the respective contract provision in Appendix V or the AAC in effect for that period in time. Based upon our work results, the total overbilling, taking into consideration both overbilling and underbilling situations, is \$233,132.

The \$233,132 will be subject to adjustments for several reasons. The following are potential areas where differences between the two Corporations exist.

- The SPCSL can request an AAC to lengthen the running time for Train 22 beginning January 1998. The authorized running times for Train 22 from Granite City to Springfield and Granite City to Joliet beginning January 1998 are 100 minutes and 259 minutes respectively. Both running times are based upon a signed letter dated July 30, 1996 with the running times to be effective August 1, 1996. Although Amtrak and the SPCSL changed the running times for the two segments between August 1996 and January 1998, AACs were not located to account for the changes. By January 1998, the SPCSL was using 102 minutes and 276 minutes.
- Different records were used for departure and arrival times. Based upon various discussions with SPCSL personnel, they may use conductor delay reports, Amtrak TOSS reports, and their own dispatching records for departure and arrival times. We strictly used the Amtrak TOSS reports for our calculations. TOSS reports are the most frequently used data source and to maintain consistency, we limited our calculations to usage of these times. The contract does not specify which source is authoritative. Thus, if SPCSL produces Amtrak delay reports to support their departure and arrival times, many of the adjustments will come under negotiation, which could substantially reduce the proposed audit adjustment.
- Interpretation of time tolerances may differ between the two Corporations. For example, Amtrak documentation states that when Amtrak trains must use Track 2 on the GW, the SPCSL may take the amount of time delayed up to ten minutes because of this routing. SPCSL seems to have expanded this interpretation to encompass other delays using GW trackage in addition to Track 2.

¹ Limited to a maximum of the total incentives earned in the prior twelve (12) months.

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August 24, 2001

These and other equivalent issues form the basis of settlement negotiations with the SPCSL. Historically, actual recoveries vary significantly from the proposed adjustment amounts.

Railroad Comments: Copies of our workpapers were provided to the SPCSL for their review and comment on August 17, 2001. As of this report date, SPCSL has not commented on the OTP finding.

Recommendation: Collect all monies due Amtrak. As negotiation meetings have been significantly delayed in the past, we stated in our letter to the SPCSL that if settlement was not reached within 30 days, we would recommend that a percentage of funds be withheld from the Railroad until settlement is resolved.

Management Comments: Because of other current interactions with the UP, Contract Management has indicated that withholding of any proposed adjustment amount would not be advisable at this time.

This concludes the SPCSL OTP audit finding. We will be pleased to meet with you and your staff to further discuss this report and its contents.

Audit Staff:

Clarice Farkas – Senior Auditor
Trig Alonso – Audit Specialist

Keith H. Wolverson

Keith H. Wolverson
Senior Director - Audits

APPENDIX A

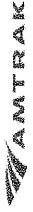
**Southern Pacific Central States Line
Summary of Account Billings
January 1998 – December 1999**

Performance Payments	\$1,295,443	40.3%
Incremental Track Maintenance	1,237,254	38.5%
Other Train Costs	597,815	18.6%
Prior Months Adjustments	44,005	1.4%
Assumption of Liability	<u>37,422</u>	<u>1.2%</u>
 Total	 <u>\$3,211,939</u>	 <u>100.0%</u>

APPENDIX B

NRPC - Office of the Inspector General - Audits
 SPCSL Railroad - On Time Performance
 Summary Schedule of Incentive Calculations
 Jan 98 - Dec 99

