



AMTRAK | Office of
Inspector General
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OIG STATUS REPORT:

OCTOBER 1 THROUGH DECEMBER 31, 2014



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OIG Status Report, October 1 through December 31, 2014

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OIG Status Report October 1 through December 31, 2014

ONGOING AUDIT PROJECTS

We had 17 ongoing audits addressing 6 focus areas of our Annual Audit Plan as of December 31, 2014.

Project Inventory by Category



Governance

Best Practices for Establishing and Operating Project Management Office – Review the extent to which best practices are being adopted into the project management office’s structure, as well as operation policies and practices. Survey Phase

Monitoring the Work of Amtrak’s Independent Public Accountant Conducting the FY 2013 Financial Statement Audit – Determine whether the IPA performed the audit of Amtrak’s Consolidated Financial Statements in accordance with generally accepted government auditing standards. Final Report Phase

Monitoring the Work of Amtrak’s Independent Public Accountant Conducting the FY 2013 A-133 Audit – Determine whether the IPA performed the single audit in accordance with generally accepted government auditing standards and the Office of Management and Budget Circular A-133. Final Report Phase

Data Analytics – Assess the effectiveness of management controls in the corporation’s business processes, identify opportunities to control risks and improve efficiency and effectiveness of business operations; and prevent, detect, and deter instances of fraud, waste and abuse in the company. We have three data analytics projects underway

addressing payment terms and discounting, medical healthcare claims for agreement employees, and payroll. Final/Draft Report Phase

Acquisition and Procurement

Assessing the Efficiency and Effectiveness of Management Processes for Overseeing the Siemens Locomotive Technical Support Contract – Review the adequacy of contract oversight and administration focusing on cost, schedule, and performance in terms of the contract’s effect on equipment availability and reliability rates. Survey Phase

Survey of Issues Related to the North East Corridor Infrastructure Projects – The successful accomplishment of Northeast Corridor ongoing and planned infrastructure projects in an effective and efficient manner are of high priority to the corporation, the Board of Directors, the Congress, and other stakeholders.

We are actively monitoring the Gateway projects. Our overall objective is to stay apprised of NEC infrastructure planning and implementation issues. Our specific objective is to provide stakeholders timely information and recommendations, where appropriate, based on a review of emerging issues.

Review of Acela Spare Parts Support Service Contract – Spare parts for the Acela fleet are provided through a contract between Amtrak and the Alstom Corporation. The objective of this audit is to assess the adequacy of contract oversight, administration and contractor performance for the Alstom contract. We will focus on the company’s oversight of contractor cost, schedule, and performance. Final Report Phase

Train Operations & Business Management

Review of Long-Distance Car Manufacturing Contractual Performance – 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. Analysis Phase

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, NJ. 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. Draft Report Phase

Information Technology

Review of Reservation Ecosystem Next Generation Program – The objective of this audit is to assess the adequacy of planning, development, and oversight of the Reservation Ecosystem Next Generation Program focusing on the areas of cost, schedule, and performance. Draft Report Phase.

Asset Management

Review of the 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. Survey Phase

Survey of Real Property Costs and Revenue Issues – The objective of this survey is to determine whether opportunities exist to reduce costs and increase revenues from the use of real property assets. Survey Phase.

Safety and Security

Review of the Implementation of the Safe-2-Safer Program – The objective of this audit is to review the effectiveness and efficiency of the program's implementation, and determine the extent to which program goals have been achieved and are integrated with other safety programs. Draft Report Phase

Review of Police Department Staffing Processes and Practices – The objectives of this audit are to (1) assess the police department's process for determining the appropriate size and composition of its staff and (2) determine whether the current staffing process could be improved by utilizing best practices. Final Report Phase.

Review of Efforts to Implement Positive Train Control – The objective of this audit is to assess the company's progress in implementing Positive Train Control (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. Analysis Phase

OFFICE OF AUDITS REPORTS ISSUED

We issued 2 reports since October 1, 2014 addressing 2 focus areas in our Annual Audit Plan.

Asset Management

OIG-E-2015-001

October 23, 2014, Opportunities Exist to Enhance Decision-Making Process for Utilization of Long-Distance Equipment

The company is undertaking initiatives to improve the utilization of its long-distance equipment, but the benefits associated with those initiatives may be overstated because the processes used to support the decisions, although generally sound, have not been as analytically rigorous or disciplined as they should be to support strategic decision-making.

One initiative, led by the long-distance business line, has identified several actions to increase equipment utilization. The business line started implementing two of these actions although it has 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 that 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 recommend 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.

