



December 22, 2016

The Honorable Ron Johnson
Chairman
Committee on Homeland Security
and Governmental Affairs
United States Senate
Washington, DC 20510

The Honorable Charles E. Grassley
Chairman
Committee on the Judiciary
United States Senate
Washington, DC 20510

Dear Chairman Johnson and Chairman Grassley:

This memorandum responds to your letter of February 27, 2015, which requests information relating to our audits and investigations of Amtrak's programs and operations. The information below corresponds to the seven questions listed in your letter.

1. As of December 1, 2016, there were 50 outstanding unimplemented recommendations from 22 audit and evaluation reports. Management agreed or generally agreed with 49 recommendations and disagreed with 1 recommendation.¹

The provided Attachment lists our specific recommendations, management's agreement decisions, and the associated dates for this period. The outstanding unimplemented recommendations include potential cost savings of approximately \$286.1 million.

2. We had one investigative report that was not responded to within 60 days. In that case, we investigated an allegation that an Amtrak passenger conductor violated a company policy by engaging in conduct that created a conflict of interest between his employment at Amtrak and a personally owned business. We found that the passenger conductor engaged in a conflict of interest between

¹ The company disagreed with one recommendation in our audit of an Amtrak technical support services contract. However, the company response to the draft report outlined a planned action that would address the intent of the recommendation.

his personal website development business and his employment by creating a website for a local safety reporting project. We also found evidence that the project facilitator solicited the employee to create the website, and that the conductor eventually invoiced the company for \$3000. On May 18, 2016, we submitted our report of investigation. On September 29, 2016, the company agreed with our findings and responded they had counseled the employee. Also, they did not pay the invoice and the project was suspended.

3. We had two investigations involving employees at the equivalent of a GS-15 level or above in which misconduct (a company policy violation) was found:
 - **OIG-I-2016-523.** We received an allegation that an Amtrak executive was violating computer use policies by viewing sexually explicit images on his Amtrak computer. Our review confirmed the allegation. Contrary to company policy, the employee viewed sexually explicit material using a personally-owned USB storage device connected to his company-issued laptop. During our investigation, we documented nine occasions between July 7 and July 31, 2016, during which he viewed this material on his computer. The employee confessed to the allegation, and the company terminated his employment.
 - **OIG-I-2016-520.** In March 2015, we received an allegation that an Amtrak Assistant Superintendent received a double payment for relocation expenses by using Amtrak's Corporate Lodging Consultants (CLC) credit card for his hotel expenses (which was billed directly to Amtrak) and accepting an advance payment from the company for the same expenses.

Our review confirmed the allegation. Contrary to company policy, the employee received a double payment for three company-funded relocations in 2011, 2012, and 2014. The employee received a total of \$20,000 in advance payments and charged more than \$13,000 to the company's CLC card.

We also determined that the employee's supervisor, the Superintendent of the Region, failed to properly address this issue when it was brought to his attention. The local United States Attorney's Office declined criminal prosecution of the Amtrak Assistant Superintendent. However, the company terminated both managers' employment for failure to follow company policy.

4. We did not have any instances of whistleblower retaliation.

5. We did not have any instances of attempts by the company to interfere with IG independence.
6. We did not have any instances in which the company resisted or objected to oversight activities, or restricted or significantly delayed access to information.
7. We have 12 closed investigative matters that were not publicly disclosed.
 - **DC-13-0207-HL-O.** This case involved an allegation that an Amtrak Manager was paying employees overtime for hours not worked. The allegation was unsubstantiated. Closed: May 5, 2016.
 - **DC-14-0373-HL-O.** This case involved allegations of improper hiring and promotions within Amtrak's IT Department, as well as allegations of misappropriation of Federal Railroad Administration (FRA) funds and conflict of interest in the award of contracts. The allegations were unsubstantiated. Closed: June 28, 2016.
 - **DC-15-0188-O.** This case was a proactive investigation of potential violations of Amtrak's computer usage policy regarding pornography with a focus on potential child exploitation. Three active investigations were opened as a result of this review. The proactive case was closed on June 2, 2016.
 - **PA-15-0251-O.** We investigated allegations of potential time and attendance fraud by an Amtrak employee. The subject of the investigation voluntarily separated from Amtrak. Closed: August 1, 2016.
 - **PA-16-0126-O.** This case involved allegations that an Amtrak contractor made false representations regarding software provided under a contract with Amtrak. The allegations were unsubstantiated. Closed September 20, 2016.
 - **MA-16-0319-O.** This case involved potential overbilling by an Amtrak contractor. No overbilling was identified. Closed: October 19, 2016.
 - **IL-14-0315-O.** This case involved an allegation of suspicious billing activities by a healthcare provider for medical services to Amtrak employees. The allegation was unsubstantiated. Closed: July 29, 2016.
 - **IL-15-0277-HL-O.** This case involved allegations that an Amtrak employee committed insurance fraud by submitting false claims for treatments that were not performed, and that the employee also abused leave granted by the Family and Medical Leave Act. The allegations were unsubstantiated. Closed: August 29, 2016.