	Train 21		Train 22		Train 300		Train 303		Train 304		Train 305		Total
	JOL-SPI	SPI-XWR	XWR-SPI	SPI-JOL	XWR-SPI	SPI-JOL	JOL-SPI	SPI-XWR	XWR-SPI	SPI-JOL	JOL-SPI	SPI-XWR	
Jan-98	\$ 8,012	\$ 5,652	\$ 7,756	\$ 15,342	\$ -	\$ -	\$ 1,095	\$ 2,521	\$ 1,280	\$ -	\$ 548	\$ 2,032	\$ 44,236
Feb-98	-	3,006	2,467	6,700	-	(422)	-	-	1,267	-	-	3,316	\$ 15,346
Mar-98	-	(233)	5,235	7,044	1,280	-	6,327	1,238	-	-	5,056	1,479	\$ 30,427
Apr-98	8,415	-	4,991	9,828	-	-	6,327	1,238	-	(1,427)	2,784	1,701	\$ 33,858
May-98	10,526	1,512	8,782	6,733	2,521	2,092	-	-	-	-	-	310	\$ 32,477
Jun-98	9,052	5,184	15,382	3,955	4,784	3,773	-	-	1,233	2,813	(2,834)	981	\$ 44,323
Subtotal:	\$ 36,005	\$ 15,122	\$ 44,634	\$ 51,603	\$ 8,584	\$ 5,443	\$ 13,749	\$ 4,998	\$ 3,774	\$ 1,386	\$ 5,554	\$ 12,819	\$ 203,671
Jul-98	2,088	2,238	13,540	4,216	3,752	-	2,092	-	2,482	-	2,794	1,651	\$ 34,855
Aug-98	4,642	2,521	20,416	4,228	1,236	2,096	2,092	-	1,280	1,392	551	-	\$ 40,446
Sep-98	12,232	5,007	12,400	5,610	238	2,068	4,239	-	(1,239)	2,826	5,056	6,675	\$ 56,133
Oct-98	4,218	1,496	7,506	6,768	-	-	-	2,482	3,645	8,436	5,405	3,353	\$ 43,309
Nov-98	4,832	2,866	3,753	1,392	-	-	-	2,515	1,008	3,955	-	6,655	\$ 26,976
Dec-98	2,092	3,607	8,648	-	-	-	-	2,521	5,003	1,395	3,647	4,499	\$ 31,411
Subtotal:	\$ 30,104	\$ 17,734	\$ 66,263	\$ 22,216	\$ 6,239	\$ 4,176	\$ 8,423	\$ 7,517	\$ 12,180	\$ 18,004	\$ 17,443	\$ 22,833	\$ 233,132
Total:	\$ 66,109	\$ 32,856	\$ 110,897	\$ 73,819	\$ 14,823	\$ 9,619	\$ 22,172	\$ 12,515	\$ 15,954	\$ 19,390	\$ 22,997	\$ 35,651	\$ 436,803



NATIONAL RAILROAD PASSENGER CORPORATION
OFFICE OF INSPECTOR GENERAL - AUDITS
10 G STREET, N.E., SUITE 3W-300
WASHINGTON, D.C. 20002-4285

AUDIT REPORT

**SOUTHERN PACIFIC CENTRAL STATES LINE
PROPOSED DOLLAR ADJUSTMENTS IN BILLING STATEMENTS**

Report Addressed To:

**LEE W. BULLOCK
VICE-PRESIDENT – FREIGHT RAILROAD AFFAIRS
60 Massachusetts Avenue, N.E.
Washington, D.C. 20002**

This final report is privileged and confidential and is prepared for the addressee in conjunction with the Office of the General Auditor's Annual Audit Program. This final report may not be released to any organization outside Amtrak or to any internal department without the approval of Amtrak's Office of Inspector General - Audits.

**REPORT DATE: August 3, 2001
REPORT NUMBER: 01-506**

NATIONAL RAILROAD PASSENGER CORPORATION
OFFICE OF THE INSPECTOR GENERAL - AUDITS
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REPORT NUMBER: 01-506

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II. FINDINGS AND RECOMMENDATIONS

Finding: *Based upon available Amtrak records, SPCSL overcharged the Corporation by \$203,671 for the six-month period.* 4

APPENDIX - Summary of Account Billings

**Southern Pacific Central States Line Railroad
Report Number: 01-506
Audit of Railroad Monthly Statement of Charges**

EXECUTIVE SUMMARY

This interim report summarizes our review of the Southern Pacific Central States Line (SPCSL) billing statements that covered the period of January 1998 – June 1998. This is the first of four reports. The remaining three reports will cover the period of July 1998 through December 1999 in six month intervals.

The purpose of our audit was to determine whether the SPCSL properly billed reimbursable charges in accordance with the amended agreements between Amtrak and the SPCSL.

Our audit determined that the billing statements were not always accurate and accordingly, we proposed an audit adjustment totaling \$203,671 in on-time performance payments due Amtrak.

In the final negotiation process, SPCSL representatives have consistently provided additional information and/or data, which may affect the final amount settled and agreed to by both Amtrak and the SPCSL. Thus, the adjustment amount of \$203,671 should not be taken as the full receivable value due the Corporation. Details for this audit finding are presented in the attached report.

SOUTHERN PACIFIC CENTRAL STATES LINE RAILROAD

AUDIT OF SPCSL BILLINGS

AUDIT REPORT

I. INTRODUCTION

The National Railroad Passenger Corporation (NRPC) originally entered into an agreement effective November 8, 1989, with the Southern Pacific Central States Line Railroad (SPCSL) to operate eight trains in the state of Illinois between Joliet and Granite City on a daily round trip basis.