Acquisition and Procurement

OIG-A-2015-002

December 19, 2014, Acquisition and Procurement: Gateway Program Projects Have Certain Cost and Schedule Risks

This is our second report on Amtrak's Gateway Program, a planned but not fully funded set of projects¹ that would double rail capacity between Newark, New Jersey, and Penn Station, New York City, including two new rail tunnels under the Hudson River. The team managing these projects consists of officials from the Office of Northeast Corridor (NEC) Infrastructure and Investment Development, and the Amtrak Engineering department. The two initial projects are to construct concrete casings (box tunnels) in New York City:

- project one: beneath the eastern rail yard of Hudson Yards
- project two: beneath 11th Avenue

Risks we identified for project two in a draft of this report related to funding and environmental risk have largely been resolved. However, a new funding risk related to the construction contract cost has arisen that has delayed the planned December 8, 2014 start date. This delay could impact the project's schedule and increase costs.²

Good progress has been made toward completing project one on schedule. Since our February 2014 report, the estimated cost has increased by about \$7.7 million (4.15 percent) from \$185 million to about \$192.7 million. The company's share of the LIRR maintenance of equipment facility rebuild is still uncertain.

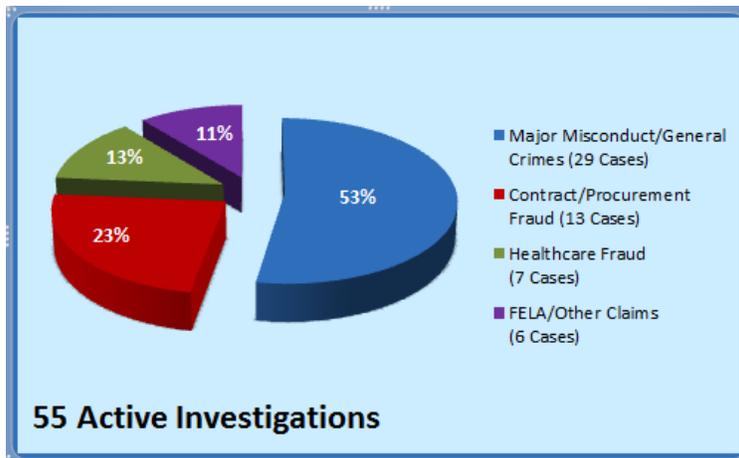
Project officials have acted on our earlier recommendations and have largely resolved the risks we identified for project two in our draft report. Also, they are working to negotiate a final construction contract for project two. Good progress has been made on completing project one. Consequently, we did not make any recommendations in this report.

¹ These planned projects include constructing two rail tunnels under the Hudson River and expanding Penn Station tracks and platforms to eventually connect to a future station.

² Certain information in this report has been redacted due to its sensitive nature.

ONGOING INVESTIGATIVE WORK

As of December 31, 2015 we had 55 active investigations focusing on significant allegations of suspected fraud, waste, and misconduct in the following areas.



NOTEWORTHY CRIMINAL, CIVIL, AND ADMINISTRATIVE ACTIONS

Theft of Fuel - 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, and charged with Theft in Bucks County Pennsylvania. 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 probation and was ordered to make restitution to Amtrak of \$2,063.

Fraud Awareness Training

Since October 1, 2014, we presented 12 fraud awareness and outreach briefings to 127 Amtrak management and union employees.

Fraud Waste and Abuse Hotline

Since October 1, 2014, we processed 92 hotline matters, most of which were referred to the company for management consideration.

OIG MISSION AND CONTACT INFORMATION

Amtrak OIG's Mission

The Amtrak OIG's mission is to provide independent, objective oversight of Amtrak's programs and operations through audits and investigations focused on recommending improvements to Amtrak's economy, efficiency, and effectiveness; preventing and detecting fraud, waste, and abuse; and providing Congress, Amtrak management and Amtrak's Board of Directors with timely information about problems and deficiencies relating to Amtrak's programs and operations.

Obtaining Copies of OIG Reports and Testimony

Available at our website: www.amtrakoig.gov.

To Report Fraud, Waste, and Abuse

Report suspicious or illegal activities to the OIG Hotline (you can remain anonymous):

Web: www.amtrakoig.gov/hotline

Phone: 800-468-5469

Tom Howard Inspector General

Mail: Amtrak OIG

10 G Street, N.E., 3W-300

Washington, DC 20002

Phone: 202-906-4600

Email: Tom.howard@amtrakoig.gov