- **CA-15-0129-O.** This case involved allegations that the contracting officer's technical representative restricted the competitive contracting process. The allegation was unsubstantiated. Closed: September 29, 2016.
- **CA-15-0286-O.** This case involved allegations that an Amtrak employee sexually assaulted a passenger on board an Amtrak train. The allegation was substantiated; and the employee was terminated and is pending prosecution by state authorities. Closed: September 29, 2016.
- **CA-15-0456-O.** This case involved allegations that an Amtrak contract employee was transporting prohibited narcotics from the United States to Canada. The allegation was unsubstantiated. Closed: May 9, 2016.
- **CA16-0001-O.** This case involved allegations that a retired Amtrak employee failed to report income he received from the Railroad Retirement Board. The allegation was unsubstantiated. Closed: March 30, 2016.

If you have any questions, please contact me or Kevin Winters, our Deputy Inspector General/Counsel, at 202-906-4600.

Sincerely,



Tom Howard
Inspector General

Attachment

cc: The Honorable Thomas R. Carper
Ranking Minority Member
Committee on Homeland Security and Governmental Affairs

The Honorable Patrick J. Leahy
Ranking Minority Member
Committee on the Judiciary

Summary of Reports with Open Recommendations, as of December 1, 2016

Line #	Report # and Issue Date	Report Title	Funds to be Put to Better Use	Questioned Costs	Mgmt Decision
1	E-11-03 6/23/2011	Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps 1 We recommend that the President and CEO direct that actions be taken to establish a pilot project of cashless food and beverage sales on selected routes and trains to determine the short- and long-term effects on operations loss prevention, revenues, costs, customer satisfaction, and the on-board work environment.			Agreed
2	109-2010 9/29/2011	Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant 3c We recommend that the President and CEO direct the Program Director to continue to work with other parties to develop a strategy for achieving ADA compliance for stations Amtrak serves but does not have ADA-compliance responsibility.			Agreed
3	OIG-E-2012-012 5/31/2012	Strategic Asset Management Program: Opportunities to Improve Implementation and Lessons Learned 9 Based on lessons learned from SAM R1a implementation, we recommend that the CIO take the following actions for all ongoing and future major IT implementations: Develop testing policies and procedures to provide for a decision-making process that includes independent review of test plans and results before the plans are approved and after they are executed. The independent reviewers must certify to the steering committee the plan's completeness and test results to help provide assurance that implementation will be successful. Review of the plan's completeness should include but not be limited to: a. testing of end-to-end business processes, all system interfaces, and data that represent a broad cross-section of daily user transactions and business scenarios;			Agreed

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		<ul style="list-style-type: none"> b. quality and reliability of all transferred data; c. regression and volume testing of the new system; and d. involvement of key business users who are independent of project team members in user acceptance and approval. 			
4	10	<p>Based on lessons learned from SAM R1a implementation, we recommend that the CIO take the following actions for all ongoing and future major IT implementations:</p> <p>Develop and enforce standards for documenting "As-Is" and "To-Be" business processes at an appropriate level of detail, and gather detailed user requirements in developing new systems. For each program, IT should involve an adequate number of subject-matter experts and process owners during the requirements analysis, design, and testing phases.</p>			Agreed
5		<p>OIG-A-2013-009 3/26/2013</p> <p>Management of Overtime: Best Practice Controls Can Help in Developing Needed Policies and Procedures</p> <p>1 Develop corporate-wide policies and procedures for authorizing the use of overtime that address cost-effectiveness, operational efficiency, and safety. These policies and procedures should incorporate the best practices discussed in this report, including: tone at the top; standard employee, supervisory, and timekeeper responsibilities; timing of supervisory approvals; procedures to verify that hours claimed are actually worked; and standard procedures for capturing data that identify the reasons for overtime.</p>			Agreed
6		<p>OIG-A-2013-013 4/16/2013</p> <p>Information Technology: Opportunities Exist to Improve Services, Economies, and Contract Performance</p> <p>18 In the short term, we recommend that the CIO engage IBM to establish specific timeframe and secure dedicated resources for the resolution of service delivery and contract performance issues identified in IBM's most recent Service Management Review report.</p>	\$31,400,000.00		Agreed