A. Background

The above-mentioned agreement between the SPCSL and Amtrak states that the Railroad will provide Amtrak with the use of facilities and requested services for or in connection with the operation of Amtrak's trains over the Rail Lines of the Railroad. The agreement sets out certain standards for operations including the requirement that SPCSL provide services in an economic and efficient manner and that they cooperate in good faith with Amtrak in providing service, which will contribute to the success of Amtrak's Intercity Rail Passenger Service.



Section 5.2B of the agreement contains provisions allowing Amtrak to review and evaluate SPCSL's operations, performance, and costs. The Railroad is required to maintain supporting records with respect to SPCSL's accounting, operations, mechanical work, and any other related data as may reasonably concern the performance of services for Amtrak. Such records are to be maintained and accumulated on a location-by-location basis with retention periods of no less than 36 months. Either party to the contract has the right to inspect books and records of the other party at its usual place of business, on reasonable notice, and during business hours.

Appendix IV of the agreement identifies actual and flat rate costs that the Railroad may bill Amtrak through various accounts. Flat rated costs consist of individual cost components that were in effect at the time the agreement was signed. SPCSL's major cost component was on-time performance payments. Appendix V details the calculation methodology for on-time performance payments. SPCSL earns incentive payments when a train's on-time performance at a performance checkpoint is greater than 80 percent during the month.

Attachment 4

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Conversely, if on-time performance is less than 70 percent, the SPCSL is liable to pay Amtrak penalties to be calculated according to the agreement.

OIG issued a prior audit report, 00-504 dated September 29, 2000, and submitted adjustments to the SPCSL based upon statistical sampling of six of the 24 months within the January 1998 – December 1999 period. After issuance of this report, the SPCSL declined to accept its results and now requires that each month be audited rather than accepting statistical sampling as a valid audit methodology. Accordingly, the work required was expanded. This is the first of four reports to be issued.

For the entire audited period, January 1998 through December 1999, SPCSL billed Amtrak \$3,211,939.

B. Scope

The audit scope focused on on-time performance and encompassed the period of January 1998 – June 1998. Beginning January 2000, a new contract with the Union Pacific absorbs the SPCSL. Separate billings are no longer provided for the SPCSL Railroad.

Three other accounts (Incremental Track Maintenance, Other Train Miles, and Assumption of Liability) represent the larger dollars billed to Amtrak. We performed a limited review of these accounts and the risk is minimal of any overbilling. Accordingly, no further work was performed.

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Our audit objectives were (1) to determine if charges claimed on the monthly SPCSL Revenue/Expense Summary Statements (Greenbills) were contractually authorized, properly supported, and accurately summarized; and (2) to determine whether cost savings could be incurred through more efficient and effective SPCSL operations.

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- Reviewed various correspondences between the parties.
- Compared costs billed with current level of operations against information gathered from our records.
- Calculated amounts of over or under billing as a result of erroneous or excessive billings by SPCSL.

E. Evaluation of Internal Controls

Audit did not rely solely on SPCSL's internal control structure; rather, substantive tests were performed to determine the amount of any erroneous and/or questioned billings by the SPCSL.

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In our prior audit (Report 98-504 dated March 31, 1998), the SPCSL overbilled Amtrak approximately \$100,000 for on-time performance payments. Additionally, we noted that excessive train mileage had been claimed which affects the amounts payable for Incremental Track Maintenance, Other Train Costs, and Assumption of Liability. The SPCSL overbilling for the three accounts was approximately \$75,000.

After meeting with the SPCSL for negotiations, Amtrak settled for \$135,000 plus an additional \$18,200 for the recurring effect through December 1997.

Finding: *Based upon available Amtrak records, SPCSL overcharged the Corporation by \$203,671 for the six month period.*

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The \$203,671 will be subject to adjustments for several reasons. The following are potential areas where differences between the two Corporations exist.

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These and other equivalent issues form the basis of settlement negotiations with the SPCSL. Historically, actual recoveries vary significantly from the proposed adjustment amounts.


Railroad Comments: Copies of our workpapers were provided to the SPCSL for their review and comment on July 20, 2001. A conference call with SPCSL representatives has been scheduled for August 10. As of this report date, SPCSL has not specifically commented on the OTP finding.

Recommendation: Collect all monies due Amtrak. As negotiation meetings have been significantly delayed in the past, we stated in our letter to the SPCSL that if settlement was not reached within 30 days, we would recommend that a percentage of funds be withheld from the Railroad until settlement is resolved.

This concludes the SPCSL OTP audit finding. We will be pleased to meet with you and your staff to further discuss this report and its contents.

Audit Staff:

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APPENDIX

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January 1998 – December 1999**

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