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7	9	In the long term, we recommend that the CIO, working with business partners improve the quality of requests for proposals, statements of work, and contract terms and conditions; and develop policies and procedures for ensuring that business requirements are fully identified before the IT competitive process is started.			Agreed
8	12b	In the short term, we recommend that the CIO working with business partners, plan to take advantage of cost-saving opportunities in the following areas: b. Reducing the amount of data retained.			Agreed
9	12c	c. Controlling multiple sets of production data.			Agreed
10	12d	d. Reducing excessive storage space not needed.			Agreed
11	OIG-A-2013-015 6/12/2013	Real Property Management: Applying Best Practices Can Improve Real Property Inventory Management Information 1 To create a more efficient and accurate real property inventory management information system, we recommend that the President and CEO direct the departments having real property management responsibilities to work together to develop a comprehensive real property inventory management information system that includes consideration of the best practices identified in this report.			Agreed
12	OIG-E-2013-021 9/27/2013	Asset Management: Amtrak is Preparing to Operate and Maintain New Locomotives, but Several Risks to Fully Achieving Intended Benefits Exist 2bi The designated official should ensure that the sequence for decommissioning Amtrak's existing electric locomotives is finalized. The sequence should reflect a cost-effective approach, supported by an analysis that includes plans for the disposition of each existing locomotive (sell, scrap, lease, or store) and where and how they will be stored while waiting disposition or return to the lessor.			Agreed

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	OIG-A-2014-001 10/31/2013	Food and Beverage Service: Potential Opportunities to Reduce Losses				
13	1	We recommend that the President and CEO direct the VP, Operations to pilot contracting with a third party to provide onboard food and beverage services on selected routes to determine the qualitative and quantitative costs and benefits of this approach.		\$154,200,000.00		Generally agreed
14	3	We recommend that the President and CEO direct the VP, Operations to develop food and beverage cost and revenue data by train, car, and departure date to reduce the reliance on allocated financial data when developing financial performance reports.				Generally agreed
15	4	We recommend that the President and CEO direct the VP, Operations to ensure that the onboard point-of-sale system includes the capability to provide relevant business management data, such as time-of-sale.				Generally agreed
16	2b	Develop performance measures and metrics for assessing the sales performance of service attendants.		\$21,000,000.00		Generally agreed
17	2c	Develop a program to reward high sales performers and counsel or hold accountable low sales performers.				Generally agreed
	OIG-A-2014-009 7/15/2014	Governance: Improved Policies, Practices, and Training Can Enhance Capital Project Management				
18	2	We recommend that the President and CEO, when the company-wide policies are developed, require each department to develop project management policies that are consistent with the overall policy, and to tailor the policies to their specific activities.				Agreed
19	3	We recommend that the President and CEO direct the Chief Human Capital Officer to lead an effort with the appropriate departmental executives to develop a project management training program.				Agreed

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20	OIG-E-2015-001 10/23/2014	Asset Management: Opportunities Exist to Enhance Decision-Making Process for Utilization of Long-Distance Equipment			
	1b	Ensure that a consistent process that follows sound business practice is developed, documented, and implemented for decisions related to the utilization of long-distance equipment. This process should: b) Include a consistent methodology for determining the appropriate shop count for different types of equipment.			Generally agreed
21	OIG-A-2015-005 2/11/2015	Governance: Opportunities Exist to Improve the Efficiency of Procurement Practices for Goods and Services			
	1	We recommend that the Chief Financial Officer, where possible, implement the use of more economical purchasing practices identified in this report to help ensure that the lowest cost is paid for materials, negotiating discounts for early payments, and negotiating extended payment terms with vendors.	\$28,200,000.00		Agreed
22	OIG-A-2015-008 3/10/2015	Acquisition and Procurement: Improved Management Will Lead to Acela Parts Contract Cost Savings [Redacted]			
	1	We recommend that the Senior Vice President/Chief Mechanical Officer and Vice President/Chief Procurement and Logistics jointly take, and assign accountability and milestones for, the following actions for the following: Develop the appropriate internal controls and data systems to effectively manage, monitor, and oversee the contract.			Agreed
23		2 Define, assign, and document the roles and responsibilities of the key officials responsible for managing the parts contract.			Agreed
24		5 Develop a formal agreement for the assessment of penalties for parts and incentive payments that is based on a business case analysis of cost and benefits, and preserves contract provisions to assess penalties in the future.	\$19,000,000.00		Agreed

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25	6	Work with Alstom to resolve outstanding warranty claims and amend contract warranty provisions to facilitate timely resolution of warranty issues, such as establishing time limits for settlement, specifying warranty coverage of components and parts, and defining warranty exclusions.		\$18,000,000.00		Agreed
	OIG-A-2015-009 3/13/2015	Human Capital: Incentive Awards Were Appropriate, But Payment Controls Can Be Improved				
26	2	Create an official policy documenting the established rules governing the plan and develop procedures for approving and documenting the exceptions. The incentive committee should approve these documents.				Agreed
27	3	Before the incentive payments are calculated, establish and document policies for updating the payroll system with correct employee compensation information and for finalizing performance ratings.				Agreed
28	4	Allow sufficient time to develop and test the automated system for calculating incentive payouts to help ensure that the actual calculations are correct and comply with the established policies and procedures.				Agreed
	OIG-A-2015-010 5/19/2015	Information Technology: Reservation System Infrastructure Updated, but Future System Sustainability Remains an Issue				
29	1	The Chief Information Officer should complete a comprehensive reservation system strategy to ensure sustainability and growth as well as the successful integration with other company-wide technology modernization efforts.				Agreed
	OIG-A-2016-002 12/16/2015	Governance: Alignment with Best Practices Could Improve Project Management Office Implementation				
30	2	We recommend that the Executive Vice President and Chief Operations Officer work with the executive vice presidents to ensure the planned department-level PMO initiatives are consistent with the company-wide initiatives, to avoid potential waste while company-wide PMO policies and procedures are being developed.				Agreed

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	OIG-A-2016-003 2/1/2016	Asset Management: Additional Actions Can Help Reduce Significant Risks Associated with Long-Distance Passenger Car Procurement				
31	1	<p>We recommend that the Executive Vice President/Chief Operations Officer take the following actions to help ensure that the Mechanical department and Procurement office continue to improve their management of the project and address project challenges in a timely manner:</p> <p>Establish a more structured, integrated approach to managing the project, such as the approach being used to manage the company's Gateway program. Key issues that need to be addressed are clarifying project decision-making authority and accountability within the matrix management framework.</p>				Agreed
32	2	Perform an overall project risk assessment and develop a single risk mitigation plan showing all stakeholders and their accountability for actions.				Agreed
33	3	Review the current project cost estimate to ensure that the estimate includes costs for additional project management resources, spare parts purchases, and car modifications.				Agreed
34	4	To the extent needed, identify sources of funding to meet project costs that exceed the current project budget.				Agreed
	OIG-A-2016-008 6/8/2016	ACQUISITION AND PROCUREMENT: Adequate Competition for Most Contracts Awarded Under Americans with Disabilities Act Program but Procurement Policies Could be Improved				
35	1	<p>We recommend that the Vice President/Chief Procurement and Logistics take the following actions to update the Amtrak Procurement Manual:</p> <p>Define a Master Service Agreement</p>				Agreed
36	2	Clarify the extent to which competition should occur when task orders are issued under these agreements.				Agreed

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37	3	Specify the record-keeping requirements for issuing task orders under these agreements.				Agreed
38		OIG-A-2016-009 7/15/2016	GOVERNANCE: Controls to Avoid Duplicate Medical Payments of Agreement Employees Appear Generally Effective, but Some Payment Errors Still Occur			
	1	We recommend that the Executive Vice President/Chief Human Capital Officer consider taking the following actions: Direct third-party claim administrators to review potentially duplicate payments that we identified, if cost-effective, to recover additional company funds, as appropriate.			\$4,300,000.00	Agreed
39	2	Apply a testing methodology, such as the one we have developed, for proactively reviewing the paid medical claims for potential duplicates.				Agreed
40	3	Develop a cost-effective plan and timeframes for monitoring future medical claims using an independent assessment.				Generally Agreed
41		OIG-A-2016-010 8/9/2016	INFORMATION TECHNOLOGY: Progress Made Installing Video Surveillance Systems, But Coverage and Performance Could Be Improved			
	1	We recommend that the Vice President, EMCS update the December 2015 strategic plan to address the following issues: <ul style="list-style-type: none"> Identify existing gaps in video coverage at key locations, and develop a risk-based plan to ensure that all key VSS locations are connected to the video network and can be viewed remotely. Determine whether the video systems of other departments and external business partners can be integrated into the video network to enhance and expand critical video coverage and provide remote-viewing capabilities. Assess the cost-effectiveness of providing real-time, continuous monitoring of video cameras at select viewing centers to enhance the company's ability to detect and respond to a significant security incident at high-risk stations. Identify actions to update the company's VSS policy to (a) include technical planning guidance and standards to help ensure system 				Agreed

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		<p>compatibility between the video assets owned by EMCS and other departments, and (b) identify who will be responsible for maintenance and repair of existing as well as planned video systems.</p> <ul style="list-style-type: none"> • Identify the status of efforts and a schedule for migrating the video network from the Federal Information Security Management Act to other applicable security standards. • Develop cost estimates and a plan for obtaining additional funding to achieve planned goals and objectives, and identify performance metrics to measure the success of the strategic plan. 				
42	OIG-A-2016-011 9/7/2016	1	<p>TRAIN OPERATIONS: Adopting Leading Practices Could Improve Passenger Boarding Experience</p> <p>We recommend that the Board of Directors direct the company to take the following actions to improve passenger boarding:</p> <p>Designate a senior accountable official, most likely in Operations, to lead a company-wide effort to enhance the boarding process and customer experience, and ensure that this official has adequate authority to manage and implement this effort across the company.</p>			Agreed
43		2	<p>Task this senior accountable official with developing a strategy to guide a company-wide effort to enhance the boarding process and customer experience, emphasizing the leading practices described in this report. The strategy should include, at a minimum, documented action plans for the 20 busiest stations—with particular attention to New York Penn Station and Washington Union Station. The strategy should be administered using generally accepted program management principles, such as goals, requirements, timeframes for completions, and metrics to gauge effectiveness</p>			Agreed

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	OIG-A-2016-013 9/30/2016	ACQUISITION AND PROCUREMENT: Opportunities Exist to Improve Management of Technical Support Services Contracts				
44	1	We recommend that the Senior Vice President/Chief Financial Officer direct the Vice President/Chief Procurement and Logistics to take the following actions: Apply the leading practices we identified in this report to future technical support contracts.				Agreed
45	2	Collect data on the cost of technical support services and the agreed-upon performance targets to help facilitate decision-making on whether to extend the contract beyond 15 years.				Agreed
46	3	Assess whether it would be cost-effective to purchase (a unit or units) of equipment equivalent to the cost of the spare parts to reduce future interest expenses.		\$6,800,000.00		Disagreed ^a
47	4	Identify available cost-effective options for reducing the duplicate inventory of spare parts maintained by the company.		\$3,200,000.00		Agreed
48	5	Evaluate whether additional opportunities exist to reduce maintenance costs resulting from the acquisition of the new locomotives				Agreed
	OIG-A-2017-001 10/6/2016	SAFETY AND SECURITY: Progress Made in Implementing Positive Train Control, but Additional Actions Needed to Ensure Timely Completion of Remaining Tasks				
49	1	We recommend that the Executive Vice President/Chief Operations Officer take the following actions: Re-evaluate and update current program cost estimates, consistent with leading practices, and ensure that these costs are disclosed in the company's financial plans—including the likely costs of reimbursing host railroads—to ensure that sufficient funds are available to complete the installation of the PTC system by December 31, 2018.				Agreed

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50	3	Enhance the project schedule, consistent with leading practices, by identifying all critical remaining implementation tasks and milestones for completion, and by establishing a process to periodically review the status of remaining actions to measure progress.		Agreed
			\$281,800,000.00	\$4,300,000.00

Note: ^a The company disagreed with this recommendation. However, the company response to the draft report outlined a planned action that would address the intent of the recommendation.

Management Decision Totals	
Agreed	42
Generally Agreed	7
Disagreed	1
Total # of Recs	50
Total # of Reports	22
Total \$ of Cost Savings	286,100,000